

**OFFICIAL STATEMENT**

**Dated February 26, 2024**

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

*The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions*

**\$6,975,000**

**FLORESVILLE INDEPENDENT SCHOOL DISTRICT**

**(A political subdivision of the State of Texas located in Wilson and Bexar Counties, Texas)**

**UNLIMITED TAX REFUNDING BONDS, SERIES 2024**

**Dated Date: February 1, 2024**

**Due: February 1, as shown on following page**

The Floresville Independent School District Unlimited Tax Refunding Bonds, Series 2024 (the "Bonds") are being issued pursuant to the Texas Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and the order ("Order") adopted on February 5, 2024 by the Board of Trustees (the "Board") of the Floresville Independent School District (the "Issuer" or the "District"). As permitted by Chapter 1207, the Board, in the Order, delegated the authority to certain District officials (each an "Authorized Official") to execute an approval certificate (the "Approval Certificate") establishing the final sale terms for the Bonds. (See "THE BONDS - Authority for Issuance" herein.) The Approval Certificate was executed by the Authorized Official on February 26, 2024.

The Bonds are direct obligations payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS - Security for Payment" herein.) The Issuer has applied for and 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 will automatically become effective when the Attorney General of Texas approves the Bonds. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein; see also "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in Texas law affecting the financing of school districts in Texas.

Interest on the Bonds will accrue from the Dated Date shown above and will be payable on August 1, 2024 and semiannually thereafter on each February 1 and August 1 until stated maturity. The Bonds will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof within a stated maturity. The definitive Bonds will be registered and delivered to Cede & Co. (the "Securities Depository") the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein.

Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the District's outstanding indebtedness identified in Schedule I hereto (the "Refunded Bonds") for debt service savings, and (ii) paying the costs of issuing the Bonds. (See "THE BONDS – Authorization and Purpose".)

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SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS

INTEREST RATES, INITIAL YIELDS, AND REDEMPTION PROVISIONS FOR THE BONDS

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The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser"), and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, ("Bond Counsel"). The legal opinion of Bond Counsel will be printed on, or attached to, the Bonds. (See "APPENDIX C – Form of Legal Opinion of Bond Counsel".) It is expected that the Bonds will be available for delivery through DTC on or about March 27, 2024 (the "Delivery Date").

**\$6,975,000**  
**FLORESVILLE INDEPENDENT SCHOOL DISTRICT**  
**Unlimited Tax Refunding Bonds, Series 2024**

**MATURITY SCHEDULE**

**CUSIP <sup>(1)</sup> No. Prefix: 340423**

<b>Stated Maturity <u>2/1</u></b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Yield</b>	<b>CUSIP No. Suffix <sup>(1)</sup></b>
2029	\$1,115,000	4.000%	2.550%	LT7
2030	1,875,000	4.000%	2.550%	LU4
2031	1,950,000	4.000%	2.550%	LV2
2032	2,035,000	4.000%	2.560%	LW0

**(Interest to accrue from the Dated Date)**

The Bonds are not subject to redemption prior to stated maturity. (See "THE BONDS – Redemption".)

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<sup>(1)</sup> CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.

**FLORESVILLE INDEPENDENT SCHOOL DISTRICT**  
**1200 Fifth Street**  
**Floresville, Texas 78114**  
**Telephone: (830) 393-5300**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires (May)
Dr. Joel Odom, Board President Single Member, District 1	1.5	2024*
Liana Martinez, Board Vice President Single Member, District 3	3	2023
Bonna Reed, Board Secretary Single Member, District 2	4	2025
Jason Svoboda, Board Treasurer Single Member, District 5	6	2023
Stephen Shodrock, Board Member Single Member, District 4	2	2024
Craig Mutz, Board Member Single Member, District 6	1	2025
Marshall Flieller, Board Member Single Member, District 7	2	2024

\*Appointed June 2021.

**ADMINISTRATION**

Name	Position	Length of Service With the District
Dr. Jason Gilstrap	Superintendent	3 years
Ms. Linnci Angle	Director of Finance	5 years

**CONSULTANTS AND ADVISORS**

<b>Bond Counsel</b> .....	Norton Rose Fulbright US LLP Austin, Texas
<b>Certified Public Accountants</b> .....	Coleman, Horton & Company, LLP Uvalde, Texas
<b>Financial Advisor</b> .....	SAMCO Capital Markets, Inc. San Antonio, Texas

**For Additional Information Please Contact:**

Ms. Linnci Angle  
 Director of Finance  
**Floresville Independent School District**  
 1200 Fifth Street  
 Floresville, Texas 78114  
 Telephone: (830) 393-5300  
 Langle1@fisd.us

Mr. Mark M. McLiney  
 Mr. Andrew T. Friedman  
**SAMCO Capital Markets, Inc.**  
 1020 NE Loop 410, Suite 640  
 San Antonio, Texas 78209  
 Telephone: (210) 832-9760  
 mmcliney@samcocapital.com  
 afriedman@samcocapital.com

**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

This Official Statement, which includes the cover page, Schedule I 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 Purchaser has provided the following sentence for inclusion in this Official Statement. The Purchaser has reviewed the information in the Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Purchaser does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Purchaser. 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 "APPENDIX C - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Texas Education Agency's ("TEA") and the District's respective undertakings to provide certain information on a continuing basis.

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

IN CONNECTION WITH THIS OFFERING, THE 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 MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM DESCRIBED UNDER "BOOK-ENTRY-ONLY SYSTEM" OR THE AFFAIRS OF THE TEA DESCRIBED UNDER "APPENDIX C - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", AS SUCH INFORMATION WAS PROVIDED BY THE DEPOSITORY TRUST COMPANY AND THE 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 purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING SCHEDULE I AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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*The cover page, subsequent pages hereof, Schedule I, and the appendices attached hereto, are part of this Official Statement.*

## 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 the entire Official Statement.

<b>The Issuer</b>	Floresville Independent School District (the "Issuer" or the "District") is a political subdivision of the State of Texas located in Wilson and Bexar Counties, Texas. See "APPENDIX B – General Information Regarding the Floresville Independent School District and Wilson and Bexar Counties."
<b>The Bonds</b>	The District's Unlimited Tax Refunding Bonds, Series 2024 (the "Bonds") are being issued in the principal amount of \$6,975,000 pursuant to the Texas Constitution and general laws of the State of Texas, Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and the order (the "Order") adopted on February 5, 2024 by the Board. Proceeds from the sale of the Bonds will be used for (i) refunding the District's outstanding indebtedness identified in Schedule I hereto (the "Refunded Bonds") for debt service savings and (ii) paying the costs of issuing the Bonds. (See "THE BONDS – Authorization and Purpose".) As permitted by Chapter 1207, the Board, in the Order, delegated the authority to certain District officials (each, an "Authorized Official") to execute an approval certificate (the "Approval Certificate") establishing the final sales terms for the Bonds. (See "THE BONDS - Authority for Issuance" herein.) The Approval Certificate was executed by the Authorized Official on February 26, 2024.
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
<b>Security</b>	The Bonds are direct obligations of the Issuer and are payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS – Security for Payment" herein; see also "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in Texas law affecting the financing of school districts in Texas.) Additionally, the Issuer 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 PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.)
<b>No Redemption</b>	The Bonds are not subject to redemption prior to stated maturity.
<b>Tax Matters</b>	In the opinion of Norton Rose Fulbright US LLP, Austin, Texas, as Bond Counsel to the District, interest on the Bonds for federal income tax purposes, under and pursuant to statutes, regulations, published rulings, and court decisions existing on the date hereof, (1) will be excludable from the gross income of the owners thereof, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" and "APPENDIX D – Form of Legal Opinion of Bond Counsel" herein.)
<b>Ratings</b>	S&P Global Ratings ("S&P"), has assigned a rating "AAA" to the Bonds based on the payment of the Bonds being guaranteed by the State of Texas Permanent School Fund. On February 20, 2024, S&P upgraded the District's unenhanced, underlying rating to "AA-" from "A+" to the Bonds. (See "OTHER PERTINENT INFORMATION – Ratings" and the "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.)
<b>Book-Entry-Only System</b>	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. The principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/ Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
<b>Qualified Tax-Exempt Obligations</b>	The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)
<b>Payment Record</b>	The District has never defaulted on the payment of its bonded indebtedness.
<b>Future Bond Issues</b>	The Issuer does not anticipate the issuance of additional debt in the next twelve months.
<b>Delivery</b>	When issued, anticipated to be on or about March 27, 2024.
<b>Legality</b>	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas.

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**OFFICIAL STATEMENT**

relating to

**\$6,975,000**

**FLORESVILLE INDEPENDENT SCHOOL DISTRICT**

**(A political subdivision of the State of Texas located in Wilson and Bexar Counties, Texas)**

**UNLIMITED TAX REFUNDING BONDS, SERIES 2024**

**INTRODUCTORY STATEMENT**

This Official Statement provides certain information in connection with the issuance by the Floresville Independent School District (the "District" or "Issuer") of its \$6,975,000 Unlimited Tax Refunding Bonds, Series 2024 (the "Bonds") identified on page ii hereof.

The Issuer is a body corporate and a political subdivision of the State of Texas (the "State") duly organized and existing under the laws of the State. The Bonds are issued pursuant to the Constitution and general laws of the State, particularly Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), and an order (the "Order") adopted by the District's Board of Trustees (the "Board") on February 5, 2024. (See "THE BONDS – Authority for Issuance" herein.) As permitted by Chapter 1207, the Board, in the Order, delegated the authority to certain District officials (each an "Authorized Official") to execute an approval certificate (the "Approval Certificate") establishing the final sales terms for the Bonds. (See "THE BONDS – Authority for Issuance" herein.) The Approval Certificate was executed by the Authorized Official on February 26, 2024.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or the Financial Advisor, upon request by electronic mail or upon payment of reasonable copying, mailing, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement will be deposited with the Municipal Securities Rulemaking Board, (the "MSRB") 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 \$6,975,000 pursuant to the Texas Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, and the Order. Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the District's outstanding indebtedness identified in Schedule I hereto (the "Refunded Bonds") for debt service savings and (ii) paying the costs of issuing the Bonds.

**Refunded Bonds**

The Refunded Bonds, and interest due thereon, are to be paid on their scheduled redemption date from funds to be deposited with BOKF, NA, Dallas, Texas, a national banking association, in its capacity as the paying agent/registrant for the Refunded Bonds (the "Refunded Bonds Paying Agent"), pursuant to a Deposit Letter dated as of February 5, 2024 (the "Deposit Letter") between the District and the Refunded Bonds Paying Agent.

The Order provides that the District will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the District (if any), with the Refunded Bonds Paying Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Bonds at their scheduled date of early redemption. Such funds shall be held by the Refunded Bonds Paying Agent in a collateralized account (the "Deposit Account") irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the District, will certify as to the sufficiency of the amount initially deposited to the Deposit Account, without regard to investment (if any), to pay the principal of and interest on the Refunded Bonds, when due, on the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Deposit Account shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Order was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA" (the "Federal Securities"). Cash and investments (if any) held in the Deposit Account shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held under the Deposit Letter.

By the deposit of the cash and Federal Securities, if any, with the Refunded Bonds Paying Agent pursuant to the Deposit Letter, the District will have effected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Deposit Account held for such purpose by the Refunded Bonds Paying Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt. The District has covenanted in the Deposit Letter to make timely deposits to the Deposit Account, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Deposit Account are insufficient to make such payment.

### **General Description**

The Bonds will be dated February 1, 2024 (the "Dated Date"). Interest on the Bonds will accrue from the Dated Date, with such interest payable initially on August 1, 2024 and semiannually thereafter on each February 1 and August 1 until stated maturity. The Bonds will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page 2 of this Official Statement.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in denominations of \$5,000 principal 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, Austin, Texas, to the registered owner at the last known address as it appears on the Bond registration books maintained by the Paying Agent/Registrar (the "Register") on the Record Date (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. So long as the Bonds are registered in the name of Cede & Co. or other nominee for The Depository Trust Company ("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, a legal holiday or a day when banking institutions in the District where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will 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 will have the same force and effect as if made on the original date payment was due.

### **Security for Payment**

The Bonds are payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District. The Issuer has applied for and received conditional approval from the Texas Education Agency (the "TEA") for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein; see also "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in Texas law affecting the financing of school districts in Texas.

### **Permanent School Fund Guarantee**

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

In the event of default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund. The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased (see "THE BONDS – Defeasance of Bonds").

### **No Redemption**

The Bonds are not subject to redemption prior to stated maturity.

### **Legality**

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas. (See "LEGAL MATTERS" herein and "APPENDIX D – Form of Legal Opinion of Bond Counsel").



## Sources and Uses of Funds

Sources:	
Par Amount of the Bonds	\$6,975,000.00
Accrued Interest on the Bonds	43,400.00
Reoffering Premium	603,394.45
Issuer Contribution	<u>43,400.00</u>
Total Sources of Funds	<u>\$7,665,194.45</u>
Uses:	
Deposit to the Deposit Account	\$7,464,433.33
Costs of Issuance <sup>(1)</sup>	114,629.47
Purchaser's Discount	42,731.65
Deposit to Interest and Sinking Fund	<u>43,400.00</u>
Total Uses of Funds	<u>\$7,665,194.45</u>

<sup>(1)</sup> Includes legal fees of the District, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, fees of the Refunded Bonds Paying Agent, a rounding amount and other costs of issuance.

## Payment Record

The Issuer has not defaulted on the payment of its bonded indebtedness.

## Amendments

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

## REGISTERED OWNERS' REMEDIES

If the District defaults in the payment of principal or interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, 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 Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, 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. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it (see "APPENDIX C - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due). The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

## REGISTRATION, TRANSFER AND EXCHANGE

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount, as applicable. If the Bonds are no longer held in the Book-Entry-Only System, interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Register on the Record Date.

If the Bonds are no longer held in the Book-Entry-Only System, principal of the Bonds will be payable at stated maturity upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM."

### **Successor Paying Agent/Registrar**

Provision is made in the Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

### **Future Registration**

In the event the Book-Entry Only System is discontinued, the Bonds may be transferred, registered and assigned on the Register 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 such Bond or by such 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 being transferred or exchanged at the principal corporate 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 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 Bond or 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 any Bond is payable on any interest payment date means the close of business on the fifteenth day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Bond appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

### **Limitation on Transfer of Bonds**

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

### **Replacement Bonds**

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount, as the case may be, 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.

## Defeasance of Bonds

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Obligations together so certified sufficient to make such payment. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date 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, (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, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. District officials may restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. 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, that, the District's right to redeem Bonds defeased to stated maturity is not extinguished if 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 stated 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.

## 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 The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, 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 the Bonds, in the aggregate principal amount of such issue, 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, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic

computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is 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 Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates representing each Bond stated maturity are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates representing each Bond stated maturity will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor, and the Purchaser believe to be reliable, but none of the District, the Financial Advisor, nor the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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

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

## STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

### Litigation Relating to the Texas Public School Finance System

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

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

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

### Possible Effects of Changes in Law on District Bonds

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

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

## CURRENT PUBLIC SCHOOL FINANCE SYSTEM

### 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 for school districts 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: (i) a maintenance and operations (“M&O”) tax to pay current expenses and (ii) an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district’s debt service. School districts are required 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 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.

## **2023 Legislative Sessions**

The regular session of the 88th Texas Legislature (the “88th Regular Session”) began on January 10, 2023 and adjourned on May 29, 2023. The Texas Legislature (the “Legislature”) meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded four special sessions during the 88th Texas Legislature (such special sessions, together with the 88th Regular Session, the “2023 Legislative Sessions”).

During the 88th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation enacted by the Legislature fully-funded the Foundation School Program for the 2024-2025 State fiscal biennium and increased the State guaranteed yield on the first \$0.08 cents of tax effort beyond a school district’s Maximum Compressed Tax Rate (as defined herein) to \$126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from \$98.56 in 2023) and \$129.52 per penny of tax effort per student in WADA in 2025. See “- State Funding for School Districts - Tier Two.” The Legislature also provided for an increase in funding for the school safety allotment to \$10.00 (from \$9.72 in the prior year) per ADA (as defined herein) and \$15,000 per campus. The Legislature set aside approximately \$4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions. However, the Legislature did not take action on such funding during the first, second, third or fourth called special sessions of the 88th Texas Legislature.

During the second called special session, legislation was passed that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately \$0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district general residential homestead exemption from ad valorem taxation from \$40,000 to \$100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption; (iii) adjusted the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in exemption amounts; (iv) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) established a three- year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent (school districts are not held harmless for any negative revenue impacts associated with such limits); (vi) excepted certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expanded the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the Legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. At an election held on November 7, 2023, voters approved a State constitutional amendment effectuating the legislative changes. The legislation adopted during the second called special session reduces the amount of property taxes paid by homeowners and businesses and increases the State’s share of the cost of funding public education.

During any additional called special session, the Legislature may enact laws that materially change current law as it relates to the funding of public schools, including the District. The District can make no representations or predictions regarding the scope of additional legislation that may be considered during any additional called special sessions or the potential impact of such legislation at this time.

## **Local Funding for School Districts**

A school district’s M&O tax rate is comprised 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. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum

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

**State Compression Percentage.** The “State Compression Percentage” or “SCP” is the lesser of three alternative calculations: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2024, the SCP is set at 68.80%.

**Maximum Compressed Tax Rate.** The “Maximum Compressed Tax Rate” or 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 (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the “State Compression Percentage” (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year’s MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than 90% of any other school district’s MCR for the current year, then the school district’s MCR is instead equal to the school district’s prior year MCR, until TEA determines that the difference between the school district’s MCR and any other school district’s MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2023-2024 school year, the Legislature reduced the maximum MCR, establishing \$0.6880 as the maximum rate and \$0.6192 as the floor.

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under “TAX RATE LIMITATIONS - Public Hearing and Voter-Approval Tax Rate.” However, to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district’s MCR for such year. Additionally, a school district’s levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next. See State Funding for School Districts - Tier Two” 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 to increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district’s own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as amended (see Local Revenue Level In Excess of Entitlement)), 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 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 2024-2025 State fiscal biennium, the Legislature appropriated funds in the amount of \$ 1,072,511,740 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 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 Legislature.

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

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

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 \$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 2024-2025 State fiscal biennium, school districts are guaranteed a yield of \$126.21 per student in WADA in 2024 and \$129.52 per student in WADA in 2025 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 2024-2025 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 the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Education 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 Education 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 2024-2025 State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the 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 Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

Since future-year IFA awards were not funded by the Legislature for the 2024-2025 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 2024-2025 State fiscal biennium on new bonds issued by school districts in the 2024-2025 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption from \$40,000 to \$100,000. See "— 2023 Legislative Sessions." Hold-harmless



applies only to bonds authorized by voters prior to September 1, 2023.

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. During the 2023 Legislative Sessions, the Legislature appropriated funds in the amount of \$ 100,000,000 for each fiscal year of the 2024-2025 State fiscal biennium for NIFA allotments.

**Tax Rate and Funding Equity.** The Education 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 Education Commissioner may also adjust a school district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district's attendance.

Furthermore, "property-wealthy" school districts that received additional State funds under the Finance System prior to the enactment of certain legislation passed during the 86th Texas Legislature are entitled to an equalized wealth transition grant on an annual basis, which will be phased out in 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. Additionally, school districts and open-enrollment charter schools 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 Texas 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 Education 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.

For the 2023-2024 school year, school districts will be held harmless and entitled to additional State aid to the extent that State and local revenue used to service eligible debt is less than the State and local revenue that would have been available to the district under State law providing for State aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling as such State law existed on September 1, 2022, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred. See "AD VALOREM PROPERTY TAXATION - Local Option Homestead Exemptions" and " - State Mandated Freeze on School District Taxes."

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

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue 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," below. 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.

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

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

## CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2023-2024 fiscal year, the District was not designated as an “excess local revenue” district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

### AD VALOREM PROPERTY TAXATION

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

#### Valuation of Taxable Property

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain 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. After the 2024 tax year, through December 31, 2026 unless extended by the State legislature, the maximum property value 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.

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

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

## **State Mandated Homestead Exemptions**

State law grants, with respect to each school district in the State, (1) a \$100,000 exemption of the appraised value of all homesteads, (2) a \$10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

## **Local Option Homestead Exemptions**

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

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

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

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

## **Personal Property**

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

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

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

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

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

## **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 physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the

appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. For tax years beginning prior to January 1, 2022, except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. 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. The Texas Legislature recently amended Section 11.35, Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

### **Tax Increment Reinvestment Zones**

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

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

### **Tax Limitation Agreements**

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

During the Regular Session of the 88th Texas Legislature, House Bill 5 (“HB 5”) was enacted into law. HB 5 is intended as a replacement of former Chapter 313, Texas Tax Code (“Chapter 313”), but it contains significantly different provisions than the prior program under Chapter 313. Under HB 5, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. HB 5 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project’s construction period. **Taxable valuation for purposes of the debt services taxes securing the Bonds cannot be abated under HB 5.** Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The effective date of HB 5 was January 1, 2024, and the District is still in the process of reviewing HB 5 and cannot make any representations as to what impact, if any, HB 5 will have on its finances or operations.

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.

### **Tax Abatement Agreements**

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the District, see “ - District Application of the Property Tax Code” below.

## **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 was set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate. For tax year 2023, the State Comptroller has determined the minimum eligibility amount to be \$57,216,456.

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

## **Levy and Collection of Taxes**

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

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

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

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

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

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

## TAX RATE LIMITATIONS

### M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on May 19, 2001 pursuant to the provisions of Section 45.003, Texas Education Code, as amended.

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

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

### I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued as refunding bonds under Chapter 1207 and are therefore not subject to the threshold tax rate test; however, taxes levied to pay debt service on the Bonds are included in the calculation of the \$0.50 tax rate test as applied to subsequent issues of "new debt".

### 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.

#### **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 Wilson County and Bexar County respectively. The Appraisal District is governed by a board of six directors appointed by members of the governing bodies of various political subdivisions within Wilson County and Bexar County, respectively.

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 does collect an additional 15% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Code.

The District does not collect its own taxes; the District's taxes are collected by Wilson County Tax Collector and Bexar County Tax Collector.

The District does allow split payments of taxes for persons over 65 years of age.

The District does grant a freeport exemption. The District does not currently tax goods-in-transit but may in the future take necessary actions to do so.

The District does not participate in a tax increment financing zone. The District does not grant tax abatements.

The District grants a state mandated \$100,000 general homestead exemption on the market value of residential homesteads. The District grants a local option homestead exemption of \$10,000 for taxpayers who are at least 65 years of age, and an additional homestead exemption of \$10,000 for the disabled.

### **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 C - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix E is incorporated herein and made a part hereof for all purposes.

*The information Appendix C concerning the Texas Permanent School Fund and the Guarantee Program has been provided by the TEA and is not guaranteed as to accuracy or completeness by, and should not be construed as a representation by, the District, the Financial Advisor or the Purchaser.*

### **INVESTMENTS**

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

#### **Legal Investments**

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

#### **Investment Policies**

Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District's investments 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.” The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

**Current Investments** <sup>(1)</sup>

**TABLE 1**

As of January 23, 2024, the District had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Lone Start Investment Pool	\$ 6,271,763	24.00%
Texpool Investment Pool	19,793,454	76.00%
Total	<u>\$ 26,065,217</u>	<u>100.00%</u>

<sup>(1)</sup> Unaudited.

**DEBT LIMITATIONS**

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate the ability to pay new debt secured by the district’s debt service tax from a tax rate of \$0.50. The Bonds are issued as refunding bonds pursuant to Chapter 1207 and are, therefore, not subject to the 50-cent test. In demonstrating compliance with these requirements, a district may take into account State equalization payments. The State Attorney General reviews a district’s calculations showing the compliance with these tests as a condition to the legal approval of the debt. See “TAX RATE LIMITATIONS.”

**EMPLOYEES’ BENEFITS, PENSION PLAN, AND OTHER POST-EMPLOYMENT BENEFITS**

The District’s employees participate in a retirement plan (the “Plan”) with the State. The Plan is administered by the Teacher Retirement System of Texas (“TRS”). State contributions are made to cover costs of the Plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District’s contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended June 30, 2023, the District made a contribution of \$832,251 to TRS on a portion of its employees’ salaries that exceeded the statutory minimum. The District does not offer any post-employment retirement benefits and has no liabilities for “Other Post Employment Retirement Benefits” as defined in GASB Statement No. 45. For a discussion of the TRS retirement plan, see “Note L-Pension Plan” to the audited financial statements of the District that are attached hereto as APPENDIX E (the “Financial Statements”).

**TAX MATTERS**

**Tax Exemption**

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel's opinion is reproduced as APPENDIX D. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the Sufficiency Certificate of the Financial Advisor regarding the sufficiency of the deposit to the Deposit Account on the date of closing and rely upon representations and certifications of the Issuer pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the Issuer with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Issuer may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

## **Ancillary Tax Consequences**

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions (see “Qualified Tax-Exempt Obligations” below), life insurance companies, property and casualty insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

## **Tax Changes**

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

## **Tax Accounting Treatment of Discount and Premium on Certain Bonds**

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

However, such interest may be required to be taken into account in determining the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see “Qualified Tax-Exempt Obligations” below), life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

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

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

### **Qualified Tax-Exempt Obligations**

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exemption to this interest disallowance rule for financial institutions stating that such disallowance does not apply to interest expense allocable to certain tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of certain other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer and certain related entities during the same calendar year, does not exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and will certify its expectation that the above described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The District will file with the MSRB through EMMA annually certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement as Table 1, in Tables 1 through 9 of "APPENDIX A - Financial Information for the Floresville Independent School District" attached hereto, and in APPENDIX D attached hereto. The District will update and provide this information to the MSRB within six (6) months after the end of each fiscal year ending in or after 2024.

The District will provide the updated information to the MSRB in a designated electronic format, which will be available through EMMA to the general public without charge.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the District, if the District commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the District will provide unaudited financial statements for the applicable fiscal year to the MSRB through EMMA with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the District's annual financial statements or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **Notice of Certain Events**

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

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

### **Availability of Information**

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

### **Limitations and Amendments**

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

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

### **Compliance with Prior Undertakings**

During the past five years, the District has complied in all material respects with its continuing disclosure agreements undertaken in accordance with the Rule.

## **LEGAL MATTERS**

### **Legal Opinions**

The delivery of the Bonds is subject to the approval of the State Attorney General of Texas 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 the approving legal opinion of Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District. In addition, Bond Counsel will furnish the Purchaser with its opinion that, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel opinion is attached hereto as APPENDIX D. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Bond Counsel has reviewed the information in this Official Statement appearing under the captions and subcaptions "THE BONDS" (except for the information under the subcaptions "Permanent School Fund Guarantee," the third paragraph under "Notices of Redemption and DTC Notices," "Payment Record," and "Sources and Uses of Funds", as to which no opinion is expressed), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the sub-caption "Compliance With Prior Undertakings," as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions and sub-captions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS" (first paragraph only), "LEGAL MATTERS" (except for the last sentence of the first paragraph under the subcaption "Legal Opinions" and information under the subcaption "Litigation," as to which no opinion is expressed), "TAX MATTERS," and "OTHER PERTINENT INFORMATION – Registration and Qualification of Bonds for Sale," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law.

### **Litigation**

On the date of delivery of the Bonds to the Purchaser, the District will execute and deliver to the Purchaser a certificate to the effect that, except as disclosed in this Official Statement, no litigation of any nature has been filed or is pending, as of that date, 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.

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

### **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 of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Ratings" 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 sure 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.

## **OTHER PERTINENT INFORMATION**

### **Registration and Qualification of Bonds for Sale**

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Bonds have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration 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 agrees 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.

### **Ratings**

S&P Global Ratings ("S&P") has assigned a municipal bond rating of "AAA" to the Bonds based upon the payment of the Bonds being guaranteed by the State of Texas Permanent School Fund. On February 20, 2024, S&P upgraded the District's unenhanced, underlying rating to "AA-" from "A+" to the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings".) The rating of the Bonds by S&P reflects only the view of such company at the time the rating is given, and the Issuer makes no representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of said companies, circumstances so warrant. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. Any such downward revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

## **Authenticity of Financial Information**

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Order. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

## **Financial Advisor**

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has drafted 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 Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

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.

## **Forward Looking Statements**

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer'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 Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer'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 Issuer. 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 Bancroft Capital, LLC (the "Purchaser" or the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the page ii of this Official Statement at a price of par, plus a reoffering premium of \$603,394.45, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. 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.

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**Concluding Statement**

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

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the 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.

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

The Order approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Bonds by the Purchaser. This Official Statement has been approved by the Board of the District for distribution in accordance with the provisions of the United States Securities and Exchange Commission Rule codified at 17 C.F.R. Section 240.15c2-12.

**FLORESVILLE INDEPENDENT SCHOOL DISTRICT**

/s/ Dr. Joel Odem  
President, Board of Trustees  
Floresville Independent School District

ATTEST:

/s/ Bonna Reed  
Secretary, Board of Trustees  
Floresville Independent School District

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**SCHEDULE I**

**Schedule of Refunded Bonds**

Floresville Independent School District Unlimited Tax Refunding Bonds, Series 2014

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<b><u>Maturity Date</u></b>	<b><u>Principal</u></b>	<b><u>Interest Rate</u></b>	<b><u>Redemption Date</u></b>
2/1/2029	\$ 1,220,000	4.000%	4/1/2024
2/1/2030	1,985,000	4.000%	4/1/2024
2/1/2031	2,060,000	4.000%	4/1/2024
2/1/2032	2,150,000	4.000%	4/1/2024

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**APPENDIX A**

**FINANCIAL INFORMATION FOR THE FLORESVILLE INDEPENDENT SCHOOL DISTRICT**

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

2023 Actual Certified Market Value of Taxable Property (100% of Market Value).....	\$ 4,036,458,064
Less Exemptions:	
Homestead Exemption.....	\$ 595,287,190
Over-65/Disabled Homestead.....	18,935,886
Disabled & Deceased Vets' Exemptions.....	153,618,356
Pollution Control.....	611,440
Productive Valuation of Open Space Land .....	811,307,233
10% Per Year Residential Cap.....	<u>272,963,704</u>
<b>TOTAL EXEMPTIONS .....</b>	<b>1,852,723,809</b>
2023 Assessed Value of Taxable Property.....	<u><u>\$ 2,183,734,255</u></u>

\*Excludes Freeze Taxable Value of \$298,354,654.

Source: *Wilson and Bexar County Appraisal Districts.*

**GENERAL OBLIGATION BONDED DEBT**

*(as of February 1, 2024)*

*General Obligation Debt Outstanding <sup>(1)</sup>*

Unlimited Tax Refunding Bonds, Series 2015.....	\$ 8,340,000
Unlimited Tax Refunding Bonds, Series 2016.....	21,310,000
Unlimited Tax Refunding Bonds, Series 2017.....	7,840,000
Unlimited Tax Refunding Bonds, Series 2024 (The "Bonds").....	<u>6,975,000</u>
<i>Total Unlimited Tax Debt Outstanding .....</i>	<u><u>\$ 44,465,000</u></u>
<i>Maintenance and Operations Debt Outstanding</i>	
Maintenance Tax Notes, Series 2017.....	<u>\$ 390,000</u>
<i>Total General Obligation Debt Outstanding.....</i>	<u><u>\$ 44,855,000</u></u>

2023 Net Assessed Valuation	\$ 2,183,734,255
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation	2.05%

District Population: Estimated 2024 -25,482  
Per Capita Certified Net Taxable Assessed Valuation - \$85,697.13  
Per Capita Gross General Obligation Debt Principal - \$1,760.26

<sup>(1)</sup> *Excludes the Refunded Bonds.*

**COMMITMENTS UNDER LEASES**

**TABLE 2**

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments (principal and interest) as of June 30, 2023, as follows:

2024	\$ 59,225
2025	44,217
2026	35,873
2027	24,720
2028	-
Total Minimum Rentals	<u><u>\$ 164,035</u></u>
Rental Expenditures for FY 2023	<u><u>\$ 59,225</u></u>

Source: *The Issuer's Annual Financial Report for the Fiscal Year Ended June 30, 2023.*

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending (6/30)	Current Total	Less	The Bonds			Total
	Outstanding Debt <sup>(1)</sup>	Refunded Bonds	Principal	Interest	Total	Combined Debt Service
2024	\$ 4,524,394	-	-	-	-	\$ 4,524,394
2025	4,587,319	\$ 296,600	-	\$ 279,000	\$ 279,000	4,569,719
2026	4,591,919	296,600	-	279,000	279,000	4,574,319
2027	4,598,281	296,600	-	279,000	279,000	4,580,681
2028	4,595,156	296,600	-	279,000	279,000	4,577,556
2029	4,615,106	1,516,600	\$ 1,115,000	279,000	1,394,000	4,492,506
2030	3,564,256	2,232,800	1,875,000	234,400	2,109,400	3,440,856
2031	3,558,806	2,228,400	1,950,000	159,400	2,109,400	3,439,806
2032	3,569,906	2,236,000	2,035,000	81,400	2,116,400	3,450,306
2033	3,616,806	-	-	-	-	3,616,806
2034	3,617,856	-	-	-	-	3,617,856
2035	3,619,706	-	-	-	-	3,619,706
2036	3,307,156	-	-	-	-	3,307,156
2037	3,419,138	-	-	-	-	3,419,138
2038	3,426,500	-	-	-	-	3,426,500
2039	2,722,050	-	-	-	-	2,722,050
<b>Total</b>	<b>\$ 61,934,356</b>	<b>\$ 9,400,200</b>	<b>\$ 6,975,000</b>	<b>\$ 1,870,200</b>	<b>\$ 8,845,200</b>	<b>\$ 61,379,356</b>

<sup>(1)</sup> Excludes the District's Maintenance Tax Debt.

**TAX ADEQUACY (Includes Self-Supporting Debt)**

2023 Certified Net Taxable Assessed Valuation	\$ 2,183,734,255
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2027)	4,580,681 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.21404 *

\* Includes the Bonds and excludes the Refunded Bonds.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest.

**INTEREST AND SINKING FUND MANAGEMENT INDEX**

Interest and Sinking Fund Balance, Fiscal Year Ended June 30, 2023	\$ 6,168,669
2024 Anticipated Interest and Sinking Fund Tax Levy at 98% Collections Produce <sup>(1)</sup>	5,080,501
Total Available for General Obligation Debt	<u>\$ 11,249,170</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending June 30, 2024	<u>4,524,394</u>
Estimated Surplus at Fiscal Year Ending June 30, 2024	<u>\$ 6,724,777</u>

<sup>(1)</sup> Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

Fiscal Year Ending 6/30	Principal Repayment Schedule				Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding <sup>(1)</sup>	Less: Refunded Bonds	The Bonds	Total		
2025	\$ 3,050,000	-	-	\$ 3,050,000	\$ 41,415,000	7%
2026	3,155,000	-	-	3,155,000	38,260,000	14%
2027	3,245,000	-	-	3,245,000	35,015,000	21%
2028	3,335,000	-	-	3,335,000	31,680,000	29%
2029	3,455,000	\$ 1,220,000	\$ 1,115,000	3,350,000	28,330,000	36%
2030	2,520,000	1,985,000	1,875,000	2,410,000	25,920,000	42%
2031	2,610,000	2,060,000	1,950,000	2,500,000	23,420,000	47%
2032	2,720,000	2,150,000	2,035,000	2,605,000	20,815,000	53%
2033	2,870,000	-	-	2,870,000	17,945,000	60%
2034	2,980,000	-	-	2,980,000	14,965,000	66%
2035	3,095,000	-	-	3,095,000	11,870,000	73%
2036	2,900,000	-	-	2,900,000	8,970,000	80%
2037	3,115,000	-	-	3,115,000	5,855,000	87%
2038	3,225,000	-	-	3,225,000	2,630,000	94%
2039	2,630,000	-	-	2,630,000	-	100%
Total	<u>\$ 44,905,000</u>	<u>\$ 7,415,000</u>	<u>\$ 6,975,000</u>	<u>\$ 44,465,000</u>		

<sup>(1)</sup> Excludes the District's Maintenance Tax Notes and debt that matured February 1, 2024.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2014-2023**

**TABLE 3**

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2014-15	\$ 1,179,699,088	-	-
2015-16	1,238,480,513	58,781,425	4.98%
2016-17	1,263,973,188	25,492,675	2.06%
2017-18	1,327,091,493	63,118,305	4.99%
2018-19	1,384,383,024	57,291,531	4.32%
2019-20	1,493,543,088	109,160,064	7.89%
2020-21	1,717,033,131	223,490,043	14.96%
2021-22	1,870,592,504	153,559,373	8.94%
2022-23	2,192,382,427	321,789,923	17.20%
2023-24	2,183,734,255 *	(8,648,172)	-0.42%

Source: Wilson and Bexar County Appraisal Districts.

\*The decline in Net Taxable Assessed Valuation is due to legislative action to raise the homestead exemption from \$40,000 to \$100,000.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 4**

	<b>2023</b>	<b>% of Total</b>	<b>2022</b>	<b>% of Total</b>	<b>2021</b>	<b>% of Total</b>
Real, Residential, Single-Family	\$ 2,036,404,774	50.45%	\$ 1,839,904,999	52.13%	\$ 1,475,977,948	46.00%
Real, Residential, Multi-Family	24,295,368	0.60%	26,177,938	0.74%	27,921,267	0.87%
Real, Vacant Lots/Tracts	96,720,708	2.40%	78,887,385	2.24%	80,992,599	2.52%
Real, Acreage (Land Only)	826,278,783	20.47%	764,366,599	21.66%	941,757,637	29.35%
Real, Non-Qualified Ag Land	33,092,886	0.82%	18,959,300	0.54%	14,131,829	0.44%
Real, Farm and Ranch Improvements	452,365,100	11.21%	403,345,389	11.43%	326,069,242	10.16%
Real, Commercial	196,705,451	4.87%	186,313,581	5.28%	132,561,671	4.13%
Real, Industrial	24,277,630	0.60%	23,211,399	0.66%	23,464,743	0.73%
Real & Tangible, Oil and Gas	1,925,349	0.05%	2,575,631	0.07%	1,015,939	0.03%
Real & Tangible, Personal Utilities	19,126,940	0.47%	19,442,980	0.55%	20,619,310	0.64%
Tangible Personal, Commercial	58,545,676	1.45%	51,377,924	1.46%	49,324,395	1.54%
Real Property, Mobile Homes	35,658,806	0.88%	33,511,235	0.95%	31,471,982	0.98%
Real Property, Inventory	9,424,540	0.23%	-	0.00%	-	0.00%
Real Inventory	-	0.00%	1,813,510	0.05%	4,813,460	0.15%
Special Inventory	8,933,110	0.22%	9,295,130	0.26%	7,876,260	0.25%
Totally Exempt Property	\$ 145,974,993	3.62%	\$ -	0.00%	-	0.00%
<b>Total Appraised Value</b>	<b>\$ 4,036,458,064</b>	<b>100.0%</b>	<b>\$ 3,529,409,520</b>	<b>100.0%</b>	<b>\$ 3,208,463,432</b>	<b>100.0%</b>
<b>Less:</b>						
Homestead Exemption	\$ 595,287,190		\$ 149,769,401		\$ 150,098,621	
Over-65/Disabled Homestead	18,935,886		25,261,651		25,321,651	
Disabled & Deceased Vets' Exemptions	153,618,356		122,482,433		122,494,433	
Pollution Control	611,440		444,460		444,460	
Productive Valuation of Open Space Land	811,307,233		926,032,261		926,325,572	
10% Per Year Residential Cap	272,963,704		113,036,887		113,186,091	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 2,183,734,255</b>		<b>\$ 2,192,382,427</b>		<b>\$ 1,870,592,604</b>	

Source: Wilson and Bexar County Appraisal Districts.

**PRINCIPAL TAXPAYERS 2023-2024**

**TABLE 5**

<b>Name</b>	<b>Type of Business/Property</b>	<b>2023 Net Taxable Assessed Valuation</b>	<b>% of Total 2023 Assessed Valuation</b>
South Texas Frac LLC	Frack Sand Processor	\$ 16,569,330	0.76%
HEB Grocery Company LP	Grocery	11,814,870	0.54%
Continental Homes of Texas LP	Home Builder	10,875,230	0.50%
Enterprise Texas Pipeline LLC	Pipeline	10,683,260	0.49%
OC Oakland Hills 120 LLC & William Five Properties	Real Estate	10,105,990	0.46%
M/I Homes of San Antonio LLC	Real Estate	8,965,480	0.41%
Wal-Mart Real Estate Business Trust	Real Estate	8,000,000	0.37%
DG Harvest Solar, LLC	Solar	6,386,550	0.29%
Brazos Electric Power COOP	Electric Utility	5,910,130	0.27%
Twin Eagle Sands Logistics	Trucking	5,331,490	0.24%
		<b>\$ 94,642,330</b>	<b>4.33%</b>

Source: Municipal Advisory Council and the Wilson County Appraisal District.



**TAX RATE DISTRIBUTION****TABLE 6**

	2023	2022	2021	2020	2019
General Fund	\$ 0.6694	\$ 0.8546	\$ 0.8720	\$ 0.9305	\$ 0.9700
I & S Fund	0.2374	0.2549	0.2624	0.3039	0.3650
Total Tax Rate	\$ 0.9068	\$ 1.1095	\$ 1.1344	\$ 1.2344	\$ 1.3350

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Wilson and Bexar County Appraisal Districts, the Issuer's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2023, and information supplied by the Issuer.

**TAX DATA****TABLE 7**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2014	\$ 1,179,699,088	1.490000	17,577,516	95.34%	99.42%	6/30/2015
2015	1,238,480,513	1.445000	17,896,043	94.81%	99.59%	6/30/2016
2016	1,263,973,188	1.445000	18,264,413	95.02%	99.57%	6/30/2017
2017	1,327,091,493	1.445000	19,176,472	93.36%	96.72%	6/30/2018
2018	1,384,383,024	1.445000	20,004,335	97.77%	96.18%	6/30/2019
2019	1,493,543,088	1.335000	19,938,800	93.24%	96.18%	6/30/2020
2020	1,717,033,131	1.234400	21,195,057	93.67%	96.64%	6/30/2021
2021	1,870,592,604	1.134400	21,220,002	97.81%	101.07%	6/30/2022
2022	2,192,382,427	1.109523	24,324,987	92.06%	96.14%	6/30/2023
2023	2,183,734,255	0.906766	19,801,360	[In Process of Collection]		6/30/2024

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Wilson and Bexar County Appraisal Districts, the Issuer's Annual Financial Report for the Fiscal Year Ended June 30, 2023, and information supplied by the Issuer.

**OVERLAPPING DEBT INFORMATION**

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

Taxing Body	Gross Debt (As of 2/1/24)	% Overlapping	Amount Overlapping
Alamo CCD	\$ 773,715,000	0.01%	\$ -
Bexar County	2,287,355,000	0.01%	-
Bexar County Hospital District	1,311,865,000	0.01%	-
City of Elmendorf	12,322,711	1.86%	229,202
City of Floresville	18,155,000	100.00%	18,155,000
Wilson County	5,270,000	44.05%	2,321,435
Wilson County Hospital District	4,180,000	44.05%	1,841,290
Total Gross Overlapping Debt			<u>\$ 22,546,927</u>
Floresville ISD *			\$ 44,465,000
Total Gross Direct and Overlapping Debt			<u>\$ 67,011,927</u>
Ratio of Gross Direct Debt and Overlapping Debt			3.07%
Per Capita Gross Direct Debt and Overlapping Debt			\$2,629.78

\* Excludes the District's Maintenance Tax Debt and Refunded Bonds. Includes the Bonds.  
 Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

Governmental Subdivision	2023 Assessed Valuation	% of Actual	2023 Tax Rate
Alamo CCD	\$ 253,189,964,175	100%	\$ 0.149000
Bexar County	229,665,909,400	100%	0.293000
Bexar County Hospital District	251,250,964,257	100%	0.276000
City of Elmendorf	207,181,842	100%	0.410141
City of Floresville	605,202,351	100%	0.385834
Wilson County	5,105,256,284	100%	0.413133
Wilson County Hospital District	5,035,742,959	100%	0.870340

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS**

Issuer	Date of Authorization	Amount Authorized	Amount Issued to Date	Amount Unissued
Alamo CCD	None			
Bexar County	11/3/2015	\$ 99,246,000	\$ 49,981,000	\$ 49,265,000
Bexar County Hospital District	None			
City of Floresville	None			
Wilson County	None			
Wilson County Hospital District	None			

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**

**TABLE 8**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	<b>Fiscal Year Ended</b>				
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Fund Balance - Beginning of Year	\$ 11,435,923	\$ 10,115,282	\$ 9,698,726	\$ 9,333,172	\$ 7,530,899
<b>Revenues:</b>					
Local and Intermediate Sources	17,617,616	15,812,573	14,813,218	14,350,588	14,201,914
State Sources	19,523,842	20,514,459	19,734,122	19,832,634	17,818,050
Federal Sources & Other	<u>792,739</u>	<u>592,230</u>	<u>552,594</u>	<u>735,948</u>	<u>1,252,421</u>
<b>Total Revenues</b>	<b>\$ 37,934,197</b>	<b>\$ 36,919,262</b>	<b>\$ 35,099,934</b>	<b>\$ 34,919,170</b>	<b>\$ 33,272,385</b>
<b>Expenditures:</b>					
Instruction	\$ 19,999,963	\$ 19,323,646	\$ 18,496,200	\$ 18,037,585	\$ 17,038,800
Instructional Resources & Media Services	308,241	291,366	292,885	301,771	260,969
Curriculum & Instructional Staff Dev	168,564	89,015	310,384	201,750	129,031
Instructional Leadership	453,430	445,818	436,348	462,964	572,774
School Leadership	1,739,602	1,672,111	1,624,424	1,617,233	1,599,857
Guidance, Counseling & Evaluation Serv	776,913	938,049	999,652	984,129	886,834
Social Work Services	71,626	97,194	83,208	79,086	75,875
Health Services	338,398	298,552	298,603	270,593	276,694
Student (Pupil) Transportation	2,319,269	2,407,532	2,281,143	2,506,734	2,241,610
Food Services	-	59,873	-	-	-
Extracurricular Activities	1,599,104	1,427,994	1,455,358	1,517,841	1,471,880
General Administration	1,513,698	1,516,832	1,594,833	1,458,925	1,190,578
Facilities Maintenance and Operations	5,685,920	4,779,057	4,552,458	4,737,993	4,018,816
Security and Monitoring Services	552,918	423,576	409,229	387,735	381,956
Data Processing Services	1,030,327	857,343	938,904	748,747	891,359
Community Services	12,479	12,526	6,612	10,612	17,099
Debt Service – Principal on long-term debt	459,922	423,625	550,000	540,000	530,000
Debt Service – Interest on long term debt	27,950	36,122	44,190	57,945	50,336
Debt Service – Bond Issuance Cost and Fees	68	400	1,600	856	25,400
Facilities Acquisition and Construction	-	-	-	-	-
Payments to Juvenile Justice Alt Ed Prog	11,384	8,560	22,152	112,827	4,464
Other Intergovernmental Charges	<u>550,034</u>	<u>565,112</u>	<u>549,886</u>	<u>518,290</u>	<u>555,114</u>
<b>Total Expenditures</b>	<b>\$ 37,619,810</b>	<b>\$ 35,674,303</b>	<b>\$ 34,948,069</b>	<b>\$ 34,553,616</b>	<b>\$ 32,219,446</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 314,387</b>	<b>\$ 1,244,959</b>	<b>\$ 151,865</b>	<b>\$ 365,554</b>	<b>\$ 1,052,939</b>
<b>Other Financing Sources and (Uses):</b>					
Sale of Real and Personal Property	-	-	309,535	-	-
Right-to-Use Leases	116,343	124,990	-	-	-
<b>Extra Ordinary Items:</b>					
Extraordinary Item - Resource	-	428,108	245,000	-	-
Extraordinary Item - (Use)	-	(477,416)	(289,844)	-	-
Transfers In	-	-	-	-	-
Transfers out	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-
Other Uses	-	-	-	-	-
Net Change in Fund Balances	<u>430,730</u>	<u>1,320,641</u>	<u>416,556</u>	<u>-</u>	<u>749,334</u>
Fund Balance - June 1 (Ending)	<b>\$ 11,866,653</b>	<b>\$ 11,435,923</b>	<b>\$ 10,115,282</b>	<b>\$ 9,698,726</b>	<b>\$ 9,333,172</b>

Source: The Issuer's Annual Financial Reports.

Information regarding the District's pension plan can be found in the District's Annual Financial Report for the Year Ended June 30, 2023 under "NOTE L: Defined Benefit Pension Plan".

**APPENDIX B**

**GENERAL INFORMATION REGARDING THE FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
AND WILSON AND BEXAR COUNTIES, TEXAS**

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**GENERAL INFORMATION REGARDING  
FLORESVILLE INDEPENDENT SCHOOL DISTRICT**

The Floresville Independent School District (the "District") is an agricultural area that includes the City of Floresville, the county seat and principal commercial center of Wilson County, located on U.S. Highway 181. The District's western boundary is approximately 15 minutes from downtown San Antonio. The District's 2024 population is estimated at 25,482. Local manufacturers produce iron castings and concrete. The City of Floresville has extensive facilities for receiving, drying, storing and shipping peanuts. Also within the District are the unincorporated communities of Saspamco, Fairview and Sutherland Springs.

**School Facilities**

Currently, the District is operating the following school facilities:

- 1 Early Childhood Center
- 2 Elementary Schools
- 1 Middle School
- 1 High School
- 1 Alternative Center

<u>School</u>	<u>Current Enrollment</u>	<u>Teachers</u>
Alt	43	5
ECC	189	12
North Elementary	789	55
South Elementary	930	58
Floresville Middle School	889	60
Floresville High School	1224	82
Total	4064	272

**HISTORICAL ENROLLMENT**

<u>Year</u>	<u>Student Population</u>
2013-14	3,816
2014-15	3,949
2015-16	3,982
2016-17	3,948
2017-18	4,022
2018-19	4,057
2019-20	4,132
2020-21	3,992
2021-22	4,016
2022-23	4,042
2023-24	4,080

<u>Grade</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
EC	11	14	16	12	14	12	21	13	11	11	11
P-K	90	154	133	163	160	196	227	152	155	191	174
K	243	250	290	218	276	248	284	256	276	231	251
1	279	257	257	299	228	280	260	289	267	299	261
2	283	293	263	250	308	235	287	246	282	293	310
3	264	290	299	262	272	315	245	281	259	290	322
4	290	265	318	295	275	288	321	246	285	273	292
5	289	285	278	317	298	285	296	326	265	282	280
6	281	313	293	272	328	304	301	296	321	286	300
7	317	296	320	300	279	328	323	295	312	327	284
8	330	322	296	322	324	300	330	322	309	303	324
9	319	352	319	325	350	334	322	352	369	353	335
10	284	299	334	317	310	344	321	310	340	349	316
11	284	282	291	321	301	296	312	310	270	300	334
12	252	277	275	275	299	292	282	298	295	254	286
Totals	3,816	3,949	3,982	3,948	4,022	4,057	4,132	3,992	4,016	4,042	4,080

## **City of Floresville**

Floresville, Texas was named for an early rancher, Don Francisco Flores de Abrego, who established his ranch about six miles northwest of the current location in 1832. In 1833, the nucleus of the present town was founded on land donated by the Flores family; it became Wilson County seat in 1885.

With a growing season of 285 days, Floresville is a marketing point of watermelons, flax, cotton, beef cattle, dairy and poultry products. A huge peanut on the courthouse lawn recognizes the peanut crop grown in the area and the Peanut Festival.

Floresville is located within fifteen minutes from San Antonio, Texas. Its town square and tree-lined streets allow it to maintain its small town charm but yet utilize the advantages of the big city. The town is often referred to as a bedroom community, with a large percentage of its citizens commuting to San Antonio for employment. Wilson County is part of the San Antonio Metropolitan Statistical Area.

Floresville is in the center of a number of major metropolitan areas that are only two to three hours away; the Cities of San Antonio, Austin, Houston and Corpus Christi.

Sandy soils of the area are especially suited to the production of peanuts, and the town's biggest festival salutes the lowly legume during the second week of October. Wilson County produces some 30 million pounds of peanuts each year.

Floresville is a growing City in an area that has been economically viable since the mid 1700's. The Spaniards founded Rancho de Las Cabras to serve as a principal provider of meat and dairy products for Mission Francisco de La Espada in San Antonio. Floresville and the surrounding area have traditionally been a farming and ranching community. In the last twenty years, the area has transitioned from an agricultural based economy to a more service oriented economy. Less people are involved with agriculture or ranching. This is still important to the city and the area as a whole. However, the future is in attracting manufacturing or service providers to do business in Floresville. The City of Floresville passed a 4B Sales Tax for economic development in 1996 and created the Floresville Economic Development Corporation (FEDC) in 1997. The FEDC coordinates all economic development activity in the city.

### **El Rancho Business Park**

Located one mile South of Floresville off US 181 on FM 537, El Rancho Grande Business park site offers 305 acres of land that is level and ready to build for mixed business development. Site has two operation water wells (potable water) hat are suitable for industrial use, a 20" natural gas line ½ mile from the property, 3 phase electricity with the capability to increase as needed and no immediate neighbors. FM 537 is capable fo handling heavy loads and no weight restrictions.

### **Floresville Medical Business Center**

The Floresville Medical Center consists of 29 acres located adjacent to the Frank Tejada Texas Veterans Nursing Home and is suitable for mixed Development near the intersection of US 181 and Highway 97. The site has paved and curbed streets and all city utilities and services available. Two additional entrances from Business Loop 181 and Highway 97, respectively, will be completed soon. Excellent site for assisted care living facility, apartments, or medically related business.

### **FEDC Retail Property**

The FEDC Retail Property is 13.9 acres located along the US 181 main business corridor ¼ mile South of the Floresville Shopping Mall. The site has all the city utilities and services available and ready to build. Suitable for retail business or apartments. One acre located on US 181 South near the medical Business Center. Great site, with Hwy 181 frontage, for retail outlet or eatery. FEDC has option to purchase adjoining one acre property to allow for a larger building and extra parking.



## Wilson County

On February 13, 1860, the Texas Legislature passed the act creating Wilson County (the "County") from portions of Bexar and Karnes Counties. At this time, a store in Sutherland Springs was rented as the temporary location for the Wilson County Courthouse. The Courthouse was not settled in Floresville until 1873 when Floresville was established as the center of County government. Since that time, the Courthouse has been in Floresville.

Wilson County is a south Texas county with an economy based on agriculture. The county is traversed by U.S. Highways 87 and 182, State Highways 97, 119 and 123 and six farm-to-market roads. Principal sources of agricultural income include cattle, hogs, poultry, peanuts and sorghum.

### **Minerals produced in the county include oil, gas and clays.**

Oil has played a major role in the economy for South Texas. The Eagle Ford Shale play (EFS) is quite possibly the largest single economic development in the history of the state of Texas. The Eagle Ford Shale was one of the most actively drilled targets for oil and gas in the United States in 2010. The play had more than a \$30 billion dollar impact on the local South Texas economy in 2013. The term "play" is used in the oil and gas industry to refer to a geographic area which has been targeted for exploration due to favorable survey results.

The play is located in South Texas and produces from various depths between 4,000 and 14, 000 feet. The EFS takes its name from the town of Eagle Ford Texas where the shale outcrops at the surface in clay form. (Some operators refer to the play as the Eagleford.) The Eagle Ford is the most active shale play in the world with ~250rigs running. Operators are indicating the play will be developed for decades to come. The EFS Benefits from high liquids yields across much of the play, which support economics of development even while natural gas prices are low. Higher oil prices have helped spur development as oil, condensate, and NGLs (ethane, propane and butane) all command better prices than natural gas.

### **Labor Force Statistics <sup>(1)</sup>**

	<u>2023 <sup>(2)</sup></u>	<u>2022 <sup>(3)</sup></u>	<u>2021 <sup>(3)</sup></u>	<u>2020 <sup>(3)</sup></u>
Civilian Labor Force	27,002	25,982	25,202	24,394
Total Employed	26,256	25,135	24,083	22,994
Total Unemployed	746	847	1,119	1,400
% Unemployment	2.8%	3.3%	4.4%	5.7%
Texas Unemployment	4.1%	3.9%	5.6%	7.7%

(1) Source: Texas Workforce Commission.

(2) As of November 2023.

(3) Average Annual Statistics.

## Bexar County

Bexar County was created in 1836 from Spanish municipality named for Duke de Bexar, a colonial capital of Texas. The County is located in south central Texas and is a component of the Metropolitan Statistical Area (“MSA”) of San Antonio. The San Antonio MSA is one of the nation’s largest MSAs and the third largest MSA in Texas. The principal city within the County is San Antonio, the county seat. The City was founded in the early eighteenth century and was incorporated by the Republic of Texas in 1837.

### Economic Factors

The County has a diversified economic base which is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. Support for these economic activities is demonstrated by the County’s ongoing commitment to economic development projects along with ongoing infrastructure improvements to support the County’s growing population. As Bexar County has continued to add jobs it has also fared better than the nation with the current unemployment issues.

### Education

The County encompasses 19 independent school districts which include over 400 schools. Enrollment ranges anywhere from nearly 900 in Lackland ISD to over 91,000 in Northside ISD, the fourth largest independent school district in Texas. Students attend school districts in which they reside with no busing in effect. In addition, San Antonio has over 150 private and parochial schools at all education levels. San Antonio has 20 institutions of higher learning offering degrees in all major fields of study, many at the graduate level. Among universities, the University of Texas at San Antonio (UTSA) has over 30,000 students enrolled and has represented many first-time college students within their family. In May of 2009, the Texas A\*M University San Antonio became the newest four-year college in San Antonio. Among junior colleges, Alamo Colleges includes five colleges, San Antonio, Palo Alto, St. Philips, Northeast Lakeview, and Northwest Vista, totaling over 62,377 students enrolled.

### Electric and Gas Services

Electric and gas services to the Bexar County area are provided by CPS Energy (“CPS”), an electric and gas utility owned by the City of San Antonio (the “City”) that maintains and operates certain utilities infrastructure. This infrastructure includes a 16 generating unit electric system and the gas system that serves the Bexar County area. CPS also owns a 40% interest in the South Texas Project (“STP”) two existing nuclear generating Units 1 and 2 which generates 1,888 megawatts of power for CPS Energy customers. CPS Energy has invested in a 7.625 percent share of two additional units at STP, once loan guarantees are approved by the federal government the additional units should be online by 2017 and will provide an additional 200 megawatts of power for customers. These nuclear units supplied 34.6% of the electric system native load for the fiscal year ending January 31, 2010.

### Water Supply

Historically and currently, the City obtains all of its water through wells drilled into a geologic formation known as the Edwards Limestone Formation. The portion of the formation supplying water in the City’s area has been the “Edward Underground Water Reservoir” (the “Edwards Aquifer”) and since 1978 has been designated by the Environmental Protection Agency as a sole-source aquifer under the Safe Drinking Water Act. The Edwards Aquifer lies beneath an area approximately 3,600 square miles in size, and including its recharge zone, it underlies all or part of 13 counties varying from 5 to 30 miles in width and stretching over 175 miles in length, beginning in Brackettville, Kinney County Texas, in the west and stretching to Kyle, Hays, County, Texas in the east. The Edwards Aquifer receives most of its water from rainfall runoff, rivers, and streams flowing across the 4,400 square miles of drainage basins located above it. Much of the Edward Aquifer region consists of agricultural land, but areas of population ranging from communities with only a few hundred residents to urban areas with well over one million citizens exist as well. The Edward Aquifer supplies nearly all the water for the municipal, domestic, industrial, commercial, and agricultural needs in its region.

### Labor Force Statistics (1)

	<u>2016</u> <sup>(2)</sup>	<u>2015</u> <sup>(3)</sup>	<u>2014</u> <sup>(3)</sup>	<u>2013</u> <sup>(3)</sup>
Civilian Labor Force	892,808	874,901	866,343	856,924
Total Employed	860,127	841,401	825,849	807,470
Total Unemployed	32,681	33,500	40,494	49,454
% Unemployment	3.7%	3.8%	4.7%	5.8%
Texas Unemployment	4.4%	4.5%	5.1%	6.2%

(1) Source: Texas Workforce Commission.

(2) As of October, 2016.

(3) Average Annual Statistics.

**APPENDIX C**

**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 “87<sup>th</sup> Regular Session”), which concluded on May 31, 2021, Senate Bill 1232 (“SB 1232”) was enacted and became effective on September 1, 2021. SB 1232 provided 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 required 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.

The regular session of the 88th Texas Legislature (the “Legislature”) was held from January 10, 2023, to May 29, 2023. As of the date of this disclosure, there have been four special sessions held, with the fourth special session ending December 5, 2023. 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 has taken or may take, but the TEA, SBOE, and PSF Corporation monitor and analyze 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 was 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 Corporation’s Annual Comprehensive Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). Due to the establishment of the PSF Corporation, the most recent financial statements include several restatements related thereto. 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 annual comprehensive report of the State of Texas. The Annual Report includes the Message of the Chief Executive Officer of the PSF Corporation (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2023, 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, 2023, 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, 2023, and for a description of the financial results of the PSF for the year ended August 31, 2023, the most recent year for which audited financial information regarding the Fund is available. The 2023 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2023 Annual Report or any other Annual Report. The PSF Corporation 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 PSF Corporation’s web site at <https://texaspsf.org/bond-guarantee-program/> and with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund’s holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at [www.sec.gov/edgar](http://www.sec.gov/edgar). A list of the Fund’s equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation’s 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.

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

The Texas Constitution and applicable statutes delegate to the SBOE and the PSF Corporation the authority and responsibility for investment of the PSF’s financial assets. The SBOE consists of 15 members who are elected by territorial districts in the State to four-year terms of office. The PSF Corporation is a special-purpose governmental corporation and instrumentality of the State entitled to sovereign immunity, and 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 member being appointed by the Land Commissioner and the other two appointed by the Governor with confirmation by the Senate.

The PSF’s non-financial real assets, including land, mineral and royalty interests, and individual real estate holdings, are held by the GLO and managed by the SLB. The SLB is required to send PSF mineral and royalty revenues to the PSF Corporation for investment, less amounts specified by appropriation to be retained by the SLB.

The Texas Constitution provides that the Fund shall be managed through 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. For a detailed description of the PSFC Board’s investment objectives, as well as a description of the PSFC’s roles and responsibilities in managing and administering the fund, see the IPS (available on the PSF Corporation’s website).

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. Additionally, 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 State laws.

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 requires that PSF distributions to the ASF be determined using a “total-return-based” that 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) 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.

The Texas Constitution also provides authority to the GLO or another entity (described in statute as the SLB or the PSF Corporation) 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. The Texas Constitution limits the maximum transfer to the ASF to \$600 million in 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)”), the PSF Corporation (the “PSF(CORP)”), and the SLB (the “PSF(SLB)”).

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

<b>Fiscal Year Ending</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023<sup>2</sup></b>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,076
PSF(SBOE) Distribution	839	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-
PSF(SLB) Distribution	0	0	0	0	0	300	600	600 <sup>3</sup>	415	115
Per Student Distribution	175	173	215	212	247	306	347	341	432	440

<sup>1</sup> In millions of dollars. Source: Annual Report for year ended August 31, 2023.

<sup>2</sup> Reflects the first fiscal year in which distributions were made by the PSF Corporation.

<sup>3</sup> In September 2020, the SBOE approved a special, one-time transfer of \$300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

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

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

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

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

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

## PSF Corporation Strategic Asset Allocation

The PSFC Board sets the asset allocation policy for the Fund, including determining the available asset classes for investment and approving target percentages and ranges for allocation to each asset class, with the goal of delivering a long-term risk adjusted return through all economic and market environments. 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 and the SLB). 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 current asset allocation of the Fund that was adopted February 2024 (which is subject to change from time to time):

<b>Asset Class</b>	<b>Strategic Asset Allocation</b>	<b>Range</b>	
		Min	Max
Cash	2.0%	0.0%	7.0%
Core Bonds	10.0%	5.0%	15.0%
High Yield	2.0%	0.0%	7.0%
Bank Loans	4.0%	0.0%	9.0%
Treasury Inflation Protected Securities	2.0%	0.0%	7.0%
Large Cap Equity	14.0%	9.0%	19.0%
Small/Mid-Cap Equity	6.0%	1.0%	11.0%
Non-US Developed Equity	7.0%	2.0%	12.0%



Absolute Return	3.0%	0.0%	8.0%
Real Estate	12.0%	7.0%	17.0%
Private Equity	20.0%	10.0%	30.0%
Private Credit	8.0%	3.0%	13.0%
Natural Resources	5.0%	0.0%	10.0%
Infrastructure	5.0%	0.0%	10.0%

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2022 and 2023, as set forth in the Annual Report for the 2023 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF (SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

#### Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2022 and 2021				
ASSET CLASS	August 31, 2023	August 31, 2022	Amount of Increase (Decrease)	Percent Change
<b>EQUITY</b>				
Domestic Small Cap	\$ 2,975.1	\$ 2,858.4	\$ 116.7	4.1%
Domestic Large Cap	<u>7,896.5</u>	<u>6,402.1</u>	<u>1,494.4</u>	<u>23.3%</u>
Total Domestic Equity	10,871.6	9,260.5	1,611.1	17.4%
International Equity	<u>7,945.5</u>	<u>7,197.9</u>	<u>747.6</u>	<u>10.4%</u>
<b>TOTAL EQUITY</b>	<b>18,817.1</b>	<b>16,458.4</b>	<b>2,358.7</b>	<b>14.3%</b>
<b>FIXED INCOME</b>				
Domestic Fixed Income	5,563.7	5,867.5	(303.8)	-5.2%
U.S. Treasuries	937.5	1,140.2	(202.7)	-17.8%
High Yield Bonds	1,231.6	1,142.5	<u>89.1</u>	<u>7.8%</u>
Emerging Market Debt	<u>869.7</u>	<u>1,190.9</u>	<u>(321.2)</u>	<u>-27.0%</u>
<b>TOTAL FIXED INCOME</b>	<b>8,602.5</b>	<b>9,341.1</b>	<b>(738.6)</b>	<b>-7.9%</b>
<b>ALTERNATIVE INVESTMENTS</b>				
Absolute Return	3,175.8	2,932.3	243.5	8.3%
Real Estate	6,525.2	6,286.9	238.3	3.8%
Private Equity	8,400.7	7,933.1	467.6	5.9%
Emerging Manager Program	134.5	29.9	104.6	349.8%
Real Return	1,663.7	1,620.3	43.4	2.7%
Real Assets	<u>4,712.1</u>	<u>4,341.3</u>	<u>370.8</u>	<u>8.5%</u>
<b>TOT ALT INVESTMENTS</b>	<b>24,612.0</b>	<b>23,143.8</b>	<b>1,468.2</b>	<b>6.3%</b>
UNALLOCATED CASH	<u>348.2</u>	<u>231.7</u>	<u>116.5</u>	<u>50.3%</u>
<b>TOTAL PSF(CORP) INVESTMENTS</b>	<b>\$ 52,379.8</b>	<b>\$ 49,175.0</b>	<b>\$ 3,204.8</b>	<b>6.5%</b>

Source: Annual Report for year ended August 31, 2023.

The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2023.

## Investment Schedule - PSF(SLB)<sup>1</sup>

Fair Value (in millions) August 31, 2023

	As of <u>8-31-23</u>	
Investment Type		
Investments in Real Assets		
Sovereign Lands	\$ 276.14	
Discretionary Internal Investments	264.32	
Other Lands	167.97	
Minerals <sup>(2), (3)</sup>		5,435.62 <sup>(6)</sup>
Total Investments <sup>(4)</sup>		6,144.05
Cash in State Treasury <sup>(5)</sup>		508.38
Total Investments & Cash in State Treasury	\$ 6,652.44	

<sup>1</sup> Unaudited figures from Table 5 in the FY 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.<sup>2</sup> Historical Cost of investments at August 31, 2023 was: Sovereign Lands \$838,776.71; Discretionary Internal Investments \$129,728,504.04; Other Lands \$38,241,863.70; and Minerals \$13,437,063.73.

<sup>3</sup> Includes an estimated 1,000,000.00 acres in freshwater rivers.

<sup>4</sup> Includes an estimated 1,747,600.00 in excess acreage.

<sup>5</sup> Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.

<sup>6</sup> Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

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. The SDBGP 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/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>.

### **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/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>.

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.

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2024 fiscal year, the ratio is 7.69%. At February 26, 2024, there were 186 active open-enrollment charter schools in the State and there were 1,128 charter school campuses authorized under such charters, though as of such date, 212 of such campuses are not currently serving students for various reasons; therefore, there are 916 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. The Charter District Bond Guarantee Program 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.” 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.

<u>Changes in SBOE-determined multiplier for State Capacity Limit</u>	
<u>Date</u>	<u>Multiplier</u>
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

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, effective as of May 10, 2023.

The IRS Notice changed 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 December 31, 2023 the cost value of the Guarantee Program was \$44,034,322,531 (unaudited), thereby producing an IRS Limit of \$220,171,612,655 in principal amount of guaranteed bonds outstanding.

As of December 31, 2023, the estimated State Capacity Limit is \$154,120,128,859, 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 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 PSF Corporation’s web site at <https://texaspsf.org/monthly-disclosures/>, 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.

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 CDBG 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 CDBG 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 7.69% in February 2024. 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 CDBG 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 CDBG 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 January 31, 2024, the Charter District Reserve Fund contained \$97,636,048, which represented approximately 2.32% 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 January 2024, 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 offering document 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 <sup>(1)</sup>	Market Value <sup>(1)</sup>
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	42,511,350,050	56,754,515,757
2023 <sup>(2)</sup>	43,915,792,841	59,020,536,667

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

<sup>(2)</sup> At August 31, 2023, mineral assets, sovereign and other lands and discretionary internal investments, and cash managed by the SLB had book values of approximately \$13.4 million, \$168.8 million, and \$708.4 million, respectively, and market values of approximately \$5,435.6 million, \$678.4 million, and \$508.4 million, respectively.

Permanent School Fund Guaranteed Bonds	
At 8/31	Principal Amount <sup>(1)</sup>
2019	\$84,397,900,203
2020	90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682 <sup>(2)</sup>

<sup>(1)</sup> 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.

<sup>(2)</sup> At August 31, 2023 (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 \$178,520,723,868, of which \$62,789,897,186 represents interest to be paid. As shown in the table above, at August 31, 2023, there were \$115,730,826,682 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$154,120,128,859 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2023, 7.36% of the Guarantee Program’s capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2023, the amount of outstanding bond guarantees represented 76.36% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2023 values are based on unaudited data, which is subject to adjustment.

**Permanent School Fund Guaranteed Bonds by Category<sup>(1)</sup>**

Fiscal Year Ended <u>8/31</u>	<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>
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	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023 <sup>(2)</sup>	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682

<sup>(1)</sup> 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.

<sup>(2)</sup> At December 31, 2023 (based on unaudited data, which is subject to adjustment), there were \$117,374,697,034 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,369 school district issues, aggregating \$113,174,765,034 in principal amount and 105 charter district issues, aggregating \$4,199,932,000 in principal amount. At December 31, 2023 the projected guarantee capacity available was \$26,935,589,587(based on unaudited data, which is subject to adjustment).

**Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2023**

The following discussion is derived from the Annual Report for the year ended August 31, 2023, including the Message from the Chief Executive Officer of the Fund, the Management’s Discussion and Analysis, and other schedules 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 PSFC Board are referred to throughout this MD&A as the PSF(CORP). The Fund’s non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

At the end of fiscal year 2023, the PSF(CORP) net position was \$52.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix 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(CORP) is invested in global markets and liquid assets experience volatility commensurate with the related indices. The PSF(CORP) 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. The PSF(CORP) annual rates of return for the one-year, five-year, and ten- year periods ending August 31, 2023, net of fees, were 6.14%, 6.19%, and 6.78%, respectively (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). See “Comparative Investment Schedule - PSF(CORP)” for the PSF(CORP) holdings as of August 31, 2023.

Beginning January 1, 2023, Texas PSF transitioned into the PSF Corporation combining all PSF financial investment assets under the singular management of the PSF Corporation. The new structure of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include absolute return, private equity, real estate, natural resources, infrastructure, and real return (TIPS and commodities). The inauguration of the PSF Corporation as a discretely presented component unit of the State of Texas for fiscal year 2023 required a change in the basis of accounting to full accrual. For a description of the full accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2023 Annual Report which is included by reference herein.



**PSF Returns Fiscal Year Ended 8-31-2023<sup>1</sup>**

<u>Portfolio</u>	<u>Return</u>	Benchmark <u>Return<sup>2</sup></u>
Total PSF(CORP) Portfolio	6.14	4.38
Domestic Large Cap Equities	16.09	15.94
Domestic Small/Mid Cap Equities	9.31	9.14
International Equities	12.38	11.89
Emerging Market Equity	2.48	1.25
Fixed Income	(1.30)	(1.19)
U.S. Treasuries	(9.21)	(9.69)
Absolute Return	7.59	3.58
Real Estate	(1.96)	(3.13)
Private Equity	4.55	0.20
Real Return	(5.51)	(5.88)
Emerging Market Debt	12.68	11.34
High Yield	7.80	7.19
Emerging Manager Program	33.35	0.97
Natural Resources	5.70	3.67
Infrastructure	14.22	3.67

<sup>1</sup>Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2023.

<sup>2</sup>Benchmarks are as set forth in the Annual Report for year ended August 31, 2023.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, interest in real estate, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2023, \$2.1 billion was distributed to the ASF, \$345 million of which was distributed by the PSF(CORP) on behalf of the SLB.

**Other Events and Disclosures**

State ethics laws govern 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. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at <https://tea.texas.gov/sites/default/files/ch033a.pdf>. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at [texaspsf.org](https://texaspsf.org).

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

As of August 31, 2023, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

**PSF Continuing Disclosure Undertaking**

The Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at [available at https://tea.texas.gov/sites/default/files/ch033a.pdf](https://tea.texas.gov/sites/default/files/ch033a.pdf).

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an “obligated person,” within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an “obligated person” of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

### **Annual Reports**

The PSF Corporation, on behalf of the TEA, and 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 PSF Corporation will update and provide this information within six months after the end of each fiscal year.

The TEA and the PSF Corporation 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. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited financial statements will be provided when 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 composed of two primary segments: the financial assets (PSF(CORP)) managed by PSF Corporation, and the non-financial assets (PSF(SLB)) managed by the SLB. Each of these segments is reported separately und different bases of accounting.

The PSF Corporation classified as a proprietary endowment fund and reported by the State of Texas as a discretely presented component unit and accounted for on an economic resources measurement focus and the full accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the full accrual basis of accounting, all revenues reported are recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

The SLB manages the Fund’s non-financial assets (PSF(SLB)), is classified as a governmental permanent fund and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related liability is incurred, if measurable.

The State’s current fiscal year end is August 31. Accordingly, the TEA and the PSF Corporation 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 and the PSF Corporation 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 or the PSF Corporation 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 or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

#### **Availability of Information**

The TEA and the PSF Corporation have agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Limitations and Amendments**

The TEA and the PSF Corporation have agreed to update information and to provide notices of material events only as described above. The TEA and the PSF Corporation have 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 and the PSF Corporation make 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 and the PSF Corporation disclaim 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 and the PSF Corporation to comply with its agreement.

The continuing disclosure agreement 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 or the PSF Corporation 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 or the PSF Corporation, 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 or the PSF Corporation (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 or the PSF Corporation 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 and the PSF Corporation have not failed to substantially comply with their 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.

**APPENDIX D**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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March 27, 2024

Norton Rose Fulbright US LLP  
98 San Jacinto Boulevard, Suite 1100  
Austin, Texas 78701-4255  
United States

Tel +1 512 474 5201  
Fax +1 512 536 4598  
nortonrosefulbright.com

## FINAL

IN REGARD to the authorization and issuance of the “Floresville Independent School District Unlimited Tax Refunding Bonds, Series 2024” (the *Bonds*), dated February 1, 2024, in the aggregate principal amount of \$6,975,000, we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Floresville Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2029 through 2032. The Bonds are not subject to redemption prior to their Stated Maturity. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer’s obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the Issuer in connection with the issuance of the Bonds, including the Order, the Deposit Letter (the *Deposit Agreement*) between the Issuer and BOKF, NA, Dallas, Texas (the *Other Paying Agent*), and the certification (the *Sufficiency Certificate*) by SAMCO Capital Markets, Inc., as Financial Advisor to the Issuer, concerning the sufficiency of the cash and investments deposited with the Other Paying Agent pursuant to the Deposit Agreement; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bonds executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed

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**Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of FLORESVILLE INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2024**

the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Deposit Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Other Paying Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held by the Other Paying Agent, pursuant to the Deposit Agreement and the order authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Other Paying Agent pursuant to the Deposit Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

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

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Other Paying Agent pursuant to the Deposit Agreement and upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and



**Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of FLORESVILLE INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2024**

profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Norton Rose Fulbright US LLP

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**APPENDIX E**

**EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**(Not intended to be a complete statement of the Issuer's financial condition.  
Reference is made to the complete Annual Financial Report for further information.)**

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# COLEMAN, HORTON & COMPANY, LLP

## Certified Public Accountants

400 E. NOPAL STREET • UVALDE, TEXAS 78801-5305  
www.colemanhortoncpa.com

DEBORAH V. McDONALD, CPA  
DEREK L. WALKER, CPA  
DUSTY R. ROUTH, CPA  
MELINDA D. KORCZYNSKI, CPA

TEL (830) 278-6276  
FAX (830) 278-6868  
chc@colemanhortoncpa.com

### INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
Floresville Independent School District  
1200 5<sup>th</sup> Street  
Floresville, Texas 78114

#### 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 Floresville Independent School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Floresville Independent School 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 Floresville Independent School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Floresville Independent School 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 Floresville Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

- \* Exercise professional judgement 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 Floresville Independent School District's internal controls. 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Floresville Independent School 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 and Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions for Pensions, Schedule of the District's Proportionate Share of the Net OPEB Liability and Schedule of the District Contributions for Other Post-Employment Benefits on pages 7-13 and 56-64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Floresville Independent School District's basic financial statements. The accompanying combining and individual 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 and individual 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.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in exhibits identified in the Table of Contents as Exhibits J-1, J-2, J-3 and J-4. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023, on our consideration of the Floresville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Floresville Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Floresville Independent School District's internal control over financial reporting and compliance.

*Coleman, Horton and Company, LLP*

Uvalde, Texas  
September 8, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Floresville Independent School District's (the District) annual financial and compliance report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

### **Financial Highlights**

- \* The District's total combined net position was \$26,113,874 at June 30, 2023, an increase of \$5,052,617.
- \* The total cost of the District's programs increased \$2,548,608 from the prior year for a total of \$47,143,357.
- \* The General Fund reported an increase in fund balance of \$430,730 resulting in an ending fund balance of \$11,866,653.
- \* The Debt Service Fund reported an increase in fund balance of \$1,034,311 resulting in an ending fund balance of \$6,168,669.
- \* The District's proportionate share of the TRS net pension liability increased by \$5,679,553 from the prior year, which resulted in an ending balance of \$9,936,717.
- \* The District's proportionate share of the TRS net Other Post-Employment Benefits liability decreased by \$4,394,376 from the prior year, which resulted in an ending balance of \$6,309,470.

### **Overview of the Basic Financial Statements**

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

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



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how it has changed. Net position, the District's assets and deferred outflows less the District's liabilities and deferred inflows, is one way to measure the District's financial health or *position*.

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

- \* *Governmental funds* - Most of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, then explain the relationship (or differences) between them.
- \* *Fiduciary funds* - The District is the custodian, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Fund Net Position. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

*Net position:* The District’s combined net position was \$26,113,874 at June 30, 2023 (see Table A-1).

**Table A-1  
The District's Net Position**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2023</b>	<b>2022</b>	
Assets:			
Current and other assets	\$ 25,350,300	\$ 23,112,983	9.68%
Capital assets - net	76,401,666	77,994,932	-2.04%
Total Assets	<u>\$ 101,751,966</u>	<u>\$ 101,107,915</u>	<u>0.64%</u>
Deferred outflows of resources	<u>\$ 8,838,063</u>	<u>\$ 8,259,965</u>	<u>7.00%</u>
Liabilities:			
Current liabilities	\$ 3,824,792	\$ 3,836,428	-0.30%
Long term liabilities	66,487,313	68,497,764	-2.94%
Total Liabilities	<u>\$ 70,312,105</u>	<u>\$ 72,334,192</u>	<u>-2.80%</u>
Deferred inflow of resources	<u>\$ 14,164,050</u>	<u>\$ 15,972,431</u>	<u>-11.32%</u>
Net position:			
Net investment in capital assets	\$ 26,896,090	\$ 25,210,878	6.68%
Restricted	8,105,903	6,782,371	19.51%
Unrestricted	<u>(8,888,119)</u>	<u>(10,931,992)</u>	<u>-18.70%</u>
Total net position	<u>\$ 26,113,874</u>	<u>\$ 21,061,257</u>	<u>23.99%</u>

**Changes in net position:** The District's total revenues were \$52,195,974, which is an increase from the prior year of \$1,987,696 or 3.96%. Approximately 40.81% of the District's revenues came from taxes, 33.79% came from state aid grants, 3.67% came from unrestricted grants and contributions, 15.31% from operating grants and contributions, 3.40% related to charges for services, 1.30% came from miscellaneous revenues, and the remainder from the investment earnings (see Table A-2).

**Table A-2  
The District's Changes in Net Position**

	<b>Governmental Activities</b>		
	<b>2023</b>	<b>2022</b>	<b>Total Percentage Change</b>
Revenues:			
Program revenues:			
Charges for Services	\$ 1,930,332	\$ 1,903,358	1.42%
Operating grants and contributions	7,991,064	8,050,432	-0.74%
General revenues:			
Property taxes	21,299,294	19,701,241	8.11%
State aid - formula grants	17,635,114	18,747,450	-5.93%
Grants and contributions not restricted	1,915,510	1,343,653	42.56%
Investment earnings	747,519	35,801	1987.98%
Miscellaneous local and intermediate revenue	677,141	475,651	42.36%
Extraordinary items - net	-	(49,308)	-100.00%
Total revenues and extraordinary item	<u>52,195,974</u>	<u>50,208,278</u>	<u>3.96%</u>
Expenses:			
Instruction	23,985,346	23,229,914	3.25%
Instructional resources and media services	319,914	304,216	5.16%
Curriculum and staff development	559,947	344,922	62.34%
Instructional leadership/school leadership	2,675,291	2,597,217	3.01%
Guidance, counseling and evaluation, health and social work services	2,092,407	1,867,901	12.02%
Student(pupil) transportation	2,403,452	2,286,618	5.11%
Food services	2,401,759	2,181,074	10.12%
Extracurricular activities	1,672,316	1,439,743	16.15%
General administration	1,548,417	1,534,285	0.92%
Facilities maintenance and security	6,585,352	5,565,661	18.32%
Data processing services	938,356	834,162	12.49%
Community services	25,011	19,587	27.69%
Debt service	1,374,371	1,815,777	-24.31%
Payments to Juvenile Justice Alternative Education Program (JJAEP)	11,384	8,560	32.99%
Other intergovernmental charges	550,034	565,112	-2.67%
Total expenses	<u>47,143,357</u>	<u>44,594,749</u>	<u>5.72%</u>
Change in net position	5,052,617	5,613,529	-9.99%
Net position at beginning of year	21,061,257	15,447,728	36.34%
Net position at end of year	<u>\$ 26,113,874</u>	<u>\$ 21,061,257</u>	<u>23.99%</u>

The total cost of all programs and services was \$47,143,357, which is an increase from the prior year by \$2,548,608 or 5.72%.

**Governmental activities:** Table A-3 presents the cost of some of the District’s largest functions, as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects state revenues, as well as local tax dollars funded.

- \* Property tax rates are \$1.109523 per \$100 value.
- \* The cost of all governmental activities this year was \$47,143,357.
- \* However, the amount taxpayers paid for these activities through property taxes was only \$21,299,294.

**Table A-3  
The District's Net Cost of Selected District Functions**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2023</b>	<b>2022</b>	
Instruction	\$ 20,165,125	\$ 19,040,625	5.91%
Instructional leadership/school leadership	2,274,351	2,138,152	6.37%
Guidance, counseling and evaluation, health and social work services	1,197,927	1,314,126	-8.84%
Student(pupil) transportation	2,377,850	2,099,060	13.28%
Extracurricular activities	1,375,305	1,190,686	15.51%
General administration	1,528,065	1,520,024	0.53%
Facilities maintenance and security	5,318,849	4,443,327	19.70%
Debt service	1,374,371	1,815,777	-24.31%

**Financial Analysis of the District’s Funds**

The District had two major funds in 2023: The General Fund and the Debt Service Fund.

**General Fund:** In 2023, the General Fund had an increase in fund balance of \$430,730. As of June 30, 2023, the General Fund had an unassigned fund balance of \$11,526,468. This fund balance will be used to cover future operations of the District, as well as create a reserve to cover any future revenue shortfalls from the state.

**Debt Service Fund:** As of June 30, 2023, the Debt Service Fund had a fund balance of \$6,168,669. This fund balance is restricted for future principal and interest payments on long-term debt.

**General Fund budgetary highlights:** Over the course of the year, the District revised its budget. Actual expenditures were \$56,418 above final budget amounts. The largest variance was in Facilities Maintenance and Operations of \$111,871. The District’s revenues were \$476,220 above budgeted amounts.

## Capital Assets and Debt Administration

**Capital assets:** At June 30, 2023, the District had invested \$76,401,666 in a broad range of capital assets, including land, buildings and improvements, equipment, and right-to-use lease assets (see Table A-4). This amount represents a net decrease (including additions, deductions, and depreciation) of \$1,593,266 or 2.04%. During the year ended June 30, 2023, the District purchased \$162,400 in buildings and improvements, \$350,370 in vehicles and equipment, \$165,459 in right-to-use lease assets and had construction in progress of \$811,958. More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Table A-4  
The District's Capital Assets**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2023</b>	<b>2022</b>	
Land	\$ 3,197,433	\$ 3,197,433	0.00%
Building and improvements	105,566,383	105,403,983	0.15%
Equipment	9,072,941	8,722,571	4.02%
Right to use lease assets - equipment	138,394	138,394	0.00%
Right to use lease assets - buildings	165,459	-	100.00%
Construction in progress	811,958	-	100.00%
Total capital assets	118,952,568	117,462,381	1.27%
Less accumulated depreciation	(42,550,902)	(39,467,449)	7.81%
Net capital assets	<u>\$ 76,401,666</u>	<u>\$ 77,994,932</u>	<u>-2.04%</u>

**Long-term debt:** At June 30, 2023, the District had \$50,241,126 in outstanding long-term debt, as shown in Table A-5. Of the amount outstanding in long-term debt, \$47,795,000 is for general obligation bonds, \$515,000 is in tax maintenance notes, \$735,550 is in compensated absences, \$1,038,264 is in premium/discount on bonds issued over the years, and \$157,312 is for right-to-use lease liabilities. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table A-5  
The District's Long-Term Debt**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2023</b>	<b>2022</b>	
Unlimited Tax School Refunding Bonds, Series 2006	\$ -	\$ 202,222	-100.00%
Unlimited Tax School Refunding Bonds, Series 2014	8,900,000	8,900,000	0.00%
Unlimited Tax School Refunding Bonds, Series 2015	8,340,000	8,340,000	0.00%
Unlimited Tax School Refunding Bonds, Series 2016	22,335,000	23,705,000	-5.78%
Unlimited Tax School Refunding Bonds, Series 2017	8,065,000	8,080,000	-0.19%
Unlimited Tax School Refunding Bonds, Series 2018	155,000	505,000	-69.31%
Tax Maintenance Notes, Series 2017	515,000	635,000	-18.90%
Tax Maintenance Notes, Series 2018	-	280,000	-100.00%
Capital Appreciation Bonds, 2006	-	808,636	-100.00%
Net Premium/Discount	1,038,264	1,227,032	-15.38%
Compensated Absences	735,550	752,700	-2.28%
Right to Use Lease Liabilities	157,312	101,164	100.00%
Total long-term debt	<u>\$ 50,241,126</u>	<u>\$ 53,536,754</u>	<u>-6.16%</u>

**Economic Factors and Next Year's Budgets and Rates**

- \* Certified value used for the 2024 budget preparation are \$1,849,290,939, an increase of 8.35%.
- \* The District's 2024 refined average daily attendance is expected to be 3,675.
- \* The District's budget is based upon the M&O rate of \$0.6694 and I&S rate of \$0.237366.
- \* The budget includes a 3.5% raise on the midpoint for all District employees.

These indicators were taken into account when adopting the General Fund budget for 2024. Property tax revenue will remain fairly stable due to the significantly decreased M&O tax rate which is offset by increasing local property values. The State of Texas has provided property tax relief via House Bill 3 in the form of tax rate compression, as well as Senate Bill 2, which provided further tax rate compression, which resulted in the District having a much lower M&O tax rate for 2024. State revenue will increase due to the tax rate compression. These estimates will be monitored on an ongoing basis to ensure that budgetary assumptions can be met. The District has adopted a deficit budget for the 2023-2024 fiscal year.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate 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 Services Department at (830) 393-5300.

## **BASIC FINANCIAL STATEMENTS**

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2023

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 18,133,706
1220 Property Taxes - Delinquent	2,655,397
1230 Allowance for Uncollectible Taxes	(265,539)
1240 Due from Other Governments	4,804,478
1267 Due from Fiduciary Funds	22,258
Capital Assets:	
1510 Land	3,197,433
1520 Buildings, Net	69,938,242
1530 Furniture and Equipment, Net	2,259,784
1550 Right-to-Use Leased Assets, Net	194,249
1580 Construction in Progress	811,958
1000 Total Assets	101,751,966
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	1,970,469
1705 Deferred Outflow Related to TRS Pension	4,514,374
1706 Deferred Outflow Related to TRS OPEB	2,353,220
1700 Total Deferred Outflows of Resources	8,838,063
<b>LIABILITIES</b>	
2110 Accounts Payable	376,599
2140 Interest Payable	676,939
2160 Accrued Wages Payable	2,577,080
2177 Due to Fiduciary Funds	826
2180 Due to Other Governments	49,032
2200 Accrued Expenses	144,316
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	3,806,498
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	46,434,628
2540 Net Pension Liability (District's Share)	9,936,717
2545 Net OPEB Liability (District's Share)	6,309,470
2000 Total Liabilities	70,312,105
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	2,115,178
2606 Deferred Inflow Related to TRS OPEB	12,048,872
2600 Total Deferred Inflows of Resources	14,164,050
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	26,896,090
Restricted:	
3820 Restricted for Federal and State Programs	1,817,049
3850 Restricted for Debt Service	6,168,669
3890 Restricted for Other Purposes	120,185
3900 Unrestricted	(8,888,119)
3000 Total Net Position	\$ 26,113,874

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



FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Net (Expense)  
Revenue and  
Changes in Net  
Position

6  
Primary Gov.

Governmental

Activities

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 23,985,346	\$ 555,745	\$ 3,264,476	\$ (20,165,125)
12	Instructional Resources and Media Services	319,914	-	3,147	(316,767)
13	Curriculum and Instructional Staff Development	559,947	-	357,235	(202,712)
21	Instructional Leadership	715,311	-	169,295	(546,016)
23	School Leadership	1,959,980	210,034	21,611	(1,728,335)
31	Guidance, Counseling, and Evaluation Services	1,244,146	72,704	375,547	(795,895)
32	Social Work Services	471,194	-	402,170	(69,024)
33	Health Services	377,067	40,391	3,668	(333,008)
34	Student (Pupil) Transportation	2,403,452	-	25,602	(2,377,850)
35	Food Services	2,401,759	699,218	1,936,222	233,681
36	Extracurricular Activities	1,672,316	295,176	1,835	(1,375,305)
41	General Administration	1,548,417	-	20,352	(1,528,065)
51	Facilities Maintenance and Operations	6,003,597	48,986	1,099,368	(4,855,243)
52	Security and Monitoring Services	581,755	8,078	110,071	(463,606)
53	Data Processing Services	938,356	-	190,054	(748,302)
61	Community Services	25,011	-	10,411	(14,600)
72	Debt Service - Interest on Long-Term Debt	1,363,751	-	-	(1,363,751)
73	Debt Service - Bond Issuance Cost and Fees	10,620	-	-	(10,620)
95	Payments to Juvenile Justice Alternative Ed. Prg.	11,384	-	-	(11,384)
99	Other Intergovernmental Charges	550,034	-	-	(550,034)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 47,143,357	\$ 1,930,332	\$ 7,991,064	(37,221,961)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	16,406,363
DT	Property Taxes, Levied for Debt Service	4,892,931
SF	State Aid - Formula Grants	17,635,114
GC	Grants and Contributions not Restricted	1,915,510
IE	Investment Earnings	747,519
MI	Miscellaneous Local and Intermediate Revenue	677,141
TR	Total General Revenues	42,274,578
CN	Change in Net Position	5,052,617
NB	Net Position - Beginning	21,061,257
NE	Net Position - Ending	\$ 26,113,874

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

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 9,645,206	\$ 6,145,015	\$ 2,238,142	\$ 18,028,363
1220 Property Taxes - Delinquent	2,008,664	646,733	-	2,655,397
1230 Allowance for Uncollectible Taxes	(200,866)	(64,673)	-	(265,539)
1240 Due from Other Governments	4,659,177	-	145,301	4,804,478
1260 Due from Other Funds	297,048	-	-	297,048
1000 Total Assets	<u>\$ 16,409,229</u>	<u>\$ 6,727,075</u>	<u>\$ 2,383,443</u>	<u>\$ 25,519,747</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 106,780	\$ -	\$ 263,869	\$ 370,649
2160 Accrued Wages Payable	2,442,583	-	134,497	2,577,080
2170 Due to Other Funds	275,586	-	-	275,586
2180 Due to Other Governments	-	47,300	1,732	49,032
2200 Accrued Expenditures	144,316	-	-	144,316
2000 Total Liabilities	<u>2,969,265</u>	<u>47,300</u>	<u>400,098</u>	<u>3,416,663</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	1,573,311	511,106	-	2,084,417
2600 Total Deferred Inflows of Resources	<u>1,573,311</u>	<u>511,106</u>	<u>-</u>	<u>2,084,417</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	1,817,049	1,817,049
3480 Retirement of Long-Term Debt	-	6,168,669	-	6,168,669
3490 Other Restricted Fund Balance	120,185	-	-	120,185
Committed Fund Balance:				
3545 Other Committed Fund Balance	220,000	-	153,227	373,227
3600 Unassigned Fund Balance	11,526,468	-	13,069	11,539,537
3000 Total Fund Balances	<u>11,866,653</u>	<u>6,168,669</u>	<u>1,983,345</u>	<u>20,018,667</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 16,409,229</u>	<u>\$ 6,727,075</u>	<u>\$ 2,383,443</u>	<u>\$ 25,519,747</u>

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

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2023

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	20,018,667
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		99,363
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$117,462,381 and the accumulated depreciation was (\$39,467,449). In addition, long-term liabilities, including bonds payable of (\$50,540,858), loans payable of (\$915,000) and right to use lease liability of (\$101,164), are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		26,437,910
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2023 capital outlays of \$1,490,187 and debt principal payments of \$3,250,195 is to increase net position.		4,740,382
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of (\$9,936,717), a deferred resource inflow related to TRS in the amount of (\$2,115,178), and a deferred resource outflow related to TRS in the amount of \$4,514,374. The net effect of including the GASB 68 recognition is to decrease net position.		(7,537,521)
5 Included in the items related to debt is the recognition of the District's proportionate share of the Other Post Employment Benefits (OPEB) liability required by GASB 75 in the amount of (\$6,309,470), a deferred resource inflow related to OPEB in the amount of (\$12,048,872), and a deferred resource outflow related to OPEB in the amount of \$2,353,220. The net effect of including the GASB 75 recognition is to decrease net position.		(16,005,122)
6 The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(3,083,453)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes of \$2,084,417 as revenue, recognizing compensated absences payable of (\$735,550), recognizing unamortized bond premium/discount of (\$1,038,264), recognizing accreted interest on capital appreciation bonds of (\$44,141), recognizing unamortized accounting loss on bond refundings of \$1,970,469, reclassing proceeds from right to use assets of \$(116,343), recognizing the liabilities associated with maturing long-term debt and interest of (\$676,939) and rounding of (\$1).. The net effect of these reclassifications and recognitions is to increase net position.		1,443,648
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>26,113,874</b>

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

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 17,617,616	\$ 5,218,360	\$ 1,748,274	\$ 24,584,250
5800 State Program Revenues	19,523,842	313,446	208,219	20,045,507
5900 Federal Program Revenues	792,739	-	7,782,845	8,575,584
5020 Total Revenues	<u>37,934,197</u>	<u>5,531,806</u>	<u>9,739,338</u>	<u>53,205,341</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	19,999,963	-	3,826,051	23,826,014
0012 Instructional Resources and Media Services	308,241	-	3,147	311,388
0013 Curriculum and Instructional Staff Development	168,564	-	371,231	539,795
0021 Instructional Leadership	453,430	-	240,232	693,662
0023 School Leadership	1,739,602	-	245,083	1,984,685
0031 Guidance, Counseling, and Evaluation Services	776,913	-	453,235	1,230,148
0032 Social Work Services	71,626	-	402,170	473,796
0033 Health Services	338,398	-	44,958	383,356
0034 Student (Pupil) Transportation	2,319,269	-	25,602	2,344,871
0035 Food Services	-	-	2,270,656	2,270,656
0036 Extracurricular Activities	1,599,104	-	50,265	1,649,369
0041 General Administration	1,513,698	-	20,352	1,534,050
0051 Facilities Maintenance and Operations	5,685,920	-	1,143,154	6,829,074
0052 Security and Monitoring Services	552,918	-	117,694	670,612
0053 Data Processing Services	1,030,327	-	190,054	1,220,381
0061 Community Services	12,479	-	10,511	22,990
<b>Debt Service:</b>				
0071 Principal on Long-Term Liabilities	459,922	1,937,222	670	2,397,814
0072 Interest on Long-Term Liabilities	27,950	2,549,721	49	2,577,720
0073 Bond Issuance Cost and Fees	68	10,552	-	10,620
<b>Intergovernmental:</b>				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	11,384	-	-	11,384
0099 Other Intergovernmental Charges	550,034	-	-	550,034
6030 Total Expenditures	<u>37,619,810</u>	<u>4,497,495</u>	<u>9,415,114</u>	<u>51,532,419</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	314,387	1,034,311	324,224	1,672,922
<b>OTHER FINANCING SOURCES (USES):</b>				
7913 Proceeds of Right-to-Use Lease	116,343	-	-	116,343
1200 Net Change in Fund Balances	430,730	1,034,311	324,224	1,789,265
0100 Fund Balance - July 1 (Beginning)	<u>11,435,923</u>	<u>5,134,358</u>	<u>1,659,121</u>	<u>18,229,402</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 11,866,653</u>	<u>\$ 6,168,669</u>	<u>\$ 1,983,345</u>	<u>\$ 20,018,667</u>

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

FLORESVILLE 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 JUNE 30, 2023

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,789,265
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.</p>		
		9,738
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2023 capital outlays of \$1,490,187 and debt principal payments of \$3,250,195 is to increase net position.</p>		
		4,740,382
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(3,083,453)
<p>Current year changes due to GASB 68 increased revenues in the amount of \$466,675 but also increased expenditures in the amount of (\$558,674). The net effect on the change was to decrease net position.</p>		
		(91,999)
<p>Current year changes due to GASB 75 decreased revenues in the amount of (\$1,546,078) and decreased expenses in the amount of \$2,902,971. The net effect was an increase in the change in net position.</p>		
		1,356,893
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy of \$69,397, recording accretion on capital appreciation bonds of (\$44,141), recognizing current year amortization of accounting loss on bond refunding of (\$163,592), recognizing current year amortization of bond premium/discount of \$188,768, recognizing the change in compensated absences of \$17,150, reclassing proceeds from right to use leased assets of (\$116,343), recognizing the change in liabilities associated with maturing long-term debt and interest of \$380,554 and rounding of (\$2). The net effect of these reclassifications and recognitions is to increase net position.</p>		
		331,791
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>5,052,617</b>

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

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2023

	Governmental Activities -	
		Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	105,343
Total Assets		105,343
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable		5,950
Due to Other Funds		30
Total Liabilities		5,980
<b>NET POSITION</b>		
Unrestricted Net Position		99,363
Total Net Position	\$	99,363

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

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 188,394
Total Operating Revenues	188,394
OPERATING EXPENSES:	
Other Operating Costs	179,296
Total Operating Expenses	179,296
Operating Income	9,098
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	640
Total Nonoperating Revenues (Expenses)	640
Change in Net Position	9,738
Total Net Position - July 1 (Beginning)	89,625
Total Net Position - June 30 (Ending)	\$ 99,363

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

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT D-3

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 188,394
Cash Payments for Insurance Claims	(180,359)
Net Cash Provided by Operating Activities	8,035
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	640
Net Increase in Cash and Cash Equivalents	8,675
Cash and Cash Equivalents at Beginning of Year	96,668
Cash and Cash Equivalents at End of Year	\$ 105,343
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 9,098
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(1,063)
Net Cash Provided by Operating Activities	\$ 8,035

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



FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2023

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 588,220
Due from Other Funds	826
Other Receivables	<u>(65)</u>
Total Assets	<u>588,981</u>
LIABILITIES	
Due to Other Funds	<u>22,258</u>
Total Liabilities	<u>22,258</u>
NET POSITION	
Restricted for Campus Activities	<u>566,723</u>
Total Net Position	<u><u>\$ 566,723</u></u>

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

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Fund
<b>ADDITIONS:</b>	
Cocurricular Services or Activities	\$ 596,456
Total Additions	596,456
<b>DEDUCTIONS:</b>	
Supplies and Materials	487,148
Total Deductions	487,148
Change in Fiduciary Net Position	109,308
Total Net Position - July 1 (Beginning)	457,415
Total Net Position - June 30 (Ending)	\$ 566,723

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

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

*Other Post-Employment Benefits.* The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic 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 the TRS-Care 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.

*Fair Value Measurement.* The District applies *GASB Statement No. 72*, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**A. REPORTING ENTITY**

The Board is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by *GASB Statement No. 14*, “The Financial Reporting Entity.” There are no component units included within the reporting entity.

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

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

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

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Position.

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

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

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when

due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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

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

The Proprietary Fund types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

fiduciary funds include Custodial Funds. Data from fiduciary funds are not included in the government-wide statements.

## **D. FUND ACCOUNTING**

The District reports the following major governmental funds:

- 1. The General Fund** - The general fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. Debt Service Funds** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

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

Proprietary Funds:

- 2. Internal Service Funds** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District’s Internal Service Funds is its dental insurance fund.

Fiduciary Funds:

3. **Custodial Funds** - The District accounts for resources held for others in a custodial capacity in custodial funds. These funds are used to account for assets held by the District as a custodian for student and other organizations. The District’s Custodial Funds is the student activity fund.

**E. FUND BALANCE POLICY**

The District reports fund balances for governmental funds in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or “must be maintained intact” and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

From time to time, the Board may commit fund balances by a majority vote in a scheduled meeting. The action to commit funds must occur prior to fiscal year-end even though the amount may be determined subsequent to fiscal year-end. The Board’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions, and other purposes determined by the Board.

When it is appropriate for fund balances to be assigned, the Board delegates authority to the superintendent or deputy superintendent.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged to committed, assigned, then unassigned.

Restricted	
Federal or State fund grant restrictions	\$ 1,817,049
Debt Service	6,168,669
Other restricted	120,185
Total restricted	<u>8,105,903</u>
Committed	
Other Committed	<u>373,227</u>
Total committed	<u>373,227</u>
Unassigned	<u>11,539,537</u>
Total Fund Balance	<u><u>\$ 20,018,667</u></u>

## F. OTHER ACCOUNTING POLICIES

1. The District records purchase of supplies as expenditures.
2. For purposes of the statement of cash flows for the Proprietary Fund, the District considers highly liquid investments such as investment pools, overnight sweep accounts, and treasury bills that have a maturity from time of purchase of three months or less to be cash equivalents.
3. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources consist of differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), net differences between projected and actual investment earnings (pension & OPEB), change in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB), and contributions paid to TRS subsequent to the measurement date (pension & OPEB).
4. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government-wide Statement of Net Position. In the government-wide financial statements, the District reports a deferred inflow of resources for differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), and changes in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB).
5. Unearned revenue accounted for on the balance sheet relates to excess funds received from the Texas Education Agency over earned amounts.
6. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance are obtained from a licensed insurer. Risk of loss is not retained by the District.
7. The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
8. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. The Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

9. 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 using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The District implemented GASB 87 for reporting leases during the reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

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 resources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in government fund types as an other financial source during the current period. Monthly payments are reported as principal and interest payments during the reporting period of the fund level statements.

10. Capital assets, which include land, buildings, furniture and equipment, and right-to-use lease assets are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Right-to-use lease assets are also reported in the applicable governmental column in the government-wide financial statements. Capitalization of right-to-use lease assets is determined by the significance of total future financial obligations for the lease when measured at inception of the lease term. The term of the lease must be the noncancelable period during which the District has the right to use the tangible asset(s) of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made.

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



Buildings, furniture and equipment, and lease assets of the District are depreciated using the straight-line method over the following estimated useful lives or, for the lease asset, for the term of the lease if the estimated useful life is longer than the term of the lease, if there is an option to purchase, which is expected to be exercised:

Assets	Years
Buildings & Improvements	20-50
Vehicles	7-10
Equipment	3-15

11. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenue and expenses of the District as a whole.

## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. BUDGETARY DATA**

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

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

1. Prior to June 20, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
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 July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.

4. Each budget is controlled at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

June 30, 2023	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 1,806,799
Nonappropriated Budget Funds	<u>176,546</u>
All Special Revenue Funds	<u><u>\$ 1,983,345</u></u>

**B. EXPENDITURES IN EXCESS OF APPROPRIATIONS**

As noted in Exhibit G-1, the District had over-expenditures in Function 51 in the amount of \$111,871 and in Function 61 in the amount of \$1,997.

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

**A. DEPOSITS AND INVESTMENTS**

District Policies and Legal and Contractual Provisions Governing Deposits

*Custodial Credit Risk for Deposits* - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risks for deposits.

At year-end, the District had funds on deposit of \$1,019,973 in excess of FDIC coverage, secured by pledged securities of the depository bank.

*Foreign Currency Risk* - The District has no foreign currency deposits therefore is not exposed to foreign currency risk.

District Policies and Legal and Contractual Provisions Governing Investments

**Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act**, Government Code Chapter 2256, (the Act) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an “A”; (4) no load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than “AA-“ or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

As of June 30, 2023, the District had the following investments that are classified as cash and cash equivalents:

<b>Investment Type and Description</b>	<b>Credit Rating</b>	<b>Weighted Average Maturity</b>	<b>Fair Value</b>
Public Funds Investment Pools			
Lone Star Corporate Overnight Fund	AAAm	N/A	\$ 5,383,009
Texpool Texas Local Government Investment Pool	AAAm	N/A	12,088,412
			<u>\$ 17,471,421</u>

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investment.

The District’s investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission (SEC), have as one of their objectives the maintenance of stable net asset value of \$1. The book value of the position in the pools is the same as the number of shares in each pool; the market value of a share should approximately equal the book value of a share. Accordingly, the fair value of the position in the pool is the same as the value of the shares in each pool.

**Lone Star**

**Lone Star Investment Pool** (the Pool): The Pool’s liquidity fund operates in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940, which allows the fund to use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the District’s position in the Pool is the same as the value of the Pool’s shares and does not include any unrealized gains and losses.

The Pool is governed by an thirteen-member Board of Trustees (the Board) made up of active participants in the Pool. The Board has the responsibility of adopting and monitoring compliance with the investment policy, appointing investment officers, overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for monitoring performance of the Pool. Financial information for the Pool can be obtained by writing to Post Office Box 400, Austin, Texas, 78767-0400 or by calling 1-800-758-3927.

## **TexPool**

Texas Local Government Investment Pool (Texpool); Texpool operates in a manner consistent with the SEC Rule2a7 of the Investment Company Act of 1940. Texpool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in each pool.

Texpool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate Texpool. In addition, the Texpool Advisory Board advises on Texpool's Investment Policy. This Board is composed equally of participants in Texpool and other persons who do not have a business relationship with Texpool who are qualified to advise Texpool. Financial information for Texpool can be accessed on the internet at <http://www.texpool.com>.

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

*Credit Risk* - In accordance with the District's investment policy, investments in investment pools must rate at least AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service, and investments in obligations of the U.S. government or its agencies must be rated at least A or equivalent. As noted in the above table, the District's investments met minimum rating requirements.

*Custodial Credit Risk for Investments* - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. All of the securities are in the District's name and held by the District or its agent.

*Concentration of Credit Risk* - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District investment is in secured bank certificates of deposit, State sponsored investment pools, and investments in obligations.

*Interest Rate Risk* - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that internally created pool fund groups have maturities of less than 180 days on a weighted average maturity basis. The maximum allowable stated maturity of any other individual investments owned by the District shall not exceed one year from the date of the purchase.

*Foreign Currency Risk for Investment* - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currency.

## Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels, the above fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District has the following recurring fair value measurements as of June 30, 2023:

<u>Investments, at Fair Value</u>	<u>Fair Value</u>	<u>Fair Value Measurement Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Public Funds Investment Pools	\$ 17,471,421	\$ -	\$ 17,471,421	\$ -
Total Investments at Fair Value	<u>\$ 17,471,421</u>	<u>\$ -</u>	<u>\$ 17,471,421</u>	<u>\$ -</u>

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

## 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. DELINQUENT TAXES RECEIVABLE

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

**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances, primarily for payroll clearing purposes, at June 30, 2023, consisted of the following amounts:

**Due to General Fund From:**

Fiduciary Funds	\$ 22,258
Internal Service Fund	30
Nonmajor Governmental Funds	<u>274,760</u>
Total Due to General Fund From Other Funds	<u><u>\$ 297,048</u></u>

**Due to Nonmajor Governmental Funds From:**

General Fund	<u>\$ -</u>
Total Due to Nonmajor Governmental Funds	<u><u>\$ -</u></u>

**Due to Fiduciary Funds From:**

General Fund	<u>\$ 826</u>
Total Due to Fiduciary Funds	<u><u>\$ 826</u></u>

There were no interfund transfers during the year.

## E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2023, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	\$ 2,008,664	\$ 4,659,177	\$ 297,048	\$ -	\$ 6,964,889
Debt Service Fund	646,733	-	-	-	646,733
Nonmajor Governmental Funds	-	145,301	-	-	145,301
Total Governmental Activities	<u>\$ 2,655,397</u>	<u>\$ 4,804,478</u>	<u>\$ 297,048</u>	<u>\$ -</u>	<u>\$ 7,756,923</u>
Amount not scheduled for collection during subsequent year	<u>\$ 265,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,539</u>

Payables at June 30, 2023, were as follows:

	<u>Accounts Payables</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>					
General Fund	\$ 106,780	\$ 2,586,899	\$ 275,586	\$ -	\$ 2,969,265
Debt Service Fund	-	-	-	47,300	47,300
Nonmajor Governmental Funds	263,869	134,497	-	1,732	400,098
Total Governmental Activities	<u>\$ 370,649</u>	<u>\$ 2,721,396</u>	<u>\$ 275,586</u>	<u>\$ 49,032</u>	<u>\$ 3,416,663</u>
Amount not scheduled for payment during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2023, was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Adjustments	
Governmental Activities:					
Land	\$ 3,197,433	\$ -	\$ -	\$ -	\$ 3,197,433
Building and improvements	105,403,983	162,400	-	-	105,566,383
Equipment and vehicles	8,722,571	350,370	-	-	9,072,941
Right of use lease assets - equipment	138,394	-	-	-	138,394
Right of use lease assets - buildings	-	165,459	-	-	165,459
Construction in Progress	-	811,958	-	-	811,958
Total historical cost	117,462,381	1,490,187	-	-	118,952,568
Less accumulated depreciation					
Building and improvements	(33,233,366)	(2,394,775)	-	-	(35,628,141)
Equipment and vehicles	(6,195,827)	(617,330)	-	-	(6,813,157)
Right of use lease assets - equipment	(38,256)	(38,256)	-	-	(76,512)
Right of use lease assets - buildings	-	(33,092)	-	-	(33,092)
Total accumulated depreciation	(39,467,449)	(3,083,453)	-	-	(42,550,902)
Governmental activities capital assets, net	\$ 77,994,932	\$ (1,593,266)	\$ -	\$ -	\$ 76,401,666

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,664,772
Instructional resources & media services	24,902
Curriculum & instructional staff development	18,463
Instructional leadership	61,679
School leadership	151,152
Guidance, counseling, & evaluation services	91,135
Social work services	2,370
Health services	25,501
Student (pupil) transportation	211,567
Food services	155,506
Extracurricular activities	117,370
General administration	103,276
Facilities maintenance and operations	357,222
Security and monitoring services	18,488
Data processing services	78,029
Community services	2,021
Total depreciation expense	\$ 3,083,453



## G. LONG-TERM DEBT - BONDS PAYABLE

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 bonds payable for the year ended June 30, 2023, is as follows:

Description	Final Maturity	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 7/1/2022	Issued	Retired/ Refunded	Amounts Outstanding 6/30/2023	Amounts due within one year
Unlimited Tax Refunding Bonds, Series 2006	2023	10.41%	\$ 9,184,990	\$ 852,778	\$ 202,222	\$ -	\$ 202,222	\$ -	\$ -
Unlimited Tax Refunding Bonds, Series 2014	2032	3.50% - 4.00%	8,900,000	348,575	8,900,000	-	-	8,900,000	1,485,000
Unlimited Tax Refunding Bonds, Series 2015	2036	4.00%	8,340,000	333,600	8,340,000	-	-	8,340,000	-
Unlimited Tax Refunding Bonds, Series 2016	2039	2.00% - 4.00%	29,695,000	729,769	23,705,000	-	1,370,000	22,335,000	1,025,000
Unlimited Tax Refunding Bonds, Series 2017	2038	3.00% - 5.00%	8,385,000	274,900	8,080,000	-	15,000	8,065,000	225,000
Unlimited Tax Refunding Bonds, Series 2018	2024	2.00%	5,760,000	10,100	505,000	-	350,000	155,000	155,000
Totals Series Bonds				2,549,722	49,732,222	-	1,937,222	47,795,000	2,890,000
<b>Capital Appreciation Bonds</b>									
C.A.B Accreted Interest Series 2006				-	808,636	44,141	852,777	-	-
Total C.A.B. Bonds				-	808,636	44,141	852,777	-	-
Total All Bonds				\$ 2,549,722	\$ 50,540,858	\$ 44,141	\$ 2,789,999	\$ 47,795,000	\$ 2,890,000

Debt service requirements for general obligation bonds and refunding bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2024	\$ 2,890,000	\$ 1,634,394	\$ 4,524,394
2025	3,050,000	1,537,319	4,587,319
2026	3,155,000	1,436,919	4,591,919
2027	3,245,000	1,353,281	4,598,281
2028	3,335,000	1,260,156	4,595,156
2029-2033	14,175,000	4,749,881	18,924,881
2034-2038	15,315,000	2,075,356	17,390,356
2039	2,630,000	92,050	2,722,050
Total	\$ 47,795,000	\$ 14,139,356	\$ 61,934,356

## H. LONG-TERM DEBT - NOTES PAYABLE

Tax Maintenance Notes Payable of the District are reflected in the Statement of Net Position, and current requirements for principal and interest expenditures are accounted for in the General Fund. A summary of changes in notes payable for the year ended June 30, 2023, is as follows:

Description	Final Maturity	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 7/1/2022	Issued	Retired/ Refunded	Amounts Outstanding 6/30/2023	Amounts due within one year
Maintenance Tax Note Series 2017	2027	2.49%	1,035,000	\$ 15,812	\$ 635,000	\$ -	\$ 120,000	\$ 515,000	\$ 125,000
Maintenance Tax Note Series 2018	2023	2.65% - 2.75%	550,000	7,700	280,000	-	280,000	-	-
Totals				\$ 23,512	\$ 915,000	\$ -	\$ 400,000	\$ 515,000	\$ 125,000

Debt service requirements for notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2024	\$ 125,000	\$ 12,824	\$ 137,824
2025	125,000	9,711	134,711
2026	130,000	6,599	136,599
2027	135,000	3,362	138,362
2028	-	-	-
Total	\$ 515,000	\$ 32,496	\$ 547,496

## I. LONG-TERM DEBT - RIGHT-TO-USE LEASE LIABILITIES

The District leases photocopy machines with agreements having 5-year terms. Payments of \$3,330 are made monthly which consist of principal and imputed annual interest of 2.49%. No assets were pledged as collateral for these leases.

The District leases modular classrooms with an agreement having a 5-year term. Payments of \$2,030 are made monthly which consist of principal and imputed annual interest of 2.49%. No assets were pledged as collateral for this lease.

A summary of Right-to-Use Lease arrangements for the year ended June 30, 2023, is as follows:

Description	Discount Rate	Original Lease Liability	Current Year Interest	Principal Balance at 7/1/2022	New Lease Agreement	Principal Paid This Year	Principal Balance at 6/30/2023	Principal Due Within One Year
Dahill Lease, July 2020 #1	2.49%	\$ 4,661	\$ 75	\$ 3,532	\$ -	\$ 1,148	\$ 2,384	\$ 1,179
Dahill Lease, July 2020 #2	2.49%	24,611	395	18,647	-	6,062	12,585	6,214
Dahill Lease, July 2021	2.49%	52,499	940	42,427	-	10,214	32,213	10,471
Dahill Lease, July 2018	2.49%	12,105	92	6,360	-	5,864	496	496
Dahill Lease, July 2019	2.49%	36,244	471	24,411	-	12,054	12,357	12,357
Dahill Lease, July 2020 #3	2.49%	8,275	115	5,787	-	2,532	3,255	2,596
Aries Building Systems	2.49%	116,343	2,399	-	116,343	22,321	94,022	22,636
Totals			\$ 4,487	\$ 101,164	\$ 116,343	\$ 60,195	\$ 157,312	\$ 55,949

Future principal and interest payments due to maturity as of the end of the fiscal year are as follows.

Due fiscal year ended June 30	Principal	Interest	Total
2024	\$ 55,949	\$ 3,276	\$ 59,225
2025	42,178	2,039	44,217
2026	34,795	1,078	35,873
2027	24,390	330	24,720
2028	-	-	-
Total	\$ 157,312	\$ 6,723	\$ 164,035

## J. CHANGES IN LONG-TERM LIABILITIES

Following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

	Amounts Outstanding 7/1/2022	Additions	Deletions	Amounts Outstanding 6/30/2023	Due Within One Year
Bonds Payable	\$ 50,540,858	\$ 44,141	\$ 2,789,999	\$ 47,795,000	\$ 2,890,000
Net Issuance Premiums/Discount	1,227,032	-	188,768	1,038,264	-
Total Bonds Payable	<u>51,767,890</u>	<u>44,141</u>	<u>2,978,767</u>	<u>48,833,264</u>	<u>2,890,000</u>
Notes Payable	915,000	-	400,000	515,000	125,000
Right of use lease liabilities	101,164	116,343	60,195	157,312	55,948
Compensated Absences	<u>752,700</u>	<u>735,550</u>	<u>752,700</u>	<u>735,550</u>	<u>735,550</u>
	<u>\$ 53,536,754</u>	<u>\$ 896,034</u>	<u>\$ 4,191,662</u>	<u>\$ 50,241,126</u>	<u>\$ 3,806,498</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2023.

## K. COMPENSATED ABSENCES

An employee who retires with ten or more consecutive years of service with the District and provides a 90-day written notice of intent to retire shall be eligible for reimbursement for up to 50 state days and up to 20 local days (local leave accumulated after July 1, 2014) based on the substitute rate at the time of retirement. An employee shall not be paid for unused local leave earned prior to July 1, 2014.

## L. DEFINED BENEFIT PENSION PLAN

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

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

**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 [www.trs.texas.gov/Pages/about\\_publications.aspx](http://www.trs.texas.gov/Pages/about_publications.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

**Benefits Provided.** TRS (the System) provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries, times years of credited service to arrive at the annual standard annuity, except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80 years, 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 percent of the member’s annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

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

<b>Contributions Rates</b>		
	<u>2022</u>	<u>2023</u>
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%
District's 2023 FY Employer Contributions		\$ 832,251
District's 2023 FY Member Contributions		\$ 2,145,181
Measurement Year NECE On-Behalf Contributions		\$ 1,565,618

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

As the non-employer contributing entity for public education, 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, including public schools, are required to pay the employer contribution rate in the following instances:

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

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

- \* All public schools, charter schools, and regional educational service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.
- \* When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

***Actuarial Assumptions.***

**Roll Forward.** The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022.

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2022	3.91%. The 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)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad-Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability assumptions are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

**Discount Rate.** A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022, are summarized below:

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity*	14.00%	7.70%	1.55%
<b>Stable Value</b>			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return*	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
<b>Real Return</b>			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources & Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
<b>Risk Parity</b>			
Risk Parity	8.00%	4.60%	0.43%
<b>Asset Allocation Leverage</b>			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag****			-0.91%
<b>Expected Return</b>	<b>100%</b>		<b>8.19%</b>

\* Absolute Return includes Credit Sensitive Investments.

\*\* Target allocations are based on the FY2022 policy model.

\*\*\* Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).

\*\*\*\* 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 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$15,457,764	\$9,936,717	\$5,461,649

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2023, the District reported a liability of \$9,936,717 for its proportionate share of the TRS 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	\$ 9,936,717
State's proportionate share that is associated with the District	<u>19,918,731</u>
Total	<u>\$ 29,855,448</u>

The net pension liability was measured as of August 31, 2021, and rolled forward to August 31, 2022, 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, 2021, thru August 31, 2022.

At August 31, 2022, the employers' proportion of the collective net pension liability was 0.0167376580% which was an increase of 0.0000209117% from its proportion measured as of August 31, 2021.

#### **Changes Since the Prior Actuarial Valuation**

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

For the year ended June 30, 2023, the District recognized pension expense of \$1,904,005 and revenue of \$1,904,005 for support provided by the State in the Government-Wide Statement of Activities.

At June 30, 2023, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 144,082	\$ 216,639
Changes in actuarial assumptions	1,851,534	461,454
Net difference between projected and actual investment earnings	981,715	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	840,583	1,437,085
Contributions paid to TRS subsequent to the measurement date	696,460	
Total	\$ 4,514,374	\$ 2,115,178



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

Measurement year ended August 31:	Pension Expense Amount
2023	\$ 412,612
2024	146,131
2025	(124,119)
2026	1,094,348
2027	173,764
Thereafter	-

**M. 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 the 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 of Trustees may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

**OPEB Plan Fiduciary Net Position.** Detailed 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\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

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

**TRS-Care Monthly Premium Rates**

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

\*or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public 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:

	<b>2022</b>	<b>2023</b>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2023 FY Employer Contributions		\$ 224,747
District's 2023 FY Member Contributions		\$ 174,296
Measurement Year NECE On-Behalf Contributions		\$ 264,012

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 \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray COVID-19-related health care costs during fiscal year 2022.

***Actuarial Assumptions.***

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

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

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and identical to the assumptions used in the August 31, 2021, TRS pension actuarial valuation that was rolled forward to August 31, 2022:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05% including inflation
Ad-Hoc Post-Employment Benefit Changes	None

**Discount Rate.** A single discount rate of 3.91 percent was used to measure the total OPEB liability. There was an increase of 1.96 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate and was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point greater than the discount rate that was used (3.91%) in measuring the Net OPEB Liability:

	1% Decrease in Discount Rate (2.91%)	Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of the Net OPEB Liability:	\$7,439,365	\$6,309,470	\$5,394,109

**Healthcare Cost Trend Rates Sensitivity Analysis.** The following schedule shows the impact of the OPEB Liability if healthcare trend rate that 1 percentage point less than and 1 percentage point greater than the health trend rates assumed:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$5,199,031	\$6,309,470	\$7,749,010

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At June 30, 2023, the District reported a liability of \$6,309,470 for its proportionate share of the TRS Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the Net OPEB Liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 6,309,470
State's proportionate share that is associated with the District	<u>7,696,562</u>
Total	<u><u>\$ 14,006,032</u></u>

The Net OPEB Liability was measured as of August 31, 2021, and rolled forward to August 31, 2022, 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, 2021, thru August 31, 2022.

At August 31, 2023, the employer's proportion of the collective Net OPEB Liability was 0.0263509366% compared to 0.0277485249% as of August 31, 2022.

**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:

1. The discount rate changed from 1.95 percent as of August 31, 2021, to 3.91 percent as of August 31, 2022. This change decreased the Total OPEB Liability.

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

For the year ended June 30, 2023, the District recognized OPEB expenses of \$1,092,204 and revenue \$1,092,204 for support provided by the State.

At June 30, 2023, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to Other Post-Employment Benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 350,784	\$ 5,256,355
Changes in actuarial assumptions	961,057	4,383,444
Net difference between projected and actual investment earnings	18,794	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	835,136	2,409,073
Contributions paid to TRS subsequent to the measurement date	187,449	-
Total	\$ 2,353,220	\$ 12,048,872

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

Year ended June 30:	OPEB Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2023	\$ (1,850,927)	\$ (8,032,174)
2024	(1,850,859)	(6,181,315)
2025	(1,583,301)	(4,598,014)
2026	(1,221,065)	(3,376,949)
2027	(1,060,846)	(2,316,103)
Thereafter	(2,316,103)	-

#### **N. MEDICARE PART D – ON BEHALF PAYMENTS**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf of the District for fiscal years 2020, 2021 and 2022 were \$117,120, \$79,881, and \$136,977, respectively.

#### **O. LITIGATION**

The District is occasionally involved in litigation in the general course of business. Attorneys for the District indicate that there was no litigation pending at year-end that would require recording a contingent liability for the fiscal year ending June 30, 2023.

**P. HEALTH CARE COVERAGE**

During the year ended June 30, 2023, employees of the District had the option of choosing between three health insurance plans, and a flexible compensation (cafeteria) plan for qualified employees (the Plan). The District contributed \$330 for nonprofessional employees and professional employees per month per employee to the Plan, while the state of Texas contributed \$75 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code, and was documented by contract agreement.

**Q. SIGNIFICANT 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 June 30, 2023, 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.

As of June 30, 2022, the District has contractual commitments of \$78,816, which will be provided for during the 2023-2024 fiscal year.

**R. UNEARNED REVENUE**

Unearned revenue at year-end consisted of the following:

	General	Debt	Other	
	Fund	Service	Funds	Total
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
State Revenue	\$ -	\$ -	\$ -	\$ -
Federal Revenue	-	-	-	-
Other	-	-	-	-
Total Unearned Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**S. RECEIVABLES FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2023, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Fund	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 4,659,177	\$ -	\$ -	\$ 4,659,177
Debt Service Fund	-	-	-	-
Other Funds	-	83,321	61,980	145,301
Total	\$ 4,659,177	\$ 83,321	\$ 61,980	\$ 4,804,478

**T. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Debt Service Fund	Other Funds	Total
Property taxes	\$ 16,379,940	\$ 4,895,309	\$ -	\$ 21,275,249
Penalties, interest, and other tax-related income	304,067	99,217	-	403,284
Tuition and fees	-	-	-	-
Investment income	523,045	223,834	-	746,879
Rent	8,595	-	-	8,595
Gift and bequests	92,224	-	120,480	212,704
Insurance Recovery	15,800	-	-	15,800
Food sales	-	-	699,218	699,218
Extracurricular student activities	174,421	-	120,755	295,176
Enterprising activities	-	-	-	-
Shared services	-	-	807,821	807,821
Other	119,524	-	-	119,524
Total	\$ 17,617,616	\$ 5,218,360	\$ 1,748,274	\$ 24,584,250

**U. GENERAL FUND FEDERAL SOURCE REVENUE**

<u>Program or Source</u>		<u>CFDA Number</u>	<u>Amount</u>
School Health and Related Services (SHARS) Program		N/A	\$ 654,962
ROTC		N/A	57,490
Indirect Cost:			
211	ESEA Title I, Part A, Improving Basic Programs	84.010A	35,278
224	IDEA, Part B, Formula	84.027A	30,000
244	Career and Technology Basic Grant	84.048A	1,934
255	ESEA Title II, Part A, Training and Recruiting	84.367A	5,651
263	Title III, Part A - English Language Acquisition	84.365A	1,014
284	IDEA, Part B, Formula - (ARP) Act	84.027X	4,301
285	IDEA, Part B, Preschool - (ARP) Act	84.173X	186
289	ESSA Title IV, Part A	84.424A	1,923
			<u>\$ 792,739</u>

Indirect cost revenues were determined by applying approved indirect cost rates to actual applicable expenditures of federally funded grant programs.

**V. SHARED SERVICES ARRANGEMENTS**

Shared Services Arrangement - Membership

The District is the fiscal agent for Shared Services Arrangements (SSAs), which provide special education services to the member districts listed below. The member districts provide the funds to the fiscal agent. Member districts also provide the funds to the fiscal agent for alternative education services accounted for using the following: Fund No. 458, JJAEP, and Fund No. 459, District Alternative Education Program, which are all reported in Fund 459.

<u>Member Districts</u>	<u>Fund No. 458</u>	<u>Fund No. 459</u>	<u>Totals*</u>
Floresville I.S.D.	\$ 11,384	\$ 289,170	\$ 300,554
Stockdale I.S.D.	10,712	20,143	30,855
Poth I.S.D.	10,712	28,100	38,812
La Vernia I.S.D.	10,712	-	10,712
Kennedy I.S.D.	10,712	33,742	44,454
Karnes City C.I.S.D.	10,712	62,989	73,701
Falls City I.S.D.	10,712	9,180	19,892
Southside I.S.D.	-	288,843	288,843
	<u>\$ 75,656</u>	<u>\$ 732,167</u>	<u>\$ 807,823</u>

\* Fund 458 is rolled into Fund 459 for Public Education Information Management System reporting.



## W. WORKERS' COMPENSATION POOL

During the year ended June 30, 2023, the District met its statutory workers' compensation obligations through Workers' Compensation Solutions (the Provider).

The Provider uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year ended June 30, 2023, the Provider anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

## X. SELF-FUNDED INSURANCE PROGRAM

During the year ended June 30, 2023, employees of the District were covered by a self-funded dental insurance program. All administrative costs were paid to a third-party administrator acting on behalf of the District. The contract between the District and the Administrator is renewable July 1 and terms of coverage and cost are included in the contractual provisions.

Estimates of claims payable and of claims incurred but not reported at year-end are reflected in accounts payable of the Proprietary Fund.

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

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>
Unpaid claims, beginning of the year	\$ 7,013	\$ 4,065
Incurred claims	150,901	133,508
Claim payments	<u>(151,964)</u>	<u>(130,560)</u>
Unpaid claims, end of fiscal year	<u>\$ 5,950</u>	<u>\$ 7,013</u>

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	285 IDEA B Preschool ARP Act	287 PG Equipment Upgrade Grant	288 VOCA Grant Crisis Intervention	289 Student Supp. & Academic & Academic Enrichment
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	4,761	38,207	140,931	54,741
5020 Total Revenues	<u>4,761</u>	<u>38,207</u>	<u>140,931</u>	<u>54,741</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	4,761	-	-	12,557
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	42,184
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	95,246	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	2,256	45,685	-
0053 Data Processing Services	-	35,951	-	-
0061 Community Services	-	-	-	-
<b>Debt Service:</b>				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
6030 Total Expenditures	<u>4,761</u>	<u>38,207</u>	<u>140,931</u>	<u>54,741</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	410 State Instructional Materials	424 SPAT Grant	429 Sch Safety and Security Grant	458 SSA JJAEP	459 SSA DAEP at the Alt. Center	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,654	\$ 732,167	\$ 120,755
1,260	4,100	122,976	9,523	2,800	2,846	51,236	-
-	-	-	-	-	-	-	-
1,260	4,100	122,976	9,523	2,800	78,500	783,403	120,755
1,260	4,100	165,336	-	2,800	32,500	434,825	29,731
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	33,307	-	-	-	-	-
-	-	-	-	-	16,834	206,638	-
-	-	-	-	-	7,769	69,919	-
-	-	-	-	-	-	-	-
-	-	-	-	-	6,194	35,096	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	48,430
-	-	-	-	-	-	-	-
-	-	-	-	-	7,286	36,500	-
-	-	-	9,523	-	7,623	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	100
-	-	-	-	-	274	396	-
-	-	-	-	-	20	29	-
1,260	4,100	198,643	9,523	2,800	78,500	783,403	78,261
-	-	(75,667)	-	-	-	-	42,494
-	-	85,917	-	-	-	-	110,733
\$ -	\$ -	\$ 10,250	\$ -	\$ -	\$ -	\$ -	\$ 153,227

FLORESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	480 Raising Blended Learners	Total Nonmajor Governmental Funds
<b>REVENUES:</b>		
5700 Total Local and Intermediate Sources	\$ 120,480	\$ 1,748,274
5800 State Program Revenues	2,935	208,219
5900 Federal Program Revenues	-	7,782,845
5020 Total Revenues	<u>123,415</u>	<u>9,739,338</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	45,869	3,826,051
0012 Instructional Resources and Media Services	-	3,147
0013 Curriculum and Instructional Staff Development	13,996	371,231
0021 Instructional Leadership	70,937	240,232
0023 School Leadership	-	245,083
0031 Guidance, Counseling, and Evaluation Services	-	453,235
0032 Social Work Services	-	402,170
0033 Health Services	-	44,958
0034 Student (Pupil) Transportation	-	25,602
0035 Food Services	-	2,270,656
0036 Extracurricular Activities	-	50,265
0041 General Administration	-	20,352
0051 Facilities Maintenance and Operations	-	1,143,154
0052 Security and Monitoring Services	-	117,694
0053 Data Processing Services	-	190,054
0061 Community Services	-	10,511
Debt Service:		
0071 Principal on Long-Term Liabilities	-	670
0072 Interest on Long-Term Liabilities	-	49
6030 Total Expenditures	<u>130,802</u>	<u>9,415,114</u>
1200 Net Change in Fund Balance	(7,387)	324,224
0100 Fund Balance - July 1 (Beginning)	<u>20,456</u>	<u>1,659,121</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 13,069</u>	<u>\$ 1,983,345</u>



Financial Advisory Services  
Provided By:

