

Enhanced Rating: S&P: "AA"  
Unenhanced Rating: S&P "A+"  
(See "RATING", "BOND INSURANCE" and  
"BOND INSURANCE GENERAL RISKS" herein)

**OFFICIAL STATEMENT**

**Dated: May 16, 2024**

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

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Notes will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.*

THE NOTES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

**\$1,475,000**

**WINONA INDEPENDENT SCHOOL DISTRICT**

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

**Maintenance Tax Notes, Series 2024**

**Interest Accrual Date: Initial Delivery**

**Dated Date: June 1, 2024**

**Due: February 15, as shown on the inside cover page**

The Winona Independent School District Maintenance Tax Notes, Series 2024 (the "Notes") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes adopted on May 16, 2024 by the Board of Trustees (the "Board") of the Winona Independent School District (the "District"). The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See "THE NOTES – Security" and "TAX RATE LIMITATIONS").

Interest on the Notes will accrue from the date of initial delivery to the Purchaser (defined below), anticipated to occur on or about June 13, 2024 (the "Initial Delivery") and will be payable on February 15 and August 15 of each year, commencing February 15, 2025, until stated maturity or prior redemption. The Notes will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Notes will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Notes for payment. Interest on the Notes is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

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

Proceeds from the sale of the Notes will be used for the purpose of (i) for the payment of maintenance expenses of the District, including without limitation maintenance and renovations at the District's existing track and field facility, and (ii) paying costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").

The Notes maturing on or after February 15, 2030 are subject to redemption at the option of the District in whole or in part on February 15, 2029 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE NOTES – Optional Redemption").

The scheduled payment of principal of and interest on the Notes when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Notes by **ASSURED GUARANTY MUNICIPAL CORP.**



The bond insurance policy was purchased at the sole discretion of the Purchaser (defined herein). (See "BOND INSURANCE" herein.)

**MATURITY SCHEDULE**

(On Inside Cover)

*The Notes are offered for delivery when, as and if issued, and received by the initial purchaser at a competitive sale (the "Purchaser") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The Notes are expected to be available for initial delivery through the facilities of DTC on or about June 13, 2024.*

**\$1,475,000**  
**WINONA INDEPENDENT SCHOOL DISTRICT**  
**(A political subdivision of the State of Texas located in Smith County, Texas)**  
**MAINTENANCE TAX NOTES, SERIES 2024**

**MATURITY SCHEDULE**  
Base CUSIP No.: 975332 <sup>(1)</sup>

<b>Maturity Date <u>2/15</u></b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Yield</b>	<b>CUSIP No. Suffix<sup>(1)</sup></b>
2025	\$60,000	5.00%	3.48%	LG0
2026	75,000	5.00	3.36	LH8
2027	80,000	5.00	3.21	LJ4
2028	85,000	5.00	3.10	LK1
2029	85,000	5.00	3.03	LL9
2030	90,000	4.00	3.26 <sup>(2)</sup>	LM7
2031	95,000	4.00	3.27 <sup>(2)</sup>	LN5
2032	100,000	4.00	3.29 <sup>(2)</sup>	LP0
2033	100,000	4.00	3.35 <sup>(2)</sup>	LQ8
2034	105,000	4.00	3.33 <sup>(2)</sup>	LR6
2035	110,000	4.00	3.37 <sup>(2)</sup>	LS4
2036	115,000	4.00	3.42 <sup>(2)</sup>	LT2
2037	120,000	4.00	3.47 <sup>(2)</sup>	LU9
2038	125,000	4.00	3.55 <sup>(2)</sup>	LV7
2039	130,000	4.00	3.74 <sup>(2)</sup>	LW5

(Interest to accrue from the Delivery Date)

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(2) Yield calculated based on the assumption that the Notes denoted and sold at a premium will be redeemed on February 15, 2029, the first optional call date for such Notes, at a redemption price of par, plus accrued interest to the redemption date.

**WINONA INDEPENDENT SCHOOL DISTRICT**

**BOARD OF TRUSTEES**

<b><u>Name</u></b>	<b><u>Date Initially Elected</u></b>	<b><u>Current Term Expires</u></b>	<b><u>Occupation</u></b>
Randy Hawkins, President	2008	2025	Teacher
Mark Wintters, Vice President	2015	2025	City of Winona / Meter Reader
Connie Gibbs, Secretary	2021	2027	Retired / Election Clerk
William Allen, Member	2023	2025	GM/Diesel Mechanic
Scott Jones, Member	2021	2027	Self Employed
Diane Newman, Member	2021	2025	Sales Manager
Aaron Wilson, Member	2015	2027	Nurse Practitioner

**APPOINTED OFFICIALS**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Length of Education Service</u></b>	<b><u>Length of Service with the District</u></b>
Damenion Miller	Superintendent	24 Years	7 Years
Sheila Bowie	Business Manager	38 Years	38 Years

**CONSULTANTS AND ADVISORS**

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

For additional information, contact:

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Winona Independent School District  
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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein.

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

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC AND OR THE BOND INSURER AND ITS MUNICIPAL BOND INSURANCE POLICY DESCRIBED HEREIN UNDER THE HEADING "BOND INSURANCE", AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix E - Specimen Municipal Bond Insurance Policy".

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## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

<b>The District</b>	The Winona Independent School District (the "District") is a political subdivision of the State of Texas located in Smith County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
<b>The Notes</b>	The Notes are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes adopted on May 16, 2024 by the Board. The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See "THE NOTES– Security" and "TAX RATE LIMITATIONS"). Proceeds from the sale of the Notes will be used for the purpose of (i) for the payment of maintenance expenses of the District, including without limitation maintenance and renovations at the District's existing track and field facility, and (ii) paying costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
<b>Security</b>	The Notes are direct obligations of the District payable as to principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District, against all taxable property located within the District, within the limit prescribed by law as provided in the Resolution. (See "THE NOTES – Security" herein.) See "TAX RATE LIMITATIONS" herein for a discussion of applicable tax limitations pertaining to the District's limited maintenance tax.
<b>Optional Redemption</b>	The Notes maturing on or after February 15, 2030 are subject to redemption at the option of the District in whole or in part on February 15, 2029 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE NOTES – Optional Redemption").
<b>Rating and Note Insurance</b>	S&P Global Ratings ("S&P") assigned its municipal bond insured rating of "AA" (stable outlook) to this issue of Notes with the understanding that upon issuance and delivery of the Notes, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Notes will be issued by Assured Guaranty Municipal Corp. The District's current unenhanced, underlying rating is "A+" by S&P. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
<b>Tax Matters</b>	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Notes will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.
<b>Qualified Tax-Exempt Obligations</b>	The District has designated the Notes as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Purchase of Tax-Exempt Obligations by Financial Institutions").
<b>Payment Record</b>	The District has never defaulted on the payment of its bonded indebtedness.
<b>Legal Opinion</b>	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel.
<b>Delivery</b>	When issued, anticipated to be on or about June 13, 2024.

## INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and Appendices attached hereto, has been prepared by the Winona Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Smith County, Texas, in connection with the offering by the District of its Maintenance Tax Notes, Series 2024 (the "Notes") identified on page ii hereof.

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

There follows in this Official Statement descriptions of the Notes and the Resolution (defined below) adopted by the Board of Trustees of the District (the "Board") on May 16, 2024 authorizing the issuance of the Notes and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by writing the Winona Independent School District, 611 Wildcat Drive, Winona, TX 75792 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024 by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

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

## THE NOTES

### Authorization and Purpose

The Notes are being issued in the principal amount of \$1,475,000 pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes adopted on May 16, 2024 by the Board. Proceeds from the sale of the Notes will be used for the purpose of (i) for the payment of maintenance expenses of the District, including without limitation maintenance and renovations at the District's existing track and field facility, and (ii) paying costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").

### General Description

The Notes are dated June 1, 2024 (the "Dated Date") but interest will accrue from the Initial Delivery. The Notes will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on February 15, 2025 and on each February 15 and August 15 thereafter until stated maturity or prior redemption.

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

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

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

### Optional Redemption

The Notes maturing on or after February 15, 2030, are subject to redemption, at the option of the District, in whole or in part, on February 15, 2029, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Notes are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Notes, or portions thereof, to be redeemed. Not less than 30 days prior to a redemption date for the Notes, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Note to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

### Notice of Redemption and DTC Notices

Not less than 30 days prior to an optional redemption date for the Notes, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the District and at the District's expense, by the Paying Agent/Registrar to each registered owner of a Note to be redeemed in whole or in part at the address of the registered owner appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE NOTEHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED NOTES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A NOTE HAS NOT BEEN PRESENTED FOR PAYMENT.

With respect to any optional redemption of the Notes, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no

force and effect, the District shall not redeem such Notes and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Notes have not been redeemed.

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

### **Security**

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

### **Legality**

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

### **Payment Record**

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

### **Amendments**

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

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

### **Defeasance**

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

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

call for redemption at an earlier date those Notes which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption, (ii) gives notice of the reservation of that right to the owners of the Notes immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

### Sources and Uses of Funds

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

<b>Sources</b>	
Par Amount of Notes	\$ 1,475,000.00
Reoffering Premium	46,066.80
<b>Total Sources of Funds</b>	<b>\$ 1,521,066.80</b>
<b>Uses</b>	
Deposit to Project Fund	\$ 1,450,000.00
Costs of Issuance	48,051.47
Purchaser's Discount (including bond insurance premium)	23,015.33
<b>Total Uses of Funds</b>	<b>\$ 1,521,066.80</b>

### REGISTERED OWNERS' REMEDIES

The Resolution does not specify specific events of default with respect to the Notes. If the District defaults in the payment of principal or interest on the Notes when due, or if it fails to make payments into any fund or funds created in the Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Notes, if there is no other available remedy at law to compel performance of the Notes or the Resolution covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Notes in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Notes or Resolution 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 Notes. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Notes are qualified with respect to the customary rights of debtors relative to their creditors by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

### BOOK-ENTRY-ONLY SYSTEM

*This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by DTC while the Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the 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 Notes, or redemption or any other notices, to Direct Participants, (2) Direct Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes) or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with Direct Participants are on file with DTC.*

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

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



Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

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

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

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

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

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

### **REGISTRATION, TRANSFER AND EXCHANGE**

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

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

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

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

#### **Initial Registration**

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

## **Future Registration**

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

## **Record Date For Interest Payment**

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

## **Limitation on Transfer of Notes**

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Note or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

## **Replacement Notes**

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

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Notes, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Notes (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Notes when due as set forth in the form of the Policy included as Appendix E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On April 30, 2024, Moody's announced it had affirmed AGM's insurance financial strength rating of "A1" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On October 20, 2023, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 13, 2023, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

#### *Capitalization of AGM*

At March 31, 2024:

- The policyholders' surplus of AGM was approximately \$2,665 million.
- The contingency reserve of AGM was approximately \$892 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,036 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").
- subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Notes shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "**BOND INSURANCE – Assured Guaranty Municipal Corp.**" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "**BOND INSURANCE**".

### **BOND INSURANCE GENERAL RISKS**

As a result of the purchase of the Policy by the Purchaser, the following risk factors are applicable to the Policy and the Notes.

#### **General**

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

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

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

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

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

None of the District, the Financial Advisor, or the Purchaser have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

#### **Claims-Paying Ability and Financial Strength of Municipal Bond Insurers**

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

### **STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS**

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

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

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

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

#### **Possible Effects of Changes in Law on District Notes**

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

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

### **CURRENT PUBLIC SCHOOL FINANCE SYSTEM**

#### **Overview**

The following language constitutes only a summary of the Finance System. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. 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. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

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

## 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 2023 Legislative Sessions.

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 composed of two distinct parts: the "Tier One Tax Rate," which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate," which is any local M&O tax effort in excess of its Tier One Tax Rate. Formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) are designed to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "– Local Funding for School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements. Such distinctions are discussed under the subcaption "– 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 MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2023 Legislative Sessions, the Legislature took action to reduce the maximum MCR for the 2023-2024 school year, establishing \$0.6880 as the maximum rate and \$0.6192 as the floor. The reduction in MCR was approved by voters at an election held on November 7, 2023. See "– 2023 Legislative Sessions."

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

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

*The fast growth allotment weights change to 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$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, Instruction Facilities Allotment, and New Instructional Facilities Allotment**

The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since 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.

### **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 (6) 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 Education 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 Education Commissioner do not provide for assumption of any of the transferring school district's existing debt.

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

For the 2023-2024 school year, the District was not designated as an “excess local revenue” Chapter 49 school district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State Law. As a district with local revenues less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level. A district's “excess local revenues” must be tested for each future school year and, if it exceeds the maximum permitted level, the District must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted value in future school years, it will be required to exercise one or more of the permitted wealth equalization options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ration of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Notes) could be assumed by the district to which the property is annexed, in which case timely payment of the Notes could become dependent in part on the financial performance of an annexing district.

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

## AD VALOREM TAX PROCEDURES

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

### Valuation of Taxable Property

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

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

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 (collectively, the "Appraisal Cap"). 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 TAX PROCEDURES – 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 (as described below) of the appraised value of all homesteads, (2) a \$10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old. Senate Bill 1, which was also passed during the Third Special Session of the 87th Texas Legislature makes provisions for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption.

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

### Local Option Homestead Exemptions

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

### State Mandated Freeze on School District Taxes

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

### Personal Property

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



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

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

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

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

## **Other Exempt Property**

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

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

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. For tax years beginning 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. For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

## **Tax Increment Reinvestment Zones**

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

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

## **Tax Limitation Agreements**

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

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

For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

## **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 "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

## **District and Taxpayer Remedies**

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$59.5 million for the 2024 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

## **Levy and Collection of Taxes**

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

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

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

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

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

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

## **TAX RATE LIMITATIONS**

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

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is \$1.50 per \$100 of assessed valuation as approved by the voters at an election held on April 4, 1961 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

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

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all

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

### Public Hearing and Voter-Approval Tax Rate

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

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.

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 Smith County. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within Smith County.

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

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

The District does not collect an additional 15% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

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

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

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

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

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

#### **EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS**

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended August 31, 2023, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. For a discussion of the TRS retirement plan, see "Note G. Other Post-Employment Defined Benefit Plans" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

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

#### **RATING**

S&P Global Ratings ("S&P") has assigned its municipal bond insured rating of "AA" (stable outlook) to this issue of Notes with the understanding that upon issuance and delivery of the Notes, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Notes will be issued by ASSURED GUARANTY MUNICIPAL CORP. The District's underlying, unenhanced rating is "A+" by S&P. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS".)

An explanation of the significance of such rating may be obtained from S&P. The rating of the Notes by S&P reflects only the view of said company at the time the rating is given, and the District makes no representations as to the appropriateness of 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 S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

The above rating is not a recommendation to buy, sell or hold the Notes, and such rating may be subject to revision or withdrawal at any time by S&P. Any downward revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Notes.

#### **LEGAL MATTERS**

The delivery of the Notes is subject to the approval of the Attorney General of Texas to the effect that the Notes are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, within the limit prescribed by law, upon all taxable property in the District, and the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Notes will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Notes is contingent upon the sale and delivery of the Notes.

The District will furnish to the Initial Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Notes, including the unqualified approving legal opinion of the Attorney General of Texas approving the initial Note and to the effect that the Notes are valid and legally binding obligations of the District and, based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Notes will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate of the District as described under "CERTIFICATION OF THE OFFICIAL STATEMENT" will also be furnished to the Initial Purchaser. Though it represents the Financial Advisor and investment banking firms such as the Initial Purchaser from time to time in matters unrelated to the issuance of the Notes, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Notes. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Notes in the Official Statement to verify that such description conforms to the provisions of the Resolution.

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

## TAX MATTERS

### Opinion

On the date of initial delivery of the Notes, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Notes for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Notes will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Notes. See Appendix C -- Form of Legal Opinion of Bond Counsel.

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Notes.

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

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

### Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Notes may be less than the maturity amount thereof or one or more periods for the payment of interest on the Notes may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Notes"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Note, and (ii) the initial offering price to the public of such Original Issue Discount Note would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Notes less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Note in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Note equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Note is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Notes and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Note for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Note.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Notes which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Notes should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Notes and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Notes.

### Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Notes. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers

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

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

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

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

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

### Future and Proposed Legislation

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

### State, Local and Foreign Taxes

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

### Qualified Tax-Exempt Obligations for Financial Institutions

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

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

## INVESTMENT POLICIES

### Investments

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

### Legal Investments

Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District

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

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

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

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

### **Investment Policies**

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

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

### **Current Investments**

As of February 29, 2024, the District had \$7,305,847 (unaudited) invested in Lone Star (which generally has the characteristics of a money-market mutual fund) and \$3,798,693 (unaudited) invested at a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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

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

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

## **CYBERSECURITY RISK MANAGEMENT**

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

## **FINANCIAL ADVISOR**

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

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

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

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

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

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2024. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file



unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

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

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

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

For these purposes, (a) an event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

#### **Availability of Information**

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

#### **Limitations and Amendments**

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Notes at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Notes may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

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

#### **Compliance with Prior Undertakings**

During the past five years, to the best of its knowledge, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

#### **LITIGATION**

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

## FORWARD-LOOKING STATEMENTS

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

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

## WINNING BIDDER

After requesting competitive bids for the Notes, the District accepted the bid of TD Securities (USA) LLC (the "Purchaser" or the "Initial Purchaser") to purchase the Notes at the interest rates shown on page ii of this Official Statement at a price of par, plus a cash premium of \$46,066.80, which produces compensation to the Purchaser in the amount of \$23,015.33. The District can give no assurance that any trading market will be developed for the Notes after their sale by the District to the Purchaser. The District has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

## CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Initial Bond, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District, since August 31, 2023, the date of the last financial statements of the District appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Notes or which would affect the provisions made for their payment or security or in any manner question the validity of the Notes.

## CONCLUDING STATEMENT

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

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Resolution contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumption, whether or not expressly identified as such, should not be considered statements of fact.

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, the Rule.

The Resolution approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Notes by the Purchaser.

/s/ Randy Hawkins

\_\_\_\_\_  
President, Board of Trustees

ATTEST:

/s/ Connie Gibbs

\_\_\_\_\_  
Secretary, Board of Trustees

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

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# WINONA INDEPENDENT SCHOOL DISTRICT

## Financial Information

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

2023/24 Total Valuation.....		\$ 1,305,949,798
Less Exemptions & Deductions <sup>(2)</sup> :		
State Homestead Exemption	\$ 119,994,886	
State Over-65 Exemption	4,010,137	
Disabled Homestead Exemption Loss	3,447,674	
Veterans Exemption Loss	346,195	
Veterans Surviving Spouse Exemption Loss	119,279	
First Responder Surviving Spouse Exemption Loss	195,168	
Freeport Exemption	19,713,523	
Pollution Control Exemption Loss	3,168,532	
Productivity Loss	264,131,089	
Homestead Cap Loss	41,546,982	
	\$ 456,673,465	
 2023/24 Net Taxable Valuation .....		 \$ 849,276,333

<sup>(1)</sup> Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from \$40,000 to \$100,000. See "AD VALOREM TAX PROCEDURES -- Residential Homestead Exemptions" in this Official Statement.  
<sup>(2)</sup> Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled \$23,158,441 in 2023/24.

### VOTED GENERAL OBLIGATION DEBT

Voted Unlimited Tax Bonds Outstanding		\$ 31,135,000
Non-Voted General Fund Maintenance Tax Notes Outstanding		-
Plus: The Notes		1,475,000
Total Obligations		\$ 32,610,000
Less: Interest & Sinking Fund Balance (As of August 31, 2023) <sup>(1)</sup>		(6,074,484)
Net General Obligation Debt		\$ 26,535,516
 Ratio of Net G.O. Debt to Net Taxable Valuation <sup>(2)</sup>		 3.12%
 2024 Population Estimate <sup>(3)</sup>		 6,673
Per Capita Net Taxable Valuation		\$127,271
Per Capita Net G.O. Debt		\$3,977

<sup>(1)</sup> Source: Winona ISD Audited Financial Statements.  
<sup>(2)</sup> See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2023" in Appendix D for more information relative to the District's outstanding obligations.  
<sup>(3)</sup> Source: Municipal Advisory Council of Texas.

### PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net		% Collections <sup>(5)</sup>	
	Taxable Valuation <sup>(1)</sup>	Tax Rate		
			Current <sup>(6)</sup>	Total <sup>(6)</sup>
2006/07	\$ 287,030,784	\$ 1.4379 <sup>(7)</sup>	94.90%	101.29%
2007/08	318,722,217	1.1115 <sup>(7)</sup>	92.64%	98.33%
2008/09	364,668,018	1.0400	89.06%	93.88%
2009/10	337,907,172	1.2191	96.06%	109.99%
2010/11	359,008,882	1.3779	95.56%	98.59%
2011/12	377,551,439	1.4467	96.68%	100.78%
2012/13	391,355,398	1.4420	96.63%	99.32%
2013/14	405,182,473	1.4431	96.48%	99.03%
2014/15	426,598,127	1.4986	97.29%	100.96%
2015/16	388,195,126 <sup>(2)</sup>	1.4986	96.83%	99.85%
2016/17	429,119,045 <sup>(2)</sup>	1.4851	97.64%	100.71%
2017/18	445,646,236 <sup>(2)</sup>	1.4474	97.71%	99.76%
2018/19	467,535,071 <sup>(2)</sup>	1.4329	96.98%	99.31%
2019/20	623,955,727 <sup>(2)</sup>	1.2842 <sup>(8)</sup>	98.08%	100.24%
2020/21	661,334,076 <sup>(2)</sup>	1.2222	98.57%	100.43%
2021/22	677,064,202 <sup>(2)</sup>	1.2177	98.04%	99.42%
2022/23	774,702,835 <sup>(3)</sup>	1.1396	98.07%	99.90%
2023/24	849,276,333 <sup>(4)</sup>	0.9827	(In Process of Collection)	

<sup>(1)</sup> Source: Comptroller of Public Accounts - Property Tax Division.  
<sup>(2)</sup> The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.  
<sup>(3)</sup> The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.  
<sup>(4)</sup> The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from \$40,000 to \$100,000.  
<sup>(5)</sup> Source: Winona ISD Audited Financial Statements.  
<sup>(6)</sup> Excludes penalties and interest.  
<sup>(7)</sup> The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.  
<sup>(8)</sup> The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

**TAX RATE DISTRIBUTION**

	2019/20	2020/21	2021/22	2022/23	2023/24
Maintenance & Operations <sup>(1)</sup>	\$0.9700	\$0.9352	\$0.9327	\$0.8546	\$0.6692
Debt Service	\$0.3142	\$0.2870	\$0.2850	\$0.2850	\$0.3135
<b>Total Tax Rate</b>	<b>\$1.2842</b>	<b>\$1.2222</b>	<b>\$1.2177</b>	<b>\$1.1396</b>	<b>\$0.9827</b>

(1) The decline in the District's Maintenance & Operations Tax from the 2019/20 fiscal year to the 2023/24 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

**VALUATION AND FUNDED DEBT HISTORY**

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding <sup>(1)</sup>	Ratio Debt to A.V. <sup>(2)</sup>
2006/07	\$ 287,030,784	\$ 225,000	0.08%
2007/08	318,722,217	-	0.00%
2008/09	364,668,018	-	0.00%
2009/10	337,907,172	16,999,997	5.03%
2010/11	359,008,882	27,279,538	7.60%
2011/12	377,551,439	26,819,538	7.10%
2012/13	391,355,398	26,319,538	6.73%
2013/14	405,182,473	25,978,321	6.41%
2014/15	426,598,127	25,544,376	5.99%
2015/16	388,195,126	24,884,996	6.41%
2016/17	429,119,045	24,084,996	5.61%
2017/18	445,646,236	23,403,426	5.25%
2018/19	467,535,071	22,734,999	4.86%
2019/20	623,955,727	22,310,919	3.58%
2020/21	661,334,076	21,790,000	3.29%
2021/22	677,064,202	20,895,000	3.09%
2022/23	774,702,835	32,490,000	4.19%
2023/24	849,276,333	31,135,000 <sup>(3)</sup>	3.67%

(1) At fiscal year end.

(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2023" in Appendix D for more information.

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

**ESTIMATED OVERLAPPING DEBT STATEMENT**

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
East Texas MUD of Smith County	\$ 4,115,000	100.00%	\$ 4,115,000
Smith County	211,065,000	3.90%	8,231,535
Tyler JCD	46,865,000	3.58%	1,677,767
Winona, City of	-	100.00%	-
<b>Total Overlapping Debt <sup>(1)</sup></b>			<b>\$ 14,024,302</b>
Winona Independent School District <sup>(2)</sup>			<b>26,535,516</b>
<b>Total Direct &amp; Overlapping Debt <sup>(2)</sup></b>			<b>\$ 40,559,818</b>
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		4.78%	
Per Capita Direct & Overlapping Debt		\$6,078	

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

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

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

**PRINCIPAL TAXPAYERS <sup>(1)</sup>****2023/24 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Sanderson Farms Inc.	Meat Products	\$ 172,025,484	20.26%
Nabors Lux 2	Oil & Gas	19,263,957	2.27%
GG Realty LLC	Wholesale Supplier/Distribution Center	16,950,112	2.00%
Brookshire Grocery	Grocery Store	15,707,398	1.85%
Vess Oil Corp.	Oil & Gas	15,336,834	1.81%
Patterson-UTI Drilling Company LLC	Oil & Gas	13,955,000	1.64%
Oncor Electric Delivery	Electric Utility	13,079,080	1.54%
Goldston Oil Corporation	Oil & Gas	12,943,198	1.52%
Forum Oilfield Technologies US Inc.	Oil & Gas	9,786,614	1.15%
Transcanada Keystone Pipeline LP	Pipeline	9,617,194	1.13%
		<u>\$ 298,664,871</u>	<u>35.17%</u>

**2022/23 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Sanderson Farms Inc.	Meat Products	\$ 171,739,309	22.17%
GG Realty LLC	Wholesale Supplier/Distribution Center	17,022,555	2.20%
Nabors Lux 2	Oil & Gas	16,140,156	2.08%
Brookshire Grocery	Grocery Store	15,111,831	1.95%
Patterson-UTI Drilling Company LLC	Oil & Gas	13,837,232	1.79%
Goldston Oil Corporation	Oil & Gas	12,245,697	1.58%
Vess Oil Corp.	Oil & Gas	11,916,222	1.54%
Oncor Electric Delivery	Electric Utility	11,127,377	1.44%
Transcanada Keystone Pipeline LP	Pipeline	9,801,277	1.27%
Forum Oilfield Technologies US Inc.	Oil & Gas	7,682,759	0.99%
		<u>\$ 286,624,415</u>	<u>37.00%</u>

**2021/22 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Sanderson Farms Inc.	Meat Products	\$ 171,832,373	25.38%
Nabors Lux 2	Oil & Gas	18,603,675	2.75%
GG Realty LLC	Wholesale Supplier/Distribution Center	17,197,060	2.54%
Brookshire Grocery	Grocery Store	14,884,697	2.20%
Patterson-UTI Drilling Company LLC	Oil & Gas	12,213,320	1.80%
Oncor Electric Delivery	Electric Utility	11,028,903	1.63%
Transcanada Keystone Pipeline LP	Pipeline	10,819,584	1.60%
Forum Oilfield Technologies US Inc.	Oil & Gas	9,992,485	1.48%
Nabors Drilling	Oil & Gas	9,851,369	1.46%
Goldston Oil Corporation	Oil & Gas	9,394,277	1.39%
		<u>\$ 285,817,743</u>	<u>42.21%</u>

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

Note: As shown in the tables above, the top ten taxpayers in the District account for in excess of 35% of the District's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the District, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "REGISTERED OWNERS' REMEDIES" and "AD VALOREM TAX PROCEDURES – District's Rights in the Event of Tax Delinquencies" in this Official Statement.

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

<u>Category</u>	<u>2023/24</u>	<u>% of Total</u>	<u>2022/23</u>	<u>% of Total</u>	<u>2021/22</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 243,895,319	18.68%	\$ 193,023,289	17.83%	\$ 130,875,505	13.94%
Real, Residential, Multi-Family	4,913,515	0.38%	3,584,392	0.33%	2,702,380	0.29%
Real, Vacant Lots/Tracts	34,608,365	2.65%	20,992,298	1.94%	11,337,127	1.21%
Real, Qualified Land & Improvements	277,492,542	21.25%	207,053,351	19.12%	210,660,155	22.43%
Real, Non-Qualified Land & Improvements	196,271,996	15.03%	162,085,071	14.97%	124,875,643	13.30%
Real, Commercial & Industrial	187,339,954	14.35%	184,687,929	17.06%	179,202,768	19.08%
Oil & Gas	49,591,656	3.80%	40,350,386	3.73%	25,738,201	2.74%
Utilities	42,174,910	3.23%	48,730,503	4.50%	41,383,719	4.41%
Tangible Personal, Commercial & Industrial	245,195,770	18.78%	200,833,544	18.55%	197,526,272	21.03%
Tangible Personal, Mobile Homes & Other	22,279,441	1.71%	19,549,282	1.81%	11,753,634	1.25%
Tangible Personal, Residential Inventory	1,317,825	0.10%	431,425	0.04%	1,565,102	0.17%
Tangible Personal, Special Inventory	<u>868,505</u>	<u>0.07%</u>	<u>1,429,372</u>	<u>0.13%</u>	<u>1,465,033</u>	<u>0.16%</u>
<b>Total Appraised Value</b>	<b>\$ 1,305,949,798</b>	<b>100.00%</b>	<b>\$ 1,082,750,842</b>	<b>100.00%</b>	<b>\$ 939,085,539</b>	<b>100.00%</b>
<b>Less:</b>						
Homestead Cap Adjustment	\$ 41,546,982		\$ 30,331,180		\$ 1,741,696	
Productivity Loss	264,131,089		194,027,605		198,181,167	
Exemptions	<u>150,995,394</u> <sup>(2)</sup>		<u>83,689,222</u> <sup>(3)</sup>		<u>62,098,474</u> <sup>(4)</sup>	
Total Exemptions/Deductions <sup>(5)</sup>	<u>\$ 456,673,465</u>		<u>\$ 308,048,007</u>		<u>\$ 262,021,337</u>	
<b>Net Taxable Assessed Valuation</b>	<b>\$ <u>849,276,333</u></b>		<b>\$ <u>774,702,835</u></b>		<b>\$ <u>677,064,202</u></b>	

<u>Category</u>	<u>2020/21</u>	<u>% of Total</u>	<u>2019/20</u>	<u>% of Total</u>	<u>2018/19</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 123,834,637	13.52%	\$ 111,260,079	12.40%	\$ 105,117,091	15.24%
Real, Residential, Multi-Family	2,649,694	0.29%	2,568,166	0.29%	2,488,221	0.36%
Real, Vacant Lots/Tracts	10,643,715	1.16%	9,919,064	1.11%	9,291,701	1.35%
Real, Qualified Land & Improvements	199,740,792	21.81%	220,280,116	24.56%	174,105,045	25.24%
Real, Non-Qualified Land & Improvements	113,128,885	12.35%	102,260,056	11.40%	94,428,427	13.69%
Real, Commercial & Industrial	183,725,464	20.06%	171,487,598	19.12%	65,066,106	9.43%
Oil & Gas	44,940,783	4.91%	53,931,366	6.01%	47,299,448	6.86%
Utilities	40,610,619	4.43%	38,638,891	4.31%	31,518,295	4.57%
Tangible Personal, Commercial & Industrial	183,789,804	20.06%	173,740,643	19.37%	148,270,465	21.49%
Tangible Personal, Mobile Homes & Other	11,028,681	1.20%	11,280,805	1.26%	11,141,611	1.62%
Tangible Personal, Residential Inventory	268,992	0.03%	149,999	0.02%	84,342	0.01%
Tangible Personal, Special Inventory	<u>1,625,486</u>	<u>0.18%</u>	<u>1,566,851</u>	<u>0.17%</u>	<u>1,062,947</u>	<u>0.15%</u>
<b>Total Appraised Value</b>	<b>\$ 915,987,552</b>	<b>100.00%</b>	<b>\$ 897,083,634</b>	<b>100.00%</b>	<b>\$ 689,873,699</b>	<b>100.00%</b>
<b>Less:</b>						
Homestead Cap Adjustment	\$ 4,242,025		\$ 1,033,040		\$ 942,120	
Productivity Loss	189,705,165		175,010,173		164,337,410	
Exemptions	<u>60,706,286</u> <sup>(4)</sup>		<u>97,084,694</u> <sup>(4)</sup>		<u>57,059,098</u> <sup>(4)</sup>	
Total Exemptions/Deductions <sup>(5)</sup>	<u>\$ 254,653,476</u>		<u>\$ 273,127,907</u>		<u>\$ 222,338,628</u>	
<b>Net Taxable Assessed Valuation</b>	<b>\$ <u>661,334,076</u></b>		<b>\$ <u>623,955,727</u></b>		<b>\$ <u>467,535,071</u></b>	

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

(2) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from \$40,000 to \$100,000.

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

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

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



**PRINCIPAL REPAYMENT SCHEDULE**

Fiscal Year Ending 8/31	Outstanding Bonds <sup>(1)</sup>	Bonds	Percent of
		Unpaid At Year End <sup>(1)</sup>	Principal Retired
2024	\$ 1,355,000.00	\$ 31,135,000.00	4.17%
2025	1,435,000.00	29,700,000.00	8.59%
2026	1,520,000.00	28,180,000.00	13.27%
2027	1,285,000.00	26,895,000.00	17.22%
2028	1,400,000.00	25,495,000.00	21.53%
2029	1,450,000.00	24,045,000.00	25.99%
2030	1,505,000.00	22,540,000.00	30.62%
2031	1,560,000.00	20,980,000.00	35.43%
2032	1,620,000.00	19,360,000.00	40.41%
2033	1,675,000.00	17,685,000.00	45.57%
2034	1,740,000.00	15,945,000.00	50.92%
2035	1,805,000.00	14,140,000.00	56.48%
2036	1,875,000.00	12,265,000.00	62.25%
2037	1,955,000.00	10,310,000.00	68.27%
2038	2,035,000.00	8,275,000.00	74.53%
2039	2,120,000.00	6,155,000.00	81.06%
2040	700,000.00	5,455,000.00	83.21%
2041	725,000.00	4,730,000.00	85.44%
2042	715,000.00	4,015,000.00	87.64%
2043	740,000.00	3,275,000.00	89.92%
2044	770,000.00	2,505,000.00	92.29%
2045	800,000.00	1,705,000.00	94.75%
2046	835,000.00	870,000.00	97.32%
2047	870,000.00	-	100.00%
Total	<u>\$ 32,490,000.00</u>		

(1) Includes annual mandatory principal and sinking fund payments on the outstanding Unlimited Tax Qualified School Construction Bonds, Taxable Series 2010.

**NON-VOTED GENERAL FUND MAINTENANCE TAX NOTES DEBT SERVICE REQUIREMENTS <sup>(1)</sup>**

Fiscal Year Ending 8/31	Outstanding Maintenance Tax Notes Debt Service	Plus:			Combined Total
		The Maintenance Tax Notes			
		Principal	Interest	Total	
2024	\$ -	\$ -	\$ -	\$ -	\$ -
2025	-	60,000.00	72,174.17	132,174.17	132,174.17
2026	-	75,000.00	57,975.00	132,975.00	132,975.00
2027	-	80,000.00	54,100.00	134,100.00	134,100.00
2028	-	85,000.00	49,975.00	134,975.00	134,975.00
2029	-	85,000.00	45,725.00	130,725.00	130,725.00
2030	-	90,000.00	41,800.00	131,800.00	131,800.00
2031	-	95,000.00	38,100.00	133,100.00	133,100.00
2032	-	100,000.00	34,200.00	134,200.00	134,200.00
2033	-	100,000.00	30,200.00	130,200.00	130,200.00
2034	-	105,000.00	26,100.00	131,100.00	131,100.00
2035	-	110,000.00	21,800.00	131,800.00	131,800.00
2036	-	115,000.00	17,300.00	132,300.00	132,300.00
2037	-	120,000.00	12,600.00	132,600.00	132,600.00
2038	-	125,000.00	7,700.00	132,700.00	132,700.00
2039	-	130,000.00	2,600.00	132,600.00	132,600.00
	<u>\$ -</u>	<u>\$ 1,475,000.00</u>	<u>\$ 512,349.17</u>	<u>\$ 1,987,349.17</u>	<u>\$ 1,987,349.17</u>

(1) See "NOTES TO THE FINANCIAL STATEMENTS" from the "Audited Financial Report Fiscal Year Ended August 31, 2023" in Appendix D for more information relative to the District's outstanding obligations.

**DEBT SERVICE REQUIREMENTS <sup>(1)</sup>**

Fiscal Year Ending 8/31	Outstanding Debt Service	Less:		Combined Total <sup>(2) (3)</sup>
		Series 2010 QSCB Federal Subsidy <sup>(2)</sup>		
2024	\$ 2,815,981.26	\$ 262,861.25		\$ 2,553,120.01
2025	2,845,631.26	262,861.25		2,582,770.01
2026	2,877,331.26	262,861.25		2,614,470.01
2027	2,458,306.26	131,430.63		2,326,875.64
2028	2,392,443.76	-		2,392,443.76
2029	2,392,981.26	-		2,392,981.26
2030	2,395,218.76	-		2,395,218.76
2031	2,393,843.76	-		2,393,843.76
2032	2,395,831.26	-		2,395,831.26
2033	2,391,906.26	-		2,391,906.26
2034	2,394,918.76	-		2,394,918.76
2035	2,394,687.51	-		2,394,687.51
2036	2,394,193.76	-		2,394,193.76
2037	2,396,431.26	-		2,396,431.26
2038	2,395,009.38	-		2,395,009.38
2039	2,396,400.00	-		2,396,400.00
2040	922,350.00	-		922,350.00
2041	924,193.75	-		924,193.75
2042	889,006.25	-		889,006.25
2043	885,800.00	-		885,800.00
2044	885,600.00	-		885,600.00
2045	884,200.00	-		884,200.00
2046	886,500.00	-		886,500.00
2047	887,400.00	-		887,400.00
	<u>\$ 46,896,165.77</u>	<u>\$ 920,014.38</u>		<u>\$ 45,976,151.40</u>

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

(2) The Direct Pay Subsidy represents 94.3% of the interest cost on the Unlimited Tax Qualified School Construction Bonds, Taxable Series 2010. The sequester reduction percentage was lowered from 5.9% in 2020 to 5.7% in 2021 and is assumed for illustration purposes to carry forward through maturity of the outstanding Qualified School Construction Bonds. See "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS" in this Official Statement.

(3) Based on its wealth per student, the District does not expect to receive Instructional Facilities Allotment nor Existing Debt Allotment state financial assistance for the payment of debt service for the fiscal year 2023/24. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

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

Projected Maximum Debt Service Requirement <sup>(1)</sup>	\$ 2,614,470.01
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption in 2023/24 <sup>(2)</sup>	230,000.00
Projected Net Debt Service Requirement <sup>(1) (2)</sup>	<u>\$ 2,384,470.01</u>
 \$0.286495 Tax Rate @ 98% Collections Produces	 \$ 2,384,470.01
 2023/24 Net Taxable Assessed Valuation	 \$ 849,276,333

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

(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2023/24, but will receive additional state aid for the increase in the homestead exemption which took effect in 2023/24.

**AUTHORIZED BUT UNISSUED BONDS**

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

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

	Fiscal Year Ended August 31				
	2019	2020	2021	2022	2023
<b>Beginning Fund Balance</b>	<b>\$ 6,063,164</b>	<b>\$ 3,781,289</b>	<b>\$ 2,889,614</b>	<b>\$ 3,285,163</b>	<b>\$ 4,891,041</b>
<b>Revenues:</b>					
Local and Intermediate Sources	\$ 4,883,961	\$ 6,181,221	\$ 6,349,555	\$ 6,419,869	\$ 7,063,576
State Sources	5,770,948	6,287,094	6,070,165	6,664,301	6,807,603
Federal Sources & Other	883,984	325,539	894,295	658,004	651,931
<b>Total Revenues</b>	<b>\$ 11,538,893</b>	<b>\$ 12,793,854</b>	<b>\$ 13,314,015</b>	<b>\$ 13,742,174</b>	<b>\$ 14,523,110</b>
<b>Expenditures:</b>					
Instruction	\$ 5,490,398	\$ 6,807,803	\$ 7,105,578	\$ 6,771,798	\$ 7,079,196
Instructional Resources & Media Services	153,704	293,761	204,203	203,721	185,183
Curriculum & Instructional Staff Development	173,208	187,914	29,866	68,214	7,751
Instructional Leadership	162,416	181,846	211,065	191,741	279,340
School Leadership	938,549	1,088,377	938,615	797,185	868,143
Guidance, Counseling & Evaluation Services	399,336	461,367	362,811	346,723	360,110
Health Services	82,087	106,264	100,498	93,930	161,021
Student (Pupil) Transportation	530,268	945,468	418,126	494,641	617,375
Food Services	16,941	22,505	19,961	18,432	19,587
Cocurricular/Extracurricular Activities	558,123	573,653	587,384	548,499	662,631
General Administration	576,826	570,403	561,717	569,641	605,168
Plant Maintenance and Operations	1,547,815	1,820,286	1,594,986	1,294,710	1,352,541
Security and Monitoring Services	213,970	244,419	184,880	226,782	242,695
Data Processing Services	244,779	278,458	268,570	247,746	251,712
Debt Service - Principal on Long Term Debt	76,286	78,952	164,403	106,460	92,002
Debt Service - Interest on Long Term Debt	8,281	5,615	18,098	20,170	8,076
Capital Outlay	2,538,357	258,843	-	-	6,478
Payments to Fiscal Agent/Member Districts of SSA	12,440	14,600	34,336	18,699	18,695
Payments to Juvenile Justice Alternative Ed. Programs	860	1,637	2,131	2,657	2,138
Other Intergovernmental Charges	98,124	97,701	111,238	114,547	114,630
<b>Total Expenditures</b>	<b>\$ 13,822,768</b>	<b>\$ 14,039,872</b>	<b>\$ 12,918,466</b>	<b>\$ 12,136,296</b>	<b>\$ 12,934,472</b>
Excess (Deficiency) of Revenues					
over Expenditures	\$ (2,283,875)	\$ (1,246,018)	\$ 395,549	\$ 1,605,878	\$ 1,588,638
<b>Other Resources and (Uses):</b>					
Issuance of Capital Leases	\$ -	\$ 354,343	\$ -	\$ -	\$ -
Sale of Real or Personal Property	2,000	-	-	-	-
<b>Total Other Resources (Uses)</b>	<b>\$ 2,000</b>	<b>\$ 354,343</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Excess (Deficiency) of					
Revenues and Other Sources					
over Expenditures and Other Uses	\$ (2,281,875)	\$ (891,675)	\$ 395,549	\$ 1,605,878	\$ 1,588,638
<b>Ending Fund Balance</b>	<b>\$ 3,781,289</b>	<b>\$ 2,889,614</b>	<b>\$ 3,285,163</b>	<b>\$ 4,891,041</b>	<b>\$ 6,479,679</b>

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS" in Appendix D and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

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

	Fiscal Year Ended August 31				
	2019	2020	2021	2022	2023
<b>Revenues:</b>					
<b>Program Revenues:</b>					
Charges for Services	\$ 162,559	\$ 247,687	\$ 214,090	\$ 264,307	\$ 161,307
Operating Grants and Contributions	3,516,212	3,038,164	3,797,540	4,486,103	5,660,454
<b>General Revenues:</b>					
Property Taxes Levied for General Purposes	4,691,297	5,930,846	6,124,122	6,213,870	6,555,633
Property Taxes Levied for Debt Service	1,772,347	1,923,984	1,877,387	1,895,443	2,195,154
Grants and Contributions Not Restricted	5,347,693	5,654,734	5,455,041	6,001,488	6,065,517
Investment Earnings	212,914	116,237	80,722	93,927	684,988
Miscellaneous	18,952	3,023	3,036	2,393	40,855
	<u>\$ 15,721,974</u>	<u>\$ 16,914,675</u>	<u>\$ 17,551,938</u>	<u>\$ 18,957,531</u>	<u>\$ 21,363,908</u>
<b>Expenses:</b>					
Instruction	\$ 7,743,603	\$ 8,805,275	\$ 9,281,055	\$ 8,638,458	\$ 9,368,534
Instruction Resources & Media Services	344,007	488,729	393,257	384,953	381,200
Curriculum & Staff Development	277,839	330,939	339,606	447,944	626,197
Instructional Leadership	173,720	196,443	271,629	261,771	397,327
School Leadership	1,218,854	1,405,625	1,311,561	1,372,199	1,554,641
Guidance, Counseling & Evaluation Services	574,639	622,238	637,549	528,986	526,867
Health Services	116,060	156,631	143,154	119,301	196,468
Student Transportation	562,750	969,248	559,833	617,629	675,235
Food Service	678,807	772,476	693,064	752,686	782,984
Cocurricular/Extracurricular Activities	700,738	485,116	711,049	651,048	775,140
General Administration	608,386	610,133	581,361	546,163	638,434
Plant Maintenance & Operations	1,451,198	1,700,865	1,597,100	1,720,750	1,211,407
Security and Monitoring Services	169,447	284,083	209,192	223,098	248,550
Data Processing Services	265,409	306,885	258,383	266,312	300,613
Community Services	-	5,464	-	5,887	21,184
Interest on Long-term Debt	1,014,632	934,011	984,861	963,760	1,204,675
Bond Issuance Costs and Fees	7,067	3,750	3,612	4,187	329,726
Capital Outlay	356,938	201,939	-	-	18,052
Payments to Fiscal Agent/Member Districts of SSA	12,440	14,600	34,336	44,187	18,695
Payments to Juvenile Justice Alternative Ed. Programs	860	1,637	2,131	2,657	2,138
Other Intergovernmental Charges	98,124	97,701	111,238	114,547	114,630
<b>Total Expenditures</b>	<u>\$ 16,375,518</u>	<u>\$ 18,393,788</u>	<u>\$ 18,123,971</u>	<u>\$ 17,666,523</u>	<u>\$ 19,392,697</u>
<b>Change in Net Assets</b>	\$ (653,544)	\$ (1,479,113)	\$ (572,033)	\$ 1,291,008	\$ 1,971,211
<b>Beginning Net Assets</b>	\$ 27,106	\$ (626,434)	\$ (2,105,547)	\$ (2,677,580)	\$ (1,389,871)
<b>Prior Period Adjustment</b>	\$ -	\$ -	\$ -	\$ (3,299)	\$ -
<b>Ending Net Assets</b>	<u>\$ (626,438)</u>	<u>\$ (2,105,547)</u>	<u>\$ (2,677,580)</u>	<u>\$ (1,389,871)</u>	<u>\$ 581,340</u>

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

**APPENDIX B**

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

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**WINONA INDEPENDENT SCHOOL DISTRICT**

**General and Economic Information**

Winona Independent School District (the "District") is an agricultural and oil producing area that includes the Town of Winona, a retail center located on State Highway 155. The University of Texas Health Center lies within the District. The District's current estimated population is approximately 6,673.

Smith County (the "County") is located in northeast Texas and was created in 1846 from Nacogdoches County. Smith is bordered by the Sabine River to the north and the Neches to the west, as well as home to Lake Palestine and Lake Tyler, making water activities popular in the county. The county seat is Tyler.

Sources: Texas Municipal Advisory Council Report for Winona ISD

**Enrollment Statistics**

<u>Year Beginning</u>	<u>Enrollment</u>
2012	854
2013	805
2014	852
2015	860
2016	888
2017	873
2018	907
2019	1,048
2020	1,105
2021	1,049
2022	1,082
2023	1,104
Current	1,153

**District Staff**

Teachers	102
Teachers' Aides & Secretaries	58
Auxiliary Personnel	56
Administrators	6
Other	12
Total	<u>234</u>

**Facilities**

<u>Campus</u>	<u>Grades</u>	<u>Current Enrollment</u>	<u>Capacity</u>	<u>Year Built</u>	<u>Year of Addition / Renovation</u>
Winona Elementary	PK-5	580	675	1980	2006
Winona Middle School	6-8	263	475	1980	2018-2019
Winona High School	9-12	304	500	2011	-

**Leading Employers in the District**

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u>
Sanderson Farms	Processing Plant	1,000
Winona ISD	Education	234
GG Distributing Company	Distribution Center	200
Pepsi Bottling Company	Distribution	125
Brookshires Southwest Grocery	Distribution Center	74
Texas Best Smokehouse	Truck Stop/Restaurant	50
Flex Supply	Construction	19
Ark-La-Tex Shredding	Shredding Company	18

**Unemployment Rates**

	<u>March 2022</u>	<u>March 2023</u>	<u>March 2024</u>
Smith County	3.6%	3.6%	3.8%
State of Texas	3.8%	4.0%	4.1%

Source: Texas Workforce Commission

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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**Proposed Form of Opinion of Bond Counsel**

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

WINONA INDEPENDENT SCHOOL DISTRICT  
MAINTENANCE TAX NOTES, SERIES 2024  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$1,475,000

AS BOND COUNSEL FOR THE ISSUER (the “Issuer”) of the Notes described above (the “Notes”), we have examined into the legality and validity of the Notes, which bear interest from the dates specified in the text of the Notes, at the rates and payable on the dates as stated in the text of the Notes, maturing, unless redeemed prior to maturity in accordance with the terms of the Notes, serially, all in accordance with the terms and conditions stated in the text of the Notes.

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Notes have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity, the Notes constitute valid and legally binding obligations of the Issuer; and that a continuing ad valorem maintenance tax of the Issuer sufficient to provide for the payment of the interest on and principal of the Notes has been levied and pledged for such purpose, within the limits prescribed by law, as provided in the resolution authorizing the issuance of the Notes.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Notes is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Notes are not “specified private activity bonds” and that, accordingly, interest on the Notes will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain covenants regarding the use and investment of the proceeds of the Notes. We call your attention to the fact that if such representations are determined to be inaccurate or

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Austin, Texas 78701  
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F 512.472.0871

717 North Harwood  
Suite 900  
Dallas, Texas 75201  
T 214.754.9200  
F 214.754.9250

Two Allen Center  
1200 Smith Street, Suite 1550  
Houston, Texas 77002  
T 713.980.0500  
F 713.980.0510

112 E. Pecan Street  
Suite 1310  
San Antonio, Texas 78205  
T 210.225.2800  
F 210.225.2984

[www.mphlegal.com](http://www.mphlegal.com)



upon failure by the Issuer to comply with such covenants, interest on the Notes may become includable in gross income retroactively to the date of issuance of the Notes.

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

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Notes is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Notes, nor as to any such insurance policies issued in the future.

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

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 a result and are not binding on the Internal Revenue Service (the "Service"). Rather, our opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in



gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, might result in the treatment of interest on the Notes as includable in gross income for federal income tax purposes.

Respectfully,

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**APPENDIX D**

**AUDITED FINANCIAL REPORT  
FISCAL YEAR ENDED AUGUST 31, 2023**

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**WINONA INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED AUGUST 31, 2023**

RUTHERFORD, TAYLOR & COMPANY, P.C.  
*Certified Public Accountants*  
3500 Joe Ramsey Blvd.  
Greenville, Texas 75401  
(903) 455-6252

WINONA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2023

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**CERTIFICATE OF BOARD**

Winona Independent School District  
Name of School District

Smith  
County

212-910  
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and  approved/  disapproved for the year ended August 31, 2023, at a meeting of the board of school trustees of such school district on 11/18/2024.

Connie Gibbs  
Signature of Board Secretary

[Signature]  
Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

## FINANCIAL SECTION

**RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.**  
*Certified Public Accountants*

---

3500 Joe Ramsey Blvd.

Greenville, Texas 75401

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INDEPENDENT AUDITOR'S REPORT

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Members of the Board  
Winona Independent School District

**Report on 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 Winona Independent School District (District), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Winona Independent School District as of August 31, 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 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

**Required Supplementary Information**

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

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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*, is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Rutherford, Taylor & Company, P.C." The signature is written in a cursive, professional style.

January 12, 2024  
Greenville, Texas

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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Members of the Board  
Winona Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winona Independent School District (District), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2024.

***Report on Internal Control over Financial Reporting***

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

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

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

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

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



Report on Internal Control – Continued

***Purpose of This Report***

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

A handwritten signature in blue ink that reads "Ruthenford, Taylor & Company, P.C." The signature is written in a cursive, flowing style.

January 12, 2024  
Greenville, Texas

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

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Members of the Board  
Winona Independent School District

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

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

We have audited Winona Independent School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

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

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

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

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

## Internal Control over Compliance with the Uniform Guidance – Continued

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

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

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

### **Purpose of This Report**

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



January 12, 2024  
Greenville, Texas

WINONA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2023

**Summary of Auditor's Results (Section I)**

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*Financial Statements –*

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting:	
Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

*Federal Awards –*

Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
Identification of Major Programs	Education Stabilization Fund Cluster: ESSER – II (84.425d) ESSER – III (84.425u) ESSER – III - TCLAS (84.425u) ESSER – III- TCLAS - HQ After School (84.425u)
Dollar threshold used to distinguish between Type A and B programs	\$ 750,000
Entity qualifies as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

WINONA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2023

**Financial Statement Findings (Section II)**

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NONE

WINONA INDEPENDENT SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2023

**Federal Award Findings and Questioned Costs (Section III)**

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NONE

WINONA INDEPENDENT SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2023

**Prior Year Findings (Section IV)**

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NONE

WINONA INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
YEAR ENDED AUGUST 31, 2023

**Corrective Action Plan (Section V)**

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NONE



WINONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

This section of Winona Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2023. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

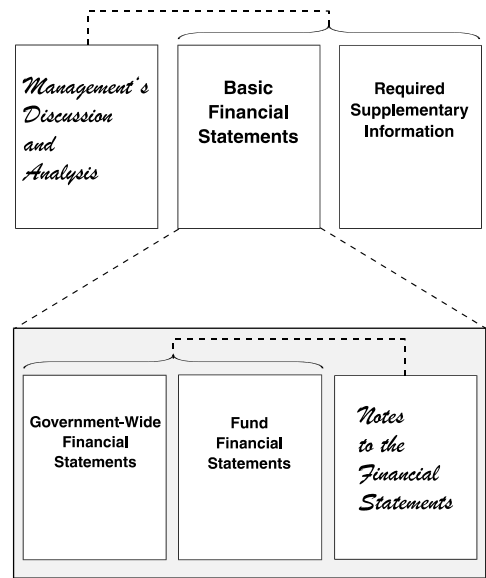
- The District's total combined net position was \$ 581,340 at August 31, 2023.
- During the year, the District's expenses were \$ 1,971,211 less than the \$ 21,363,908 generated in taxes and other revenues for governmental activities.
- Expenses increased 9.77% over the previous expense totals while revenues increased 12.69% over the same period.
- The General Fund reported a fund balance this year of \$ 6,479,679, an increase of \$ 1,588,638 from the prior year.
- The District issued no new debt during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



The basic financial statements also include notes that explain some of the information in the basic 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 basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

WINONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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 assets 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 assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

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

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

**FUND FINANCIAL STATEMENTS**

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

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

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets 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 the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

**Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

WINONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, 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 assets. 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**

The District's combined net assets were \$ 581,340 at August 31, 2023.

Winona Independent School District's Net Position			Table A-1
	Governmental Activities		Total
	2023	2022	Change 2022-2023
<b>Assets</b>			
Cash and Investments	\$ 22,947,383	\$ 10,440,570	119.79%
Other Assets	2,159,695	1,744,305	23.81%
Capital Assets less Accumulated Depreciation	<u>22,073,492</u>	<u>19,506,495</u>	13.16%
<b>Total Assets</b>	<b>\$ 47,180,570</b>	<b>\$ 31,691,370</b>	<b>48.88%</b>
<b>Total Deferred Net Outflow of Resources</b>	<b>\$ 4,659,635</b>	<b>\$ 4,395,233</b>	<b>6.02%</b>
<b>Liabilities</b>			
Current Liabilities	\$ 1,620,617	\$ 1,079,266	50.16%
Long-term Liabilities	<u>44,978,717</u>	<u>31,451,787</u>	43.01%
<b>Total Liabilities</b>	<b>\$ 46,599,334</b>	<b>\$ 32,531,053</b>	<b>43.25%</b>
<b>Total Deferred Net Inflow of Resources</b>	<b>\$ 4,659,531</b>	<b>\$ 5,010,907</b>	<b>-7.01%</b>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ (6,370,062)	\$ (5,895,656)	8.05%
Restricted	6,474,325	5,702,070	13.54%
Unrestricted	<u>477,077</u>	<u>(1,196,285)</u>	-139.88%
<b>Total Net Position</b>	<b>\$ 581,340</b>	<b>\$ (1,389,871)</b>	<b>-141.83%</b>

Approximately \$ 6,167,679 of the District's restricted net assets represent funds collected for debt retirement. These funds are restricted for retirement of tax supported debt. The unrestricted net asset represents resources available to fund the programs of the District next year.

**CHANGES IN NET ASSETS**

The District's total revenues were \$ 21,363,908. 41% of the District's revenue comes from local property taxes (See Table A-2). 55% comes from state aid and federal grants, while only 4% relates to charges for services and other sources including investment earnings.

The total cost of all programs and services was \$ 19,392,697. 51% of these costs are for instruction and instructional related student services.

The District's current tax collection percentage (base tax only – current and delinquent) was 99.34%. The total tax collection percentage (base tax and penalty and interest) was 101.10%.

WINONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

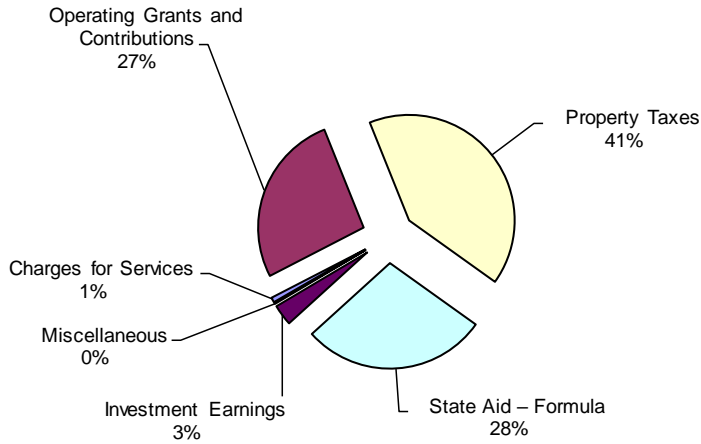
**Table A-2**

**Changes in Winona Independent School District's Net Position**

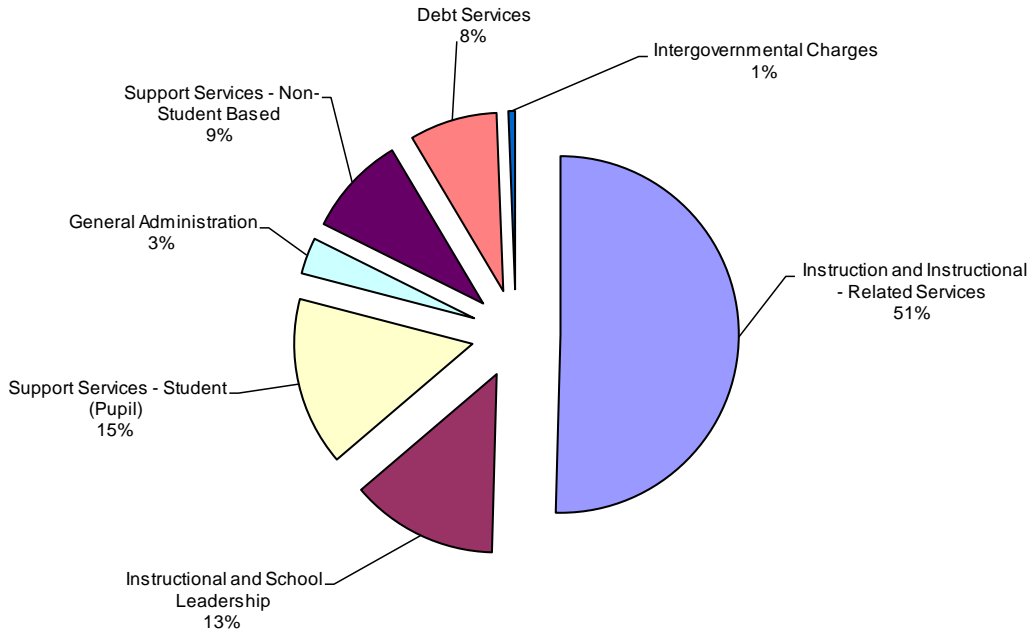
	Governmental Activities		Total
	2023	2022	Percentage Change 2022-2023
Program Revenues:			
Charges for Services	\$ 161,307	\$ 264,307	-38.97%
Operating Grants and Contributions	5,660,454	4,486,103	26.18%
General Revenues:			
Property Taxes	8,750,787	8,109,313	7.91%
State Aid – Formula	6,065,517	6,001,488	1.07%
Investment Earnings	684,988	93,927	629.28%
Miscellaneous	40,855	2,393	1607.27%
Total Revenues	<u>\$ 21,363,908</u>	<u>\$ 18,957,531</u>	12.69%
Expenses:			
Instruction	\$ 9,368,534	\$ 8,638,458	8.45%
Instructional Resources and Media Services	381,200	384,953	-0.97%
Curriculum and Staff Development	626,197	447,944	39.79%
Instructional Leadership	397,327	261,771	51.78%
School Leadership	1,554,641	1,372,199	13.30%
Guidance, Counseling and Evaluation Services	526,867	528,986	-0.40%
Health Services	196,468	119,301	64.68%
Student (Pupil) Transportation	675,235	617,629	9.33%
Food Services	782,984	752,686	4.03%
Cocurricular /Extracurricular Activities	775,140	651,048	19.06%
General Administration	638,434	546,163	16.89%
Plant Maintenance and Operations	1,211,407	1,720,750	-29.60%
Security and Monitoring Services	248,550	223,098	11.41%
Data Processing Services	300,613	266,312	12.88%
Debt Services	1,534,401	967,947	58.52%
Community Services	21,184	5,887	259.84%
Payment related to Shared Service Arrangements	18,695	44,187	-57.69%
Payments to Juvenile Justice Alt Ed Programs	2,138	2,657	-19.53%
Other Intergovernmental Charges	114,630	114,547	0.07%
Total Expenses	<u>\$ 19,392,697</u>	<u>\$ 17,666,523</u>	9.77%
Increase (Decrease) in Net Position	<u>\$ 1,971,211</u>	<u>\$ 1,291,008</u>	52.69%
Net Position - Beginning (September 1)	\$ (1,389,871)	\$ (2,677,580)	-48.09%
Prior Period Adjustment	-	(3,299)	100.00%
Net Position - Beginning, as Restated	<u>\$ (1,389,871)</u>	<u>\$ (2,680,879)</u>	48.16%
Net Position - Ending (August 31)	<u>\$ 581,340</u>	<u>\$ (1,389,871)</u>	-141.83%

WINONA INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED AUGUST 31, 2023

**Sources of Revenue for Fiscal Year 2023 - See Table A-2**



**Functional Expenses for Fiscal Year 2023 - See Table A-2**



WINONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

- Table A-3 presents the cost of selected District functions as well as the selected function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 19,392,697.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 8,750,787.
- Some of the cost was paid by those who directly benefited from the programs \$ 161,307, or
- By grants and contributions \$ 5,660,454.

Winona Independent School District's Net Cost of Selected District Functions							Table A-3
	Total Cost of Services		%	Net Cost of Services		%	
	2023	2022		Change	2023		2022
Instruction	\$ 9,368,534	\$ 8,638,458	8.45%	\$ 7,202,798	\$ 7,002,055	2.87%	
School Leadership	1,554,641	1,372,199	13.30%	1,034,256	957,497	8.02%	
General Administration	638,434	546,163	16.89%	579,478	542,158	6.88%	
Facilities Maintenance and Operations	1,211,407	1,720,750	-29.60%	601,291	982,307	-38.79%	
Debt Service	1,534,401	967,947	58.52%	1,206,378	675,840	78.50%	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$ 21,895,913, which is a \$ 2,137,873 increase from the prior year. The increase is representative of increased federal revenue for grant programs as well as additional investment earnings.

Expenditures for governmental fund types totaled \$ 23,330,517, which is a \$ 5,695,524 increase from the prior year. The increase is due to increased costs for instructional materials related to pandemic learning loss and plant maintenance and operations over the year. New construction and renovation costs related to the 2023 bond projects also increased current year expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 820,255 less than final General Fund budget amounts. The most significant positive variances can be seen in the instruction and plant maintenance and operations functional categories.

Resources available were \$ 1,176,558 above the final General Fund budgeted amount. The favorable variance was the result of greater than anticipated state and federal revenues as well as investment earnings.

WINONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At year end, the District had invested \$ 47,176,708 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

<b>Winona Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total
	2023	2022	Percentage Change 2022-2023
Land	\$ 106,988	\$ 106,988	0.00%
Construction in Progress	3,660,239	257,687	1320.42%
Buildings and Improvements	39,913,639	38,972,703	2.41%
Equipment	1,143,451	1,068,096	7.06%
Vehicles	2,241,397	2,190,330	2.33%
Right of Use Assets	110,994	110,994	0.00%
<b>Totals at Historical Cost</b>	<b>\$ 47,176,708</b>	<b>\$ 42,706,798</b>	<b>10.47%</b>
Less Accumulated Depreciation	(25,103,216)	(23,134,817)	8.51%
<b>Net Capital Assets</b>	<b>\$ 22,073,492</b>	<b>\$ 19,571,981</b>	<b>12.78%</b>

**DEBT**

At year end, the District had \$ 38,374,450 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

**Bond Ratings -**  
The District's bonds presently carry "AAA" ratings.

<b>Winona Independent School District's Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total
	2023	2022	Percentage Change 2022-2023
Bonds Payable	\$ 36,310,000	\$ 24,420,000	48.69%
Direct Borrowings Payable	93,803	184,165	-49.07%
Right of Use Lease Payable	49,387	71,322	-30.75%
Other Debt Payable	1,921,260	792,150	142.54%
<b>Total Debt Payable</b>	<b>\$ 38,374,450</b>	<b>\$ 25,467,637</b>	<b>50.68%</b>

WINONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

**ECONOMIC FACTORS**

The District's property values for 2023 increased over the prior year values. This was due to overall gains in the economy. While property values for the audit period are higher, we are aware of and are preparing for the potential changes in the coming period. Local property tax rates for maintenance and operations are restricted by Statute to \$ .97, without local elections. The State Legislature passed HB3 which included various changes to the property tax rate setting process thus limiting school districts' opportunities for tax modifications and compressing the rates charged to taxpayers. The additional changes required under HB3 could impact the District's financial operations, including cash flow.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be at or near the historical trend line. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2020-2023 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased significantly. With these increases, the state imposed requirements to spend at least 30% of the new funding on salaries to personnel with at least 75% of the 30% to be for teachers and other designated classes of employees. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

The global outbreak of coronavirus disease 2019 ("COVID-19") presents various global risks. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management of the District is actively monitoring the global situation on its financial condition, liquidity, operations, supplies, vendors, and industry. Given the evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects, if any, of the COVID-19 outbreak on its results of operations and financial condition.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sheila Bowie, Business Manager of the District.



## BASIC FINANCIAL STATEMENTS

WINONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2023

1

Data Control Codes		Governmental Activities
<b>ASSETS</b>		
1110	Cash and Investments	\$ 22,947,383
1225	Property Taxes Receivable, Net	537,420
1240	Due from Other Governments	1,622,275
	Capital Assets:	
1510	Land	106,988
1520	Buildings and Improvements, Net	17,562,118
1530	Furniture and Equipment, Net	700,860
1550	Right of Use Assets, Net	43,287
1580	Construction in Progress	3,660,239
<b>1000</b>	<b>Total Assets</b>	<b>\$ 47,180,570</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1701	Deferred Outflows - Refunding	\$ 961,407
1705	Deferred Outflows - Pensions	1,767,203
1706	Deferred Outflows - OPEB	1,931,025
<b>1700</b>	<b>Total Deferred Outflows of Resources</b>	<b>\$ 4,659,635</b>
<b>LIABILITIES</b>		
2110	Accounts Payable	\$ 920,715
2140	Interest Payable	37,867
2165	Accrued Liabilities	609,153
2300	Unearned Revenue	52,882
	Noncurrent Liabilities:	
2501	Due Within One Year	1,178,276
2502	Due in More Than One Year	37,196,174
2540	Net Pension Liability	3,864,705
2545	Net OPEB Liability	2,739,562
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ 46,599,334</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred Inflows - Pensions	\$ 263,732
2606	Deferred Inflows - OPEB	4,395,799
<b>2600</b>	<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,659,531</b>
<b>NET POSITION</b>		
3200	Net Investment in Capital Assets	\$ (6,370,062)
	Restricted For:	
3820	Federal and State Programs	254,275
3850	Debt Service	6,167,679
3890	Other Purposes	52,371
3900	Unrestricted	477,077
<b>3000</b>	<b>Total Net Position</b>	<b>\$ 581,340</b>

The accompanying notes are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2023

		1	3	4	Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
Data				Operating	
Control		Expenses	Charges for	Grants and	Governmental
Codes	Functions/Programs		Services	Contributions	Activities
	Governmental Activities:				
11	Instruction	\$ 9,368,534	\$ 64,759	\$ 2,100,977	\$ (7,202,798)
12	Instructional Resources and Media Services	381,200	-	12,204	(368,996)
13	Curriculum and Staff Development	626,197	-	625,092	(1,105)
21	Instructional Leadership	397,327	-	142,882	(254,445)
23	School Leadership	1,554,641	-	520,385	(1,034,256)
31	Guidance, Counseling and Evaluation Services	526,867	-	211,394	(315,473)
33	Health Services	196,468	-	74,681	(121,787)
34	Student Transportation	675,235	-	18,768	(656,467)
35	Food Services	782,984	30,437	853,545	100,998
36	Cocurricular /Extracurricular Activities	775,140	62,505	23,929	(688,706)
41	General Administration	638,434	-	58,956	(579,478)
51	Facilities Maintenance and Operations	1,211,407	3,606	606,510	(601,291)
52	Security and Monitoring Services	248,550	-	21,045	(227,505)
53	Data Processing Services	300,613	-	40,808	(259,805)
61	Community Services	21,184	-	21,255	71
72	Interest on Long-term Debt	1,204,675	-	328,023	(876,652)
73	Bond Issuance Costs and Fees	329,726	-	-	(329,726)
81	Capital Outlay	18,052	-	-	(18,052)
93	Payments related to Shared Services Arrangements	18,695	-	-	(18,695)
95	Payments to Juvenile Justice Alternative Ed. Programs	2,138	-	-	(2,138)
99	Other Intergovernmental Charges	114,630	-	-	(114,630)
TG	Total Governmental Activities	<u>\$ 19,392,697</u>	<u>\$ 161,307</u>	<u>\$ 5,660,454</u>	<u>\$ (13,570,936)</u>
TP	Total Primary Government	<u>\$ 19,392,697</u>	<u>\$ 161,307</u>	<u>\$ 5,660,454</u>	<u>\$ (13,570,936)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purpose				\$ 6,555,633
DT	Property Taxes, Levied for Debt Service				2,195,154
IE	Investment Earnings				684,988
GC	Grant and Contributions Not Restricted to Specific Programs				6,065,517
MI	Miscellaneous				40,855
TR	Total General Revenues				<u>\$ 15,542,147</u>
CN	Change in Net Position				\$ 1,971,211
NB	Net Position - Beginning (September 1)				(1,389,871)
NE	Net Position - Ending (August 31)				<u>\$ 581,340</u>

The accompanying notes are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AUGUST 31, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Project Funds	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS</b>						
1110	Cash and Investments	\$ 6,523,115	\$ 6,066,560	\$ 10,773,184	\$ -	\$ 23,362,859
1225	Property Taxes Receivable, Net	406,358	131,062	-	-	537,420
1240	Due from Other Governments	629,594	7,924	-	984,757	1,622,275
<b>1000</b>	<b>Total Assets</b>	<b>\$ 7,559,067</b>	<b>\$ 6,205,546</b>	<b>\$ 10,773,184</b>	<b>\$ 984,757</b>	<b>\$ 25,522,554</b>
<b>LIABILITIES</b>						
Current Liabilities:						
2110	Accounts Payable	\$ 4,849	\$ -	\$ 842,276	\$ 523,271	\$ 1,370,396
2150	Payroll Deductions & Withholdings	64	-	-	-	64
2160	Accrued Wages Payable	573,842	-	-	22,297	596,139
2170	Due to Other Funds	81,919	-	-	-	81,919
2200	Accrued Expenditures	12,356	-	-	594	12,950
2300	Unearned Revenues	-	-	-	52,882	52,882
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ 673,030</b>	<b>\$ -</b>	<b>\$ 842,276</b>	<b>\$ 599,044</b>	<b>\$ 2,114,350</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
2610	Deferred Property Tax Revenue	\$ 406,358	\$ 131,062	\$ -	\$ -	\$ 537,420
<b>2600</b>	<b>Total Deferred Inflows of Resources</b>	<b>\$ 406,358</b>	<b>\$ 131,062</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 537,420</b>
<b>FUND BALANCES</b>						
Restricted Fund Balances:						
3450	Federal/State Funds Grant Restrictions	\$ -	\$ -	\$ -	\$ 210,513	\$ 210,513
3480	Retirement of Long-Term Debt	-	6,074,484	-	-	6,074,484
3490	Other Restrictions of Fund Balance	-	-	9,930,908	52,371	9,983,279
Committed Fund Balance:						
3540	Self-Insurance	500,000	-	-	-	500,000
3545	Other Committed Fund Balance	-	-	-	122,829	122,829
Assigned Fund Balances:						
3590	Other Assigned Fund Balance	1,000,000	-	-	-	1,000,000
3600	Unassigned	4,979,679	-	-	-	4,979,679
<b>3000</b>	<b>Total Fund Balances</b>	<b>\$ 6,479,679</b>	<b>\$ 6,074,484</b>	<b>\$ 9,930,908</b>	<b>\$ 385,713</b>	<b>\$ 22,870,784</b>
<b>4000</b>	<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,559,067</b>	<b>\$ 6,205,546</b>	<b>\$ 10,773,184</b>	<b>\$ 984,757</b>	<b>\$ 25,522,554</b>

The accompanying notes are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2023

Total fund balances - Balance Sheet (governmental funds)	\$	22,870,784
<p>Amounts reported for governmental activities in the statement  of net position are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		22,073,492
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		537,420
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		116,124
Payables for bond principal which are not due in the current period are not reported in the funds.		(36,310,000)
Payables for right of use leases which are not due in the current period are not reported in the funds.		(49,387)
Payables for debt interest which are not due in the current period are not reported in the funds.		(37,867)
Payables for direct borrowings which are not due in the current period are not reported in the funds.		(93,803)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		961,407
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(3,864,705)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(263,732)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		1,767,203
Bond premiums are amortized in the SNA but not in the funds.		(1,921,260)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(2,739,562)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(4,395,799)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		<u>1,931,025</u>
Net position of governmental activities - Statement of Net Position	\$	<u>581,340</u>

The accompanying notes are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED AUGUST 31, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES</b>					
5700 Local and Intermediate Sources	\$ 7,063,576	\$ 2,419,523	\$ 202,708	\$ 85,440	\$ 9,771,247
5800 State Program Revenues	6,807,603	63,998	-	8,399	6,880,000
5900 Federal Program Revenues	651,931	-	-	4,592,735	5,244,666
<b>5020 Total Revenues</b>	<b>\$ 14,523,110</b>	<b>\$ 2,483,521</b>	<b>\$ 202,708</b>	<b>\$ 4,686,574</b>	<b>\$ 21,895,913</b>
<b>EXPENDITURES</b>					
Current:					
0011 Instruction	\$ 7,079,196	\$ -	\$ -	\$ 1,548,349	\$ 8,627,545
0012 Instructional Resources and Media Services	185,183	-	-	9,298	194,481
0013 Curriculum and Staff Development	7,751	-	-	624,898	632,649
0021 Instructional Leadership	279,340	-	-	136,565	415,905
0023 School Leadership	868,143	-	-	499,668	1,367,811
0031 Guidance, Counseling and Evaluation Services	360,110	-	-	170,897	531,007
0033 Health Services	161,021	-	-	27,075	188,096
0034 Student Transportation	617,375	-	-	13,146	630,521
0035 Food Services	19,587	-	-	768,695	788,282
0036 Cocurricular /Extracurricular Activities	662,631	-	-	49,662	712,293
0041 General Administration	605,168	-	-	51,355	656,523
0051 Facilities Maintenance and Operations	1,352,541	-	-	565,600	1,918,141
0052 Security and Monitoring Services	242,695	-	-	17,023	259,718
0053 Data Processing Services	251,712	-	-	37,201	288,913
0061 Community Services	-	-	-	21,273	21,273
0071 Principal on Long-term Debt	92,000	620,000	-	20,296	732,298
0072 Interest on Long-term Debt	8,076	1,207,249	-	6,256	1,221,581
0073 Bond Issuance Costs and Fees	-	4,084	325,642	-	329,726
0081 Capital Outlay	6,478	-	3,671,813	-	3,678,291
0093 Payments to Shared Service Arrangements	18,695	-	-	-	18,695
0095 Payments to Juvenile Justice Alternative Ed. Programs	2,138	-	-	-	2,138
0099 Other Intergovernmental Charges	114,630	-	-	-	114,630
<b>6030 Total Expenditures</b>	<b>\$ 12,934,472</b>	<b>\$ 1,831,333</b>	<b>\$ 3,997,455</b>	<b>\$ 4,567,257</b>	<b>\$ 23,330,517</b>
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 1,588,638	\$ 652,188	\$ (3,794,747)	\$ 119,317	\$ (1,434,604)
<b>OTHER FINANCING SOURCES (USES)</b>					
7911 Capital-Related Debt Issues (Regular Bonds)	\$ -	\$ -	\$ 12,510,000	\$ -	\$ 12,510,000
7916 Premium (Discount) on Issuance Bonds	-	-	1,215,643	-	1,215,643
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,725,643</b>	<b>\$ -</b>	<b>\$ 13,725,643</b>
1200 Net Changes in Fund Balances	\$ 1,588,638	\$ 652,188	\$ 9,930,896	\$ 119,317	\$ 12,291,039
0100 Fund Balances - Beginning (September 1)	4,891,041	5,422,296	12	266,396	10,579,745
<b>3000 Fund Balances - Ending (August 31)</b>	<b>\$ 6,479,679</b>	<b>\$ 6,074,484</b>	<b>\$ 9,930,908</b>	<b>\$ 385,713</b>	<b>\$ 22,870,784</b>

The accompanying notes are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2023

Net change in fund balances - total governmental funds \$ 12,291,039

Amounts reported for governmental activities in the statement  
of activities are different because:

Capital outlays are not reported as expenses in the SOA.	4,469,910
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,968,399)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	7,374
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	15,920
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	620,000
Repayment of right of use lease principal is an expenditure in the funds but is not an expense in the SOA.	21,935
Repayment of direct borrowings principal is an expenditure in the funds but is not an expense in the SOA.	90,362
(Increase) decrease in accrued interest from beginning of period to end of period.	988
The net revenue (expense) of internal service funds is reported with governmental activities.	81,451
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(12,510,000)
Bond premiums are reported in the funds but not in the SOA.	(1,215,643)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	252,114
OPEB contributions in the CY are de-expended and recorded as deferred resource outflows.	94,127
OPEB contributions deferred in the PY are expended in the CY.	(93,439)
Pension expense relating to GASB 68 are recorded in the SOA but not in the funds.	(232,141)
Pension in the CY are de-expended and recorded as deferred resource outflows.	348,592
Pension contributions deferred in the PY are expended in the CY.	<u>(302,979)</u>

Change in net position of governmental activities - Statement of Activities \$ 1,971,211

The accompanying notes are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
AUGUST 31, 2023

Data Control Codes		Internal Service Fund
		<hr/>
	<b>ASSETS</b>	
	Current Assets:	
1110	Cash and Investments	\$ 35,878
	Receivables:	
1260	Due from Other Funds	<hr/> 81,919
	Total Current Assets	<hr/> \$ 117,797
<b>1000</b>	<b>Total Assets</b>	<b><hr/>\$ 117,797</b>
	<b>LIABILITIES</b>	
	Current Liabilities:	
2110	Accounts Payable	<hr/> \$ 1,673
	Total Current Liabilities	<hr/> \$ 1,673
<b>2000</b>	<b>Total Liabilities</b>	<b><hr/>\$ 1,673</b>
	<b>NET POSITION</b>	
3900	Unrestricted Net Position	<hr/> \$ 116,124
<b>3000</b>	<b>Total Net Position</b>	<b><hr/><hr/>\$ 116,124</b>

The accompanying notes are an integral part of this statement.



WINONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2023

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
5700 Local and Intermediate Sources	\$ 166,623
<b>5020 Total Operating Revenues</b>	<b>\$ 166,623</b>
<b>OPERATING EXPENSES</b>	
6400 Other Operating Costs	\$ 85,172
<b>6030 Total Operating Expenses</b>	<b>\$ 85,172</b>
1300 Change in Net Position	\$ 81,451
0100 Total Net Position - Beginning (September 1)	34,673
<b>3300 Total Net Position - Ending (August 31)</b>	<b>\$ 116,124</b>

The accompanying notes are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2023

	Internal Service Fund
	Fund
Cash Flows from Operating Activities:	
Cash Receipts from Investment Earnings	\$ 471
Cash Receipts from Quasi-External Operating Transfers	166,151
Cash Payments for Claims	(57,495)
Cash Payments for Reinsurance and Administration	(27,677)
Cash Payments for Other Operating Costs	(58,537)
	(58,537)
Net Cash Provided by (Used for) Operating Activities	\$ 22,913
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows for Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ 22,913
Cash and Investments - Beginning (September 1)	12,965
<b>Cash and Investments - Ending (August 31)</b>	<b>\$ 35,878</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 81,451
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Interfund Receivable	(58,538)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 22,913</b>

The accompanying notes are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
AUGUST 31, 2023

<u>Data Control Codes</u>		<u>Custodial Funds Student Activities</u>
<b>ASSETS</b>		
	Current Assets:	
1110	Cash and Investments	\$ 56,747
<b>1000</b>	<b>Total Assets</b>	<b>\$ 56,747</b>
<b>LIABILITIES</b>		
	Current Liabilities:	
2110	Accounts Payable	\$ -
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ -</b>
<b>NET POSITION</b>		
	Restricted for:	
3490	Student Groups	\$ 56,747
<b>3000</b>	<b>Total Net Position</b>	<b>\$ 56,747</b>

The accompanying notes are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
YEAR ENDED AUGUST 31, 2023

<u>Data Control Codes</u>		<u>Custodial Funds Student Activity</u>
	<b>ADDITIONS</b>	
5700	Fundraising Activites	<u>\$ 71,617</u>
	<b>Total Additions</b>	<u><b>\$ 71,617</b></u>
	<b>DEDUCTIONS</b>	
6400	Group Activites	<u>\$ 78,827</u>
	<b>Total Deductions</b>	<u><b>\$ 78,827</b></u>
	<b>Changes in Net Position</b>	\$ (7,210)
0100	Net Position - Beginning (September 1)	<u>63,957</u>
3000	<b>Net Position - Ending (August 31)</b>	<u><b>\$ 56,747</b></u>

The accompanying notes are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

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

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term Debt principal, interest and related costs.

Capital Projects Fund – The District accounts for capital improvements resulting from the issuance of tax supported general obligation bonds in this fund. Any excess proceeds remaining will be used to retire the debt issued.

In addition, the District reports the following fund types:

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 years. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Internal Service Funds – These funds are proprietary type funds. These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements. The District uses internal service funds for self-insured workers compensation.

Custodial Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in a custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. Measurement Focus – Basis of Accounting

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

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally measurable until received. Investment earnings are recorded as earned, since they are both measurable and available.

WINONA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Total	\$	-0-

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

*Nonspendable fund balance* – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

*Assigned fund balance* – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

*Unassigned fund balance* – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General	Debt Service	Capital Projects	Other Governmental	Total
Restricted					
Retirement of Long Term Debt	\$ -	\$ 6,074,484	\$ -	\$ -	\$ 6,074,484
Scholarship Funds	-	-	-	52,371	52,371
Child Nutrition	-	-	-	210,513	210,513
Capital Projects			9,930,908	-	9,930,908
Committed					
Self Insurance	500,000	-	-	-	500,000
Child Nutrition	-	-	-	43,763	43,763
Other	-	-	-	79,066	79,066
Assigned					
Other Assigned Balances	1,000,000	-	-	-	1,000,000
Unassigned	4,979,679	-	-	-	4,979,679
Totals	<u>\$ 6,479,679</u>	<u>\$ 6,074,484</u>	<u>\$ 9,930,908</u>	<u>\$ 385,713</u>	<u>\$ 22,870,784</u>

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method, supplies and materials are debited as expenditures when purchased.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting years and are recorded as prepaid items. Prepaid items are recorded as expenditures when the items are consumed or occur.



WINONA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Right of Use Assets and Liabilities

GASB Statement 87, *Leases* created new financial statement accounts "Right of Use" assets and similar offsetting liabilities. A "right of use" asset accounts for the net present value of future payments attached to a leased asset. Common examples of "Right of Use" assets are copiers, printers and other types of equipment that the District does not take ownership of but uses under the lease agreement. The assets value will be amortized over the life of the lease using a straight-line method. The liability offsetting the "Right of Use" is presented as lease payable.

Subscription-Based Information Technology Arrangements (SBITA)

GASB Statement 96, *Subscription-Based Information Technology Arrangements* created new financial statement assets and offsetting liabilities. A SBITA asset accounts for the net present value of future payments required for right of use subscription assets. To the extent relevant, the standards for SBITA's are based on the standards established by GASB Statement 87, *Leases*. A SBITA is defined as a contract that conveys control of the right of use of another party's information technology (software) as specified in the contract for a period of time in an exchange or exchange-like transaction. The asset will be amortized over the life of the contract allowing the use of the information technology over a straight line method. The asset is included in the financial statement caption right of use asset with the offsetting liability identified as SBITA payable.

Unearned Revenues

Unearned revenues include state funds received but have not been earned in the year. The balance will be earned in the future year and not returned as liabilities.

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future year and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future year and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources.

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resource for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior year adjustment.

7. Receivable and Payable Balances

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

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

8. Interfund Activities

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

9. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave vests, accumulates, and is recorded as expense as it is incurred. Sick leave is paid upon separation from the District.

The District reimburses employees who voluntarily retire through the Teacher Retirement System (TRS) for up to 50 days of accrued leave based on rates established by the board of trustees. The rate approved is varied based on tenure with the District.

10. 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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, 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.

11. Other Post-Employment Benefits (OPEB)

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

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

13. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued various new accounting standards to better meet the information needed for users of financial statements by improving accounting and financial reporting. The GASB does this by issuing statements that cover various issues identified as needing additional clarification or direction to maintain standardization and comparability of financial information. During the year, the GASB issued no new standards. The following statements with varying effective dates noted are to be implemented in the coming periods:

Statement 99: *Omnibus 2023* (Effective upon issuance with some effective FY beginning after June 15, 2023)

Statement 100: *Accounting Changes and Error Corrections* (Effective FY beginning after June 15, 2023)

Statement 101: *Compensated Absences* (Effective FY beginning after December 15, 2023)

14. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

15. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities and Investments

Cash Deposits

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance District (FDIC) insurance. At year end, all District cash deposits appear to have been adequately covered by FDIC insurance or by pledged collateral held by the District or the depository in the District's name. The District's deposits appear to have been properly secured throughout the year.

Investments

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Act requires specific training reporting and establishment of local policies. The District appears to be in compliance with all the requirements of the Act.

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

B. Deposits, Securities and Investments (Continued)

The PFIA (Government Code Chapter 256) 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 diversifications, (3) allowable investments, (4) acceptable risk level, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the state maturity date of portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preference for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The PFIA governs the District's investment policies and types of investments.

The District's management believes that it complies with the requirements of the PFIA and the District's investment policies.

District investments include investments in certificates of deposit and Lone Star Investment Pool, which is a local government investment pool. All investments are reported at fair value and are presented as cash and investments.

The following table lists the District's investments at year end:

	Fair Value/ Amortized Cost	Weighted Average Maturity ( Days)
Governmental Activities:		
Investments:		
Lone Star Investment Pool	\$ 3,221,229	41
Certificate of Deposits	482,708	N/A
Totals	\$ 3,703,937	

*Lone Star Investment Pool*

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas government Code, Chapter 791, and the PFIA< Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services of Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAAM by Standard and Poor's. Lone Star has no limitations or restrictions on withdrawals. The District is invested in the Corporation Overnight Plus Fund of Lone Star. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net Asset value of 50 cents. The Government Overnight and Corporate Overnight Funds value all investments are amortized cost and are operated in accordance with GASB 79. The Corporate Overnight Plus Fund values all investments at fair value and is operated in accordance with GASB 72.

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

B. Deposits, Securities and Investments (Continued)

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District was not exposed to custodial credit risk.

The largest combined balances of cash, saving and time deposit accounts amounted to \$ 22,244,892 and occurred in March 2023. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$ 25,033,836. The total amount of FDIC coverage at the time of the highest combined balance was \$ 504,853. First United Bank of Winona, Texas is the District's depository.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. District investments are limited to short term maturities to limit any potential interest rate risk. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. State statutes do not allow for foreign investments, this eliminating foreign currency rate risk. The District was not exposed to foreign currency risk.

f. 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 in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements require judgement and considers factors specific to each asset or liability.

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

C. Property Taxes

Property taxes are levied by October 1, 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 October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 0.854600 to fund general operations and \$ 0.285000 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 758,879,782. The District contracts with a tax attorney for the collection of all delinquent taxes. Delinquent taxes are subject to both penalty and interest plus a 20% delinquent tax attorney collection fee.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being depreciated:				
Land	\$ 106,988	\$ -	\$ -	\$ 106,988
Construction in Progress	257,687	3,813,114	410,562	3,660,239
Total Capital Assets not being depreciated	<u>\$ 364,675</u>	<u>\$ 3,813,114</u>	<u>\$ 410,562</u>	<u>\$ 3,767,227</u>
Capital Assets being depreciated:				
Buildings and Improvements	\$ 38,972,703	\$ 940,936	\$ -	\$ 39,913,639
Vehicles	2,190,330	51,067	-	2,241,397
Equipment	1,068,096	75,355	-	1,143,451
Right of Use Lease Assets	110,994	-	-	110,994
Total Capital Assets being depreciated	<u>\$ 42,342,123</u>	<u>\$ 1,067,358</u>	<u>\$ -</u>	<u>\$ 43,409,481</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 20,602,260	\$ 1,749,261	\$ -	\$ 22,351,521
Equipment	788,373	84,326	-	872,699
Vehicles	1,698,676	112,613	-	1,811,289
Right of Use Lease Assets	45,508	22,199	-	67,707
Total Accumulated Depreciation	<u>\$ 23,134,817</u>	<u>\$ 1,968,399</u>	<u>\$ -</u>	<u>\$ 25,103,216</u>
Total Capital Assets being depreciated, net	<u>\$ 19,207,306</u>	<u>\$ (901,041)</u>	<u>\$ -</u>	<u>\$ 18,306,265</u>
Governmental Activities Capital Assets, net	<u>\$ 19,571,981</u>	<u>\$ 2,912,073</u>	<u>\$ 410,562</u>	<u>\$ 22,073,492</u>

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

D. Capital Assets (Continued)

Depreciation and amortization was charged to governmental activities functions as follows:

Instruction	\$	1,239,987
Instructional Resources and Media Services		195,235
Instructional Leadership		610
School Leadership		246,790
Guidance, Counseling and Evaluation Services		14,986
Health Services		15,489
Student (Pupil) Transportation		111,499
Food Services		12,833
Cocurricular / Extracurricular Activities		79,761
General Administration		4,037
Plant Maintenance and Operations		25,490
Security and Monitoring Services		21,682
		21,682
Total	\$	1,968,399

E. Long Term Obligations

Long Term Obligation Activity

Long-term obligation activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
General Obligation Bonds	\$ 24,420,000	\$ 12,510,000	\$ 620,000	\$ 36,310,000	\$ 1,060,000
Right of Use Leases	71,322	-	21,935	49,387	24,473
Direct Borrowings Payable	184,166	-	90,363	93,803	93,803
Unamortized Premium (Discount)	792,150	1,215,643	86,533	1,921,260	-
Total Governmental Activities	\$ 25,467,638	\$ 13,725,643	\$ 818,831	\$ 38,374,450	\$ 1,178,276

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities. The District is required to make annual interest payments along with annual principal payments.

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Balance	Outstanding Balance
Unlimited Tax Qualified School Construction Bonds, Series 2010	5.58%	\$ 5,000,000	\$ 5,000,000
Unlimited Tax Refunding Bonds, Series 2015	3.02%	8,859,999	7,980,000
Unlimited Tax Refunding Bonds, Series 2017	1.66%	2,460,000	1,770,000
Unlimited Tax Refunding Bonds, Series 2018	1.45%	9,365,000	9,050,000
Unlimited Tax School Building Bonds, Series 2023	3.63%	12,510,000	12,510,000
Totals			\$ 36,310,000

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YEAR ENDED AUGUST 31, 2023

E. Long Term Obligations (Continued)

Maturity requirements on bonded debt at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2024	\$ 1,060,000	\$ 1,460,981	\$ 2,520,981
2025	1,140,000	1,410,631	2,550,631
2026	1,225,000	1,357,331	2,582,331
2027	5,990,000	1,173,306	7,163,306
2028	1,400,000	992,444	2,392,444
2029-2033	7,810,000	4,159,781	11,969,781
2034-2038	9,410,000	2,565,241	11,975,241
2039-2043	5,000,000	1,017,749	6,017,749
2044-2048	3,275,000	268,700	3,543,700
Totals	<u>\$ 36,310,000</u>	<u>\$ 14,406,164</u>	<u>\$ 50,716,164</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year end.

Direct Borrowings

The District issued various agreements identified here as direct borrowings. Direct borrowings include loans, leases that transfer ownership, maintenance tax notes and other financing arrangements.

The terms included in the agreements require annual payments of principal and interest at the rate presented below. Generally, the terms are for a maximum of 5 years with some agreements less. All agreements will mature and be retired before the 2025 fiscal period.

The following schedule lists personal property acquired through direct borrowings:

Description	Agreement Date	Maturity Date	Interest Rate	Original Value	Outstanding Balance
Empire Financial - 5 School Buses	10/22/2019	10/22/2023	4.105%	\$ 452,545	\$ 93,803

Maturity requirements on the direct borrowings at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2024	\$ 93,803	\$ 3,862	\$ 97,665
Totals	<u>\$ 93,803</u>	<u>\$ 3,862</u>	<u>\$ 97,665</u>



WINONA INDEPENDENT SCHOOL DISTRICT  
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YEAR ENDED AUGUST 31, 2023

E. Long Term Obligations (Continued)

Right of Use - Leases

The District executed various agreements identified here as leases. Leases are obligations that represent the net present value of the obligations to be paid over a specified term and do not transfer ownership.

The District executed agreements for the use of copiers and other equipment along with portable buildings at various locations throughout the District. The various agreements require monthly payments over the term of the agreement. The lease obligations incur an implicit rate of interest as noted below. The detailed schedule of the life and outstanding lease obligations is below:

Description	Agreement Date	Maturity Date	Interest Rate	Original Value	Outstanding Balance
Xerox Leases - Copiers	08/13/2020	08/31/2025	11.0%	\$ 110,994	\$ 49,387

Maturity requirements on the right of use lease liabilities at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2024	\$ 24,473	\$ 4,223	\$ 28,696
2025	24,914	1,391	26,305
Totals	\$ 49,387	\$ 5,614	\$ 55,001

F. Defined Benefits Pension Plan

1. 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.

WINONA INDEPENDENT SCHOOL DISTRICT  
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YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan (Continued)

2. *Pension Plan Fiduciary Net Position*

Detailed information about the System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required information. That report may be obtained on the internet at [http://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. The information provided in the Notes to the Financial Statements in the 2022 ACFR for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2022, and 2021.

Net Pension Liability	2022	2021
Total Pension Liability	\$ 243,553,045,455	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	(184,185,617,196)	(201,807,002,496)
Net Pension Liability	\$ 59,367,428,259	\$ 25,466,461,134
Net Position as percentage of Total Pension Liability	75.62%	88.79%

3. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There is 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 in (1) 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 TRS's actuary.

4. *Contributions*

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

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

**Contribution Rates**

	2022	2023
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%
Current Year Employer Contributions		\$ 348,592
Current Year Member Contributions		\$ 757,675
Measurement Period NECE On-Behalf Contributions		\$ 527,382

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan (Continued)

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement TRS 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 or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- A Public Education Employer contribution surcharge of 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2% in fiscal year 2025 on all covered payroll.

5. *Actuarial Assumptions*

The total pension liability in the August 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

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 Investment Rate	7.00%
Municipal Bond Rate as of August 31, 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 including inflation	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 are the same assumptions used in the actuarial valuation as of August 31, 2021. For full description of these assumption please see the actuarial valuation report dated November 12, 2021.

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan (Continued)

*Discount Rate*

A single discount rate of 7.00% 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%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.00 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighing 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-US 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%
<b>Risk Parity</b>	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>	<u>100%</u>		<u>8.19%</u>

\* Absolute Return includes Credit Sensitive Investments.

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

\*\*\* Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)

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

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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F. Defined Benefits Pension Plan (Continued)

6. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 7.00% as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (6.00%) or 1 – percentage point higher (8.00%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 6,012,015	\$ 3,864,705	\$ 2,124,209

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

At year end, the District reported a liability of \$ 3,864,705 for its proportionate share of the System's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	3,864,705
State's proportionate share that is associated with the District		6,709,670
Total		\$ 10,574,375

The net pension liability was measured as of August 31, 2021 and rolled 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 contribution 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 employer's proportion of the collective net pension liability was 0.0065098062%, which was an increase of 0.0001669763% 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% to 7.00%.

*Pension Expense*

For the current year, the District recognized pension expense of \$ 1,176,488 and revenue of \$ 641,368 for support provided by the State.

The District reported its proportionate share of the system's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at year end:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 56,038	\$ 84,258
Changes of actuarial assumptions	720,120	179,474
Differences between projected and actual investment earnings	381,821	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	260,632	-
Total as of August 31, 2022 measurement date	\$ 1,418,611	\$ 263,732
Contributions paid to TRS subsequent to the measurement date	348,592	-
Total at fiscal year end	\$ 1,767,203	\$ 263,732

WINONA INDEPENDENT SCHOOL DISTRICT  
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F. Defined Benefits Pension Plan (Continued)

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

<u>Year Ending August 31</u>	<u>Amount</u>
2024	\$ 333,107
2025	200,244
2026	83,317
2027	467,496
2028	70,716
Thereafter	(1)

G. Other Post-Employment Defined Benefit Plans

1. *Plan Description*

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

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

2. *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 (ACFR) that includes financial statements and required information. That report may be obtained on the internet at [http://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.

The components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2022, and 2021 are as follows:

<u>Net OPEB Liability</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability	\$ 27,061,942,520	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	<u>(3,117,937,218)</u>	<u>(2,539,242,470)</u>
Net OPEB Liability	<u>\$ 23,944,005,302</u>	<u>\$ 38,574,468,613</u>
Net Position as percentage of Total OPEB Liability	11.52%	6.18%

3. *Benefits Provided*

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

WINONA INDEPENDENT SCHOOL DISTRICT  
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G. Other Post-Employment Defined Benefit Plans (Continued)

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

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

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

4. *Contributions*

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer (public school) contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual employer contribution rate is prescribed by the State Legislature in the General Appropriations Act. The following table shows contribution rates and amounts provided to the TRS-Care plan by type of contributor.

<b>Contribution Rates</b>		
	<u>2022</u>	<u>2023</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
Current Year Employer Contributions		\$ 94,127
Current Year Member Contributions		\$ 61,561
Measurement Period NECE On-Behalf Contributions		\$ 114,634

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, employers are required to pay 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.

WINONA INDEPENDENT SCHOOL DISTRICT  
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G. Other Post-Employment Defined Benefit Plans (Continued)

5. *Actuarial Assumptions*

The actuarial valuation was performed as of August 31, 2021. Updated 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 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, rates of retirement, termination, and disability including general inflation and salary increases are identical to those used in the respective TRS Pension valuation. These assumptions were developed in the experience study performed for TRS for the measurement period ended August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 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	Salary Increases
Rates of Disability	

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

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%
Discount Rate	3.91% as of August 31, 2022
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

*Health Care Trend Rates*

The initial medical trend rates were 8.25% for Medicare retirees and 7.25% for Non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

*Discount Rate*

A single discount rate of 3.91% was used to measure the total OPEB liability. There was an increase of 1.96% 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 statutory required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB Liability.

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



WINONA INDEPENDENT SCHOOL DISTRICT  
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G. Other Post-Employment Defined Benefit Plans (Continued)

6. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% greater than the discount rate that was used (3.91%) in measuring the net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate of 1% less than the rate used.

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,230,161	\$ 2,739,562	\$ 2,342,114

7. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate (8.25%), as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,257,411	\$ 2,739,562	\$ 3,364,608

8. *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At year end, the District reported a liability of \$ 2,739,562 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 2,739,562
State's proportionate share that is associated with the District	3,341,835
Total	\$ 6,081,397

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 District's proportion of the net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022, the District's proportion of the collective net OPEB liability was 0.0114415352%, which was an increase of 0.0001157634% from its proportion measured as of August 31, 2021.

*Change Since the Prior Actuarial Valuation*

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

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

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

G. Other Post-Employment Defined Benefit Plans (Continued)

*Changes of Benefit Terms Since the Prior Measurement Date*

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

*OPEB Expense*

The amount of OPEB expense recognized by the District in the reporting period was (\$ 632,908) and revenue of (\$ 474,233) for support provided by the State.

The District reported its proportionate share of TRS-Care's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources at year:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 152,310	\$ 2,282,301
Changes in actuarial assumptions	417,290	1,903,285
Differences between projected and actual investment earnings	8,160	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>1,259,138</u>	<u>210,213</u>
Total as of August 31, 2022 measurement date	\$ 1,836,898	\$ 4,395,799
Contributions paid to TRS subsequent to the measurement date	<u>94,127</u>	<u>-</u>
Total at fiscal year end	<u>\$ 1,931,025</u>	<u>\$ 4,395,799</u>

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

<u>Year Ending August 31</u>	<u>Amount</u>
2024	\$ (470,233)
2025	(470,207)
2026	(354,030)
2027	(196,747)
2028	(357,086)
Thereafter	(710,598)

H. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2023, 2022 and 2021, the subsidy payments received by TRS-Care on behalf of the District were \$ 49,845, \$ 36,309, and \$ 37,305, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

I. Risk Management

Health Care

During the year, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 378 per month per employee and employees, at their opinion, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Winona Independent School District and Blue Cross Blue Shield of Texas is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross Blue Shield of Texas are available for the year ended December 31, 2022 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records

Workers Compensation

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

The fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$ 2 million. The Fund uses the service of an independent actuary to determine reserve adequacy and fully funds the reserves. As of August 31, 2022, the Fund carries a discount reserve of \$ 50,647,775 for future development on reported claims and claims that have been insured but not yet reported. For the current year, the fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available at the TASB Risk Management Fund Website and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the current year, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available at the TASB Risk Management Fund Website and have been filed with the Texas Department of Insurance in Austin.

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

I. Risk Management (Continued)

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the District purchased commercial insurance to cover these liabilities. There were not significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Litigation

The District appears to have no pending litigation as of August 31, 2023.

K. 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 year end, 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.

The effects of the coronavirus-19 (COVID-19) pandemic continues to affect the District's operations including funding for student attendance and operating programs and cost. Continued funding allowances including additional federal funding will cease in future periods. The operational costs associated with these additional revenues will be evaluated along with the need for these services. The cost of the additional federal funded programs may exceed the available resources and require the District to either eliminate or curtail their existence.

L. Subsequent Events

Management has evaluated all events or transactions that occurred after August 31, 2023, up through January 12, 2024 the date the financial statements were issued.

M. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Tyler Area Manufacturing and Industrial Technology Group	Tyler Independent School District	Tyler Perkins Reserve Grant

N. Revenue from Local and Intermediate Sources

During the year, the District received revenue from local and intermediate in the District's major funds and aggregate non major funds consisting of the following:

	General	Debt Service	Capital Projects	Other Governmental	Total
Property Tax Collections	\$ 6,551,478	\$ 2,191,933	\$ -	\$ -	\$ 8,743,411
Investment Income	253,683	227,590	202,708	-	683,981
Food Service Income	-	-	-	14,125	14,125
Gifts and Bequests	875	-	-	30,437	31,312
Rent	3,606	-	-	-	3,606
Cocurricular/Extracurricular Activities	19,405	-	-	40,878	60,283
Other	234,529	-	-	-	234,529
Totals	\$ 7,063,576	\$ 2,419,523	\$ 202,708	\$ 85,440	\$ 9,771,247

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

O. Receivables

Receivables at year end, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Other Governmental	Other Governmental	Total
Due from Other Governments	\$ 503,332	\$ -	\$ -	\$ -	\$ 503,332
Due to State	126,262	7,924	-	984,757	1,118,943
Property Taxes	451,509	145,624	-	-	597,133
Less Allowance for Uncollectible Property Taxes	(45,151)	(14,562)	-	-	(59,713)
Net Receivables	\$ 1,035,952	\$ 138,986	\$ -	\$ 984,757	\$ 2,159,695

P. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	General Fund		Debt Service	
	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 615,815	\$ 5,349,097	Not Eligible	\$ 63,998
Prior Year Settle Ups	-	(4,812)		-
August Instructional Days Change	(10,457)	115,874	-	-
Financial Statement Earnings	\$ 605,358	\$ 5,460,159	\$ -	\$ 63,998
Financial Statement Amounts				
SOF Receivable (Overpayment)	\$ -	\$ 126,262	\$ -	\$ (595)
August Instructional Days Receivable	29,852	473,480	-	-

\* Overpayments are represented in the financial statements as Unearned Revenue (government-wide and governmental).

Q. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	Budget	Actual	Excess
General Fund:			
School Leadership	\$ 863,743	\$ 868,143	\$ 4,400
Food Service	-	19,587	19,587
Debt Service	97,934	100,078	2,144
Capital Outlay	-	6,478	6,478

WINONA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

R. Interfund Balances and Activities

Interfund Receivables and Payables

The composition of interfund balances as of year end are as follows:

Receivable Fund	Payable Fund	Amount
Internal Service Fund	General Fund	\$ 81,919

S. Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) issued Statement 96, *Subscription-Based Information Technology Arrangements*, with an effective date of fiscal year beginning after June 15, 2022. This required the District to implement the provisions of the Statement during the year. The Statement requires the recognition of longer than 12 month agreements to utilize other types of subscription based technology. As such there are new financial statement captions on the government wide financial statements. For the fund financial statements, the net present value of the payments is recognized as an expenditure in the initial year of the agreement with subsequent payments represented as debt retirement payments. The Statement requires retroactive restatement of assets and liabilities with the difference modifying the beginning net position. The District subscription – based information technology arrangement identified were not significant.

REQUIRED SUPPLEMENTARY INFORMATION

WINONA INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 6,582,136	\$ 6,785,262	\$ 7,063,576	\$ 278,314
5800	State Program Revenues	6,020,290	6,020,290	6,807,603	787,313
5900	Federal Program Revenues	541,000	541,000	651,931	110,931
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 13,143,426</b>	<b>\$ 13,346,552</b>	<b>\$ 14,523,110</b>	<b>\$ 1,176,558</b>
<b>EXPENDITURES</b>					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 7,196,512	\$ 7,293,672	\$ 7,079,196	\$ 214,476
0012	Instructional Resources and Media Services	190,832	196,832	185,183	11,649
0013	Curriculum and Staff Development	62,650	62,650	7,751	54,899
	Total Instruction and Instr. Related Services	<u>\$ 7,449,994</u>	<u>\$ 7,553,154</u>	<u>\$ 7,272,130</u>	<u>\$ 281,024</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 273,241	\$ 282,385	\$ 279,340	\$ 3,045
0023	School Leadership	763,743	863,743	868,143	(4,400)
	Total Instructional and School Leadership	<u>\$ 1,036,984</u>	<u>\$ 1,146,128</u>	<u>\$ 1,147,483</u>	<u>\$ (1,355)</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 380,554	\$ 380,554	\$ 360,110	\$ 20,444
0033	Health Services	123,317	167,317	161,021	6,296
0034	Student (Pupil) Transportation	642,517	648,517	617,375	31,142
0035	Food Services	-	-	19,587	(19,587)
0036	Cocurricular /Extracurricular Activities	632,600	706,090	662,631	43,459
	Total Support Services - Student (Pupil)	<u>\$ 1,778,988</u>	<u>\$ 1,902,478</u>	<u>\$ 1,820,724</u>	<u>\$ 81,754</u>
Administrative Support Services:					
0041	General Administration	\$ 608,235	\$ 631,235	\$ 605,168	\$ 26,067
	Total Administrative Support Services	<u>\$ 608,235</u>	<u>\$ 631,235</u>	<u>\$ 605,168</u>	<u>\$ 26,067</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,512,054	\$ 1,725,370	\$ 1,352,541	\$ 372,829
0052	Security and Monitoring Services	269,831	261,831	242,695	19,136
0053	Data Processing Services	280,794	285,794	251,712	34,082
	Total Support Services - Nonstudent Based	<u>\$ 2,062,679</u>	<u>\$ 2,272,995</u>	<u>\$ 1,846,948</u>	<u>\$ 426,047</u>
Debt Service:					
0071	Principal on Long-term Debt	\$ -	\$ 89,269	\$ 92,002	\$ (2,733)
0072	Interest on Long-term Debt	97,934	8,665	8,076	589
	Total Debt Service	<u>\$ 97,934</u>	<u>\$ 97,934</u>	<u>\$ 100,078</u>	<u>\$ (2,144)</u>
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ -	\$ 6,478	\$ (6,478)
	Total Capital Outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,478</u>	<u>\$ (6,478)</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist. SSA	\$ -	\$ 18,695	\$ 18,695	\$ -
0095	Payments to Juvenile Justice Alternative Education Programs	11,000	11,000	2,138	8,862
0099	Other Intergovernmental Charges	97,612	114,630	114,630	-
	Total Intergovernmental Charges	<u>\$ 108,612</u>	<u>\$ 144,325</u>	<u>\$ 135,463</u>	<u>\$ 8,862</u>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 13,143,426</b>	<b>\$ 13,748,249</b>	<b>\$ 12,934,472</b>	<b>\$ 820,255</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (401,697)	\$ 1,588,638	\$ 1,990,335
1200	Net Change in Fund Balance	\$ -	\$ (401,697)	\$ 1,588,638	\$ 1,990,335
0100	Fund Balance - Beginning (September 1)	4,891,041	4,891,041	4,891,041	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 4,891,041</b>	<b>\$ 4,489,344</b>	<b>\$ 6,479,679</b>	<b>\$ 1,990,335</b>



WINONA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2023

	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014*
District's proportion of the net pension liability	0.006509062%	0.0063428299%	0.0062142827%	0.0059361099%	0.0055374891%	0.0051961050%	0.0049334753%	0.0052672000%	0.003472000%
District's proportionate share of the net pension liability	\$ 3,864,705	\$ 1,615,294	\$ 3,328,243	\$ 3,085,776	\$ 3,047,968	\$ 1,661,434	\$ 1,864,267	\$ 1,861,865	\$ 894,084
State's proportionate share of the net pension liability associated with the District	6,709,670	2,985,057	6,503,358	5,636,854	5,864,389	3,238,910	3,851,958	3,777,362	3,221,018
Total	\$ 10,574,375	\$ 4,600,351	\$ 9,831,601	\$ 8,722,630	\$ 8,912,357	\$ 4,900,344	\$ 5,716,245	\$ 5,639,247	\$ 4,115,102
District's covered-employee payroll (for Measurement Year)	\$ 8,573,688	\$ 8,707,430	\$ 8,128,369	\$ 7,047,213	\$ 6,658,666	\$ 5,797,730	\$ 5,613,342	\$ 5,639,247	\$ 4,115,102
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.08%	18.55%	40.95%	43.79%	45.77%	28.66%	33.21%	33.02%	21.73%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

\* The years above present data for the measurement period represents the period for which the pension plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 68.

WINONA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 348,592	\$ 302,979	\$ 270,659	\$ 256,403	\$ 205,169	\$ 186,520	\$ 170,288	\$ 156,370	\$ 134,884
Contributions in relations to the contractual required contributions	(348,592)	(302,979)	(270,659)	(256,403)	(205,169)	(186,520)	(170,288)	(156,370)	(134,884)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 9,470,932	\$ 8,573,688	\$ 8,707,430	\$ 8,128,369	\$ 7,047,213	\$ 6,658,666	\$ 5,797,730	\$ 5,613,342	\$ 5,754,697
Contributions as a percentage of covered employee payroll	3.68%	3.53%	3.11%	3.15%	2.91%	2.80%	2.94%	2.79%	2.34%

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

WINONA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULES OF THE DISTRICTS PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2023

	2022*	2021*	2020*	2019*	2018*	2017*
District's proportion of the Net OPEB Liability (Asset)	0.0114415352%	0.0113257718%	0.0112360723%	0.0096062804%	0.0102124053%	0.0085120033%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 2,739,562	\$ 4,368,856	\$ 4,271,338	\$ 4,542,929	\$ 5,099,147	\$ 3,701,551
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	3,341,835	5,853,294	5,739,655	6,036,535	5,452,807	4,461,788
<b>Total</b>	<b>\$ 6,081,397</b>	<b>\$ 10,222,150</b>	<b>\$ 10,010,993</b>	<b>\$ 10,579,464</b>	<b>\$ 10,551,954</b>	<b>\$ 8,163,339</b>
District's covered-employee payroll (for Measurement Year)	\$ 8,573,688	\$ 8,707,430	\$ 8,128,369	\$ 7,047,213	\$ 6,658,666	\$ 5,797,730
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	31.95%	50.17%	52.55%	64.46%	76.58%	63.84%
Plan fiduciary net position as a percentage of the Total OPEB Liability	11.52%	6.18%	4.99%	2.65%	1.57%	0.91%

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

\* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 75.

WINONA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICTS OPEB CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2023

	2023	2022	2021	2020	2019	2018
Contractually required contributions	\$ 94,127	\$ 93,439	\$ 89,540	\$ 85,402	\$ 67,108	\$ 70,439
Contributions in relations to the contractual required contributions	(94,127)	(93,439)	(89,540)	(85,402)	(67,108)	(70,439)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 9,470,932	\$ 8,573,688	\$ 8,707,430	\$ 8,128,369	\$ 7,047,123	\$ 6,658,666
Contributions as a percentage of covered employee payroll	0.99%	1.09%	1.03%	1.05%	0.95%	1.06%

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

WINONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2023

A. Budget

The official budget was prepared for adoption for all Government Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

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

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse on August 31, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. Defined Benefit Pension Plan

1. Changes of Assumptions Since the Prior Measurement Date

Actuarial assumptions and methods have been modified since the determination of the prior year 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% to 7.00%.

2. Changes of Benefit Terms Since the Prior Measurement Date

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

C. OPEB Healthcare Plan

1. Changes of Assumptions Since the Prior Measurement Date

The single discount rate changed from 1.95% as of last year to 3.91% at August 31, 2022. Lower participation rates and updates to the health care trend rate assumptions were also factors then decreased the District's proportion of the total OPEB liability.

2. Changes of Benefit Terms Since the Prior Measurement Date

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

OTHER SUPPLEMENTARY INFORMATION

WINONA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 YEAR ENDED AUGUST 31, 2023

Tax Roll Year	Last Ten Years Ended August 31	1		2	3	Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2022	20	30	30a	40	50
		Maintenance	Debt Service									
XXXX	2014 and Prior	Various	Various	Various	\$	122,695	\$	-	6,214	1,112	(2,568)	\$ 112,801
2014	2015	1.040000	0.458600	415,058,871		22,781	-	728		321	-	21,732
2015	2016	1.040000	0.458600	376,280,889		18,639	-	1,246		549	-	16,844
2016	2017	1.040000	0.445140	417,590,732		26,131	-	4,726		2,023	-	19,382
2017	2018	1.040000	0.407420	432,945,655		36,046	-	7,852		3,076	(28)	25,090
2018	2019	1.040000	0.392890	454,429,161		55,647	-	10,563		3,991	(97)	40,996
2019	2020	0.970000	0.314200	608,985,843		68,143	-	16,619		5,383	2,505	48,646
2020	2021	0.935200	0.286970	646,151,108		82,269	-	19,356		5,940	(900)	56,073
2021	2022	0.932700	0.285040	659,720,958		156,588	-	47,399		14,486	(5,363)	89,340
2022	2023	0.854600	0.285000	758,879,782		-	8,648,194	6,328,837		2,110,570	(42,559)	166,228
<b>1000 TOTALS</b>						<b>\$ 588,939</b>	<b>\$ 8,648,194</b>	<b>\$ 6,443,540</b>	<b>\$ 2,147,451</b>	<b>\$ (49,010)</b>	<b>\$ 597,132</b>	

WINONA INDEPENDENT SCHOOL DISTRICT  
 SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 25,000	\$ 25,000	\$ 30,437	\$ 5,437
5800	State Program Revenues	31,760	31,760	2,682	(29,078)
5900	Federal Program Revenues	<u>745,927</u>	<u>752,463</u>	<u>817,225</u>	<u>64,762</u>
<b>5020</b>	<b>Total Revenues</b>	<u>\$ 802,687</u>	<u>\$ 809,223</u>	<u>\$ 850,344</u>	<u>\$ 41,121</u>
<b>EXPENDITURES</b>					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	\$ 846,450	\$ 875,558	\$ 740,356	\$ 135,202
	Total Support Services - Student (Pupil)	<u>\$ 846,450</u>	<u>\$ 875,558</u>	<u>\$ 740,356</u>	<u>\$ 135,202</u>
<b>6030</b>	<b>Total Expenditures</b>	<u>\$ 846,450</u>	<u>\$ 875,558</u>	<u>\$ 740,356</u>	<u>\$ 135,202</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (43,763)	\$ (66,335)	\$ 109,988	\$ 176,323
<b>1200</b>	<b>Net Change in Fund Balance</b>	\$ (43,763)	\$ (66,335)	\$ 109,988	\$ 176,323
0100	Fund Balance - Beginning (September 1)	<u>144,287</u>	<u>144,287</u>	<u>144,287</u>	<u>-</u>
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<u>\$ 100,524</u>	<u>\$ 77,952</u>	<u>\$ 254,275</u>	<u>\$ 176,323</u>



WINONA INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 2,062,970	\$ 2,062,970	\$ 2,419,523	\$ 356,553
5800	State Program Revenues	-	-	63,998	63,998
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 2,062,970</b>	<b>\$ 2,062,970</b>	<b>\$ 2,483,521</b>	<b>\$ 420,551</b>
<b>EXPENDITURES</b>					
Debt Service					
0071	Principal on Long-Term Debt	\$ 1,120,501	\$ 1,120,501	\$ 620,000	\$ 500,501
0072	Interest on Long-Term Debt	942,469	942,469	1,207,249	(264,780)
0073	Bond Issuance Costs and Fees	-	-	4,084	(4,084)
	Total Debt Service	\$ 2,062,970	\$ 2,062,970	\$ 1,831,333	\$ 231,637
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 2,062,970</b>	<b>\$ 2,062,970</b>	<b>\$ 1,831,333</b>	<b>\$ 231,637</b>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 652,188	\$ 652,188
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 652,188	\$ 652,188
0100	Fund Balance - Beginning (September 1)	5,422,296	5,422,296	5,422,296	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 5,422,296</b>	<b>\$ 5,422,296</b>	<b>\$ 6,074,484</b>	<b>\$ 652,188</b>

WINONA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF AUGUST 31, 2023

<u>Data Control Codes</u>		<u>Response</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and / other sources information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	<p>Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments).</p> <p>Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.</p> <p>Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was</p>	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Administrative Code and other statutes, laws and rules that were in effect at the school districts fiscal year-end?	Yes
SF8	Did the school board members discuss the school districts property value at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -0-

WINONA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO  
 STATE MANDATED PROGRAM REQUIREMENTS  
 YEAR ENDED AUGUST 31, 2023

<u>Data Control Codes</u>		<u>Response</u>
<b><u>Section A: Compensatory Education Programs</u></b>		
<u>AP1</u>	Did your District expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<u>AP2</u>	Does the District have written policies and procedures for its state compensatory education program?	Yes
<u>AP3</u>	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 1,425,447
<u>AP4</u>	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 778,622
<b><u>Section B: Bilingual Education Programs</u></b>		
<u>AP5</u>	Did your District expend any bilingual education program state allotment funds during the District's	Yes
<u>AP6</u>	Does the District have written policies and procedures for its bilingual education program?	Yes
<u>AP7</u>	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 111,838
<u>AP8</u>	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PIC's 25, 35)	\$ 102,063

FEDERAL AWARDS SECTION

WINONA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2023

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal ALN Number	(02A) Pass-Through Grantor's Number	(03) Funded Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Texas Education Agency:			
ESSA Title I Part A - Improving Basic Programs	84.010a	24610101212910	\$ 1,877
ESSA Title I Part A - Improving Basic Programs	84.010a	23610101212910	480,874
ESSA Title I, 1003 School Improvement Grant	84.010a	23610141212910	49,131
ESSA Title I, 1003 ESF - Focused Support Grant	84.010a	226101577110038	73,372
<i>Total ALN 84.010</i>			<u>605,254</u>
IDEA-B Formula - B	84.027a	246600012129106600	6,118
IDEA-B Formula - B	84.027a	236600012129106600	100,719
IDEA-B Formula - B	84.027a	226600012129106600	9,284
IDEA-B Formula - B - ARP Carryover	84.027x	225350022129105350	18,850
<i>Total ALN 84.027</i>			<u>134,971</u>
IDEA-B Preschool - B	84.173	236610012129106610	3,013
<i>Total ALN 84.173</i>			<u>3,013</u>
Perkins V: Strengthening	84.048a	23420006212910	13,207
<i>Total ALN 84.048</i>			<u>13,207</u>
ESSA Title II Part A - Supporting Effective Education	84.367a	23694501212910	40,679
Teacher Leadership Cylce 3	84.367a	2269458371110003	15,948
<i>Total ALN 84.367</i>			<u>56,627</u>
Elementary and Secondary School Emergency Relief - II - C*	84.425d	21521001212910	1,109,133
Elementary and Secondary School Emergency Relief - III - C*	84.425u	21528001212910	1,420,141
Elementary and Secondary School Emergency Relief - III - TCLAS - C*	84.425u	21528042212910	5,260
TCLAS - High Quality After School	84.425u	215280587110166	353,508
<i>Total ALN 84.425</i>			<u>2,888,042</u>
ESSA Title IV, Part A - Student Support & Academic Achievement	84.424a	23680101212910	1,937
<i>Total ALN 84.424</i>			<u>1,937</u>
Total passed through the Texas Education Agency			<u>3,703,051</u>
Passed through Tyler Independent School District:			
Tyler Perkins Reserve Grant	84.048a	22420006230908	5,698
Tyler Perkins Reserve Grant	84.048a	23420006230908	66,761
<i>Total ALN 84.048</i>			<u>72,459</u>
Total passed through Tyler Independent School District			<u>72,459</u>
<b>Total Department of Education</b>			<b><u>3,775,510</u></b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program - A	10.553	00997	149,050
National School Lunch Program - A	10.555	00997	562,232
NSLP - Supply Chain Assistance Grant - A	10.555	00997	29,108
Pandemic Benefit Transfer (P-EBT) Food Benefits	10.642	00997	3,135
USDA Commodity Food Distribution	10.565	00997	73,700
<b>Total Department of Agriculture</b>			<b><u>817,225</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 4,592,735</u></b>

\* Denotes Major Program

A - Child Nutrition Cluster - Cluster Total \$ 740,390

B - Special Education Cluster - Cluster Total \$ 137,984

C - Education Stabilization Fund Cluster - Cluster Total \$ 2,888,042

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

WINONA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED AUGUST 31, 2023

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal activity of the Winona Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

B. Summary of Significant Accounting Policies

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

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

C. Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and used. No provision has been made for amounts on hand on August 31, 2023.

D. Indirect Cost

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

E. Reconciliation of Federal Revenue with Financial Statements

The District records amounts received from the federal government or other recipients of federal grant as federal revenue in the financial statements. This reconciliation identifies the difference between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$	4,592,735
School Health and Related Services (SHARS)		387,906
QSCB - Debt Retirement Reimbursements		264,025
Federal Revenue (Exhibit C-3)	\$	5,244,666

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**APPENDIX E**

**Specimen Municipal Bond Insurance Policy**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100



Financial Advisory Services  
Provided By:

