

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

PRELIMINARY OFFICIAL STATEMENT
Dated April 2, 2024



Enhanced/Unenhanced Ratings:
Moody's: "Aaa" / "Aa1"
Fitch: "AAA" / "AA+"
PSF Guaranteed
(See "OTHER INFORMATION - Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.)

NEW ISSUE - Book-Entry-Only

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

\$161,885,000*
NORTHSIDE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located primarily in Bexar County)
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2024A

Dated Date: April 1, 2024

Due: August 15, as shown on page 2 hereof

Interest to Accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$161,885,000* Northside Independent School District Unlimited Tax School Building Bonds, Series 2024A (the "Bonds") will accrue from their Date of Delivery (defined below) to the Underwriters (defined below), will be payable on February 15 and August 15 of each year, commencing February 15, 2025, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 45, as amended, Texas Education Code, Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), elections held in the Northside Independent School District (the "District") on May 5, 2018 and May 7, 2022, and an order approved by the District's Board of Trustees (the "Board") on October 24, 2023 (the "Order") (see "THE BONDS - Authority for Issuance"). In the Order, and as permitted by Chapter 1371, the Board delegated to certain District officials the authority to execute an approval certificate (the "Approval Certificate") evidencing the final sale terms of the Bonds.

SECURITY . . . The Bonds are direct obligations of the District payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District (see "THE BONDS - Security and Source of Payment"). **The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

PURPOSE . . . Proceeds from the sale of the Bonds will be utilized to (i) design, acquire, construct, renovate, and equip various school facilities, the purchase of the necessary sites for school facilities, and the purchase of school buses, and (ii) pay the costs of their issuance.

CUSIP PREFIX: 66702R
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel (see Appendix C, "FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, San Antonio, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about Wednesday, May 8, 2024 (the "Date of Delivery").

RAYMOND JAMES

ROBERT W. BAIRD

PIPER SANDLER & CO.

UMB

* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP No. Prefix: 66702R⁽¹⁾

<u>Principal Amount</u>	<u>Stated Maturity (August 15)</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP No. Suffix⁽¹⁾</u>	<u>Principal Amount</u>	<u>Stated Maturity (August 15)</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP No. Suffix⁽¹⁾</u>
\$ 505,000					\$ 5,240,000				
2,645,000					5,500,000				
2,780,000					5,720,000				
2,915,000					5,950,000				
3,065,000					6,185,000				
3,215,000					6,435,000				
3,375,000					6,755,000				
3,545,000					7,095,000				
3,725,000					7,450,000				
3,910,000					7,820,000				
4,105,000					8,210,000				
4,310,000					8,625,000				
4,525,000					9,055,000				
4,750,000					9,505,000				
4,990,000					9,980,000				

(Interest accrues from the Date of Delivery)

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, ____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Any Term Bonds (defined herein) will also be subject to mandatory sinking fund redemption in accordance with the Order (see "THE BONDS - Redemption").

* Preliminary, subject to change.

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

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USE OF INFORMATION

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

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 information obtained from sources other than the District is not to be construed as the representation of the District. 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.

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

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

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

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY ("TEA") DESCRIBED UNDER "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" AS SUCH INFORMATION IS PROVIDED BY DTC AND TEA, RESPECTIVELY.

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

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

OFFICIAL STATEMENT SUMMARY

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

- THE DISTRICT**..... The Northside Independent School District (the “District”) is a political subdivision primarily located in Bexar County, Texas with small amounts of taxable property in Medina and Bandera Counties, Texas. The District is approximately 340.73 square miles in area (see “INTRODUCTION – Description of the District”).

- THE BONDS** The District is issuing its \$161,885,000* Unlimited Tax School Building Bonds, Series 2024A (the “Bonds”). The Bonds mature on August 15 in each of the years identified in the table appearing on page 2 hereof.

- PAYMENT OF INTEREST** Interest on the Bonds accrues from the date of initial delivery to the Underwriters (anticipated to occur on or about May8, 2024), and is payable initially on February 15, 2025 and on each August 15 and February 15 thereafter until stated maturity or prior redemption (see “THE BONDS – Description of the Bonds” and “THE BONDS – Redemption”).

- AUTHORITY FOR ISSUANCE** The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including Chapter 45, as amended, Texas Education Code. Chapter 1371, as amended, Texas Government Code (“Chapter 1371”), elections held in the District on May 5, 2018 and May 7, 2022, and an order approved by the District’s Board of Trustees (the “Board”) on October 24, 2023 (the “Order”) (see “THE BONDS - Authority for Issuance”). In the Order, and as permitted by Chapter 1371, the Board delegated to certain District officials the authority to execute an approval certificate (the “Approval Certificate”) evidencing the final sale terms of the Bonds.

- SECURITY FOR THE BONDS** The Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District (see “THE BONDS - Security and Source of Payment”).

- PERMANENT SCHOOL FUND**
 - GUARANTEE** The District has received conditional approval from the Texas Education Agency (the “TEA”) for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas upon satisfaction of certain conditions (primarily being the Texas Attorney General’s approval of the Bonds) (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

- REDEMPTION** The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, ____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Any Term Bonds will also be subject to mandatory sinking fund redemption (see “THE BONDS - Redemption”).

- TAX EXEMPTION** In the opinion of Bond Counsel, interest on the Bonds for federal income tax purposes, under and pursuant to statutes, regulations, published rulings, and court decisions existing on the date hereof, (1) will be excludable from the gross income of the owners thereof, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals (see “TAX MATTERS” herein).

- USE OF PROCEEDS**..... Proceeds from the sale of the Bonds will be utilized to (i) design, acquire, construct, renovate, and equip various school facilities, the purchase of the necessary sites for school facilities, and the purchase of school buses, and (ii) pay the costs of their issuance.

* Preliminary, subject to change.

RATINGS The Bonds have been rated “Aaa” by Moody’s Investor Service, Inc. (“Moody’s”) and “AAA” by Fitch Ratings, Inc. (“Fitch”) by virtue of the guarantee of the Permanent School Fund of the State of Texas (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). The presently outstanding unlimited tax-supported debt of the District is rated “Aa1” by Moody’s Investors Service, Inc. (“Moody’s”) and “AA+” by Fitch Ratings, Inc. (“Fitch”) without regard to credit enhancement. Applications for contract ratings on the Bonds have been made to Moody’s and Fitch. The District has determined to not apply to S&P Global Ratings (“S&P”) for a rating on these Bonds. The District has 24 issues outstanding which are rated “Aaa” by Moody’s and “AAA” by Fitch, all by virtue of the guarantee of the Permanent School Fund of the State of Texas (see “OTHER INFORMATION - Ratings”). The District has one issue that is not subject to the Permanent School Fund Guarantee. The District has received conditional approval from the TEA for the Bonds to be guaranteed by the corpus of the Permanent School Fund (see “THE BONDS – Permanent School Fund Guarantee”). A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

BOOK-ENTRY-ONLY

SYSTEM The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

PAYMENT RECORD The District has never defaulted on the payment of its general obligation tax-supported debt.

FUTURE DEBT ISSUES On May 5, 2018, the District’s voters authorized the District to issue \$848,910,000 in unlimited ad valorem tax bonds (the “2018 Election”), proceeds from which will be utilized to undertake District-wide improvements and are expected to address the District’s capital needs at least through the first quarter of 2025. The District has issued seven installments of this authorization and applied bond proceeds in the aggregate amount of \$640,755,000 (leaving \$208,155,000 unissued).

On May 7, 2022, the District’s voters authorized the District to issue \$992,000,000 in unlimited ad valorem tax bonds (the “2022 Election” and together with the 2018 Election, the “Elections”), proceeds from which will be utilized to undertake District-wide improvements and are expected to address the District’s capital needs at least through 2027. The District has issued one installment of this authorization and applied bond proceeds in the aggregate amount of \$200,000,000 (leaving \$792,000,000 unissued) against the same.

The District anticipates the concurrent sale of the Series 2024B Variable Rate Bonds (defined herein), which are scheduled to close on or about May 8, 2024. The Bonds represent the eighth installment of the 2018 Election authorization and the second installment of the 2022 Election. The Series 2024B Variable Rate Bonds represent the ninth installment of the 2018 Election authorization. After the issuance of the Bonds and the Series 2024B Variable Rate Bonds the District will have \$108,155,000* in remaining voted, but unissued authorization under the 2018 Election and \$642,000,000* in remaining voted, but unissued authorization under the 2022 Election.

In July 2020, the District established a commercial paper program, as amended in December 2022 to, among other things, add the 2022 Election voted authorization (the “CP Program” or “Commercial Paper Program”) pursuant to which it is authorized to issue commercial paper notes (“Commercial Paper Notes”) from time to time and in an aggregate principal amount of not more than \$100 million at any one time outstanding as Series A Commercial Paper Notes that are publicly sold (with liquidity support provided by JPMorgan Chase Bank, National Association (the “Bank”)) and as Series B Commercial Paper Notes that are privately placed with the Bank, all pursuant to the authority provided at the Elections; provided, however, that the aggregate amount of indebtedness issued to finance authorized projects pursuant to the Elections cannot exceed the limits of the Elections’ authorizations related to maximum indebtedness. One of the purposes of the Series 2024B Variable Rate Bonds includes refinancing the outstanding Commercial Paper Notes to provide permanent financing for various projects that were originally financed pursuant to the Elections through the issuance of

* Preliminary, subject to change.

the Commercial Paper Notes, in the aggregate amount of \$15,000,000*. Following the issuance of the Series 2024B Variable Rate Bonds, the District will have \$100,000,000* in capacity under its Commercial Paper Program to issue additional Commercial Paper Notes for new money purposes. The District expects to continue issuing Commercial Paper Notes under the Commercial Paper Program to provide interim financing for projects authorized by the Elections and may issue bonds to provide permanent financing for any hereinafter issued Commercial Paper Notes.

**OTHER DEBT ISSUED IN
CLOSE PROXIMITY TO
THE BONDS**

Simultaneously with or in close proximity to the sale and delivery of the Bonds, the District expects to sell its \$117,470,000* Variable Rate Unlimited Tax School Building and Refunding Bonds, Series 2024B (the “Series 2024B Variable Rate Bonds”) under a separate offering document, which will close on or about May 8, 2024. This Official Statement relates only to the sale of the Bonds and not to the sale of the Series 2024B Variable Rate Bonds. Investors interested in purchasing any of the Series 2024B Variable Rate Bonds should review the offering document relating thereto.

DELIVERY

When issued, anticipated on or about Wednesday, May 8, 2024.

LEGALITY

The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. See “APPENDIX C – Form of Bond Counsel’s Opinion.”

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated District Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Tax Supported Debt	Per Capita Tax Supported Debt	Ratio Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2020	666,000	\$ 58,292,211,769	\$ 87,526	\$ 2,066,845,000	\$ 3,103	3.55%	98.90%
2021	676,000	61,416,939,877	90,853	2,265,280,000	3,351	3.69%	98.69%
2022	686,000	64,844,758,491	94,526	2,327,690,000	3,393	3.59%	99.11%
2023	696,000	73,522,249,559	105,635	2,395,545,000	3,442	3.26%	99.59%
2024	696,000 ⁽³⁾	80,001,809,671	114,945	2,418,655,000 ⁽⁴⁾	3,475 ⁽⁴⁾	3.02% ⁽⁴⁾	90.65% ⁽⁵⁾

- (1) Source: District Officials.
- (2) Source: District Annual Comprehensive Financial Reports for years ending 2020 through 2023, and Bexar Appraisal District’s Certified Totals for Tax Year 2023, subject to change during the ensuing year.
- (3) Fiscal Year ending 2023-2024 population held constant for purposes of illustration.
- (4) Includes the Bonds and the Series 2024B Variable Rate Bonds. Excludes any Commercial Paper Notes and the Refunded Bonds refunded by the Series 2024B Variable Rate Bonds. Preliminary, subject to change.
- (5) As of February 29, 2024.

CHANGES IN NET ASSETS CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended August 31,				
	2023	2022	2021	2020	2019
Beginning Net Position	\$ 134,358,308 ⁽¹⁾	\$ (29,195,232)	\$ (66,185,417) ⁽²⁾	\$ (97,071,478)	\$ (102,942,424)
Total Revenue	1,482,781,540	1,403,669,754	1,308,574,411	1,316,385,140	1,283,070,565
Total Expenses	(1,309,473,990)	(1,245,917,923)	(1,271,584,226)	(1,285,490,424)	(1,277,199,619)
Prior Period Adjustment	-	-	-	-	-
Ending Net Position	<u>\$ 307,665,858</u>	<u>\$ 128,556,599</u>	<u>\$ (29,195,232)</u>	<u>\$ (66,176,762)</u>	<u>\$ (97,071,478)</u>

Source: The District’s Annual Comprehensive Financial Reports.

- (1) In fiscal year 2023, the District implemented GASB No. 96, Subscription-Based Information Technology Arrangements. As a result, the August 31, 2022 net position was restated by \$5.9 million.
- (2) In fiscal year 2021, the District implemented GASB Statement No. 84, Fiduciary Activities. As a result, the beginning net position has been restated.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended August 31,				
	2023	2022	2021	2020	2019
Beginning Balance	\$ 457,419,520	\$ 435,696,881	\$ 509,857,389	\$ 466,981,764	\$ 455,128,113
Total Revenue	982,572,759	952,894,072	927,329,841	968,861,674	905,376,631
Total Expenditures	976,132,591	931,683,172	927,269,838	922,531,935	893,472,980
Net Funds Available	6,440,168	21,210,900	60,003	46,329,739	11,903,651
Other Sources/Uses	(8,772,669)	413,930	(87,847,362) ⁽¹⁾	(3,454,114)	(50,000)
Extraordinary Item	-	97,809 ⁽²⁾	13,626,851 ⁽²⁾	-	-
Ending Balance	<u>\$ 455,087,019</u>	<u>\$ 457,419,520</u>	<u>\$ 435,696,881</u>	<u>\$ 509,857,389</u>	<u>\$ 466,981,764</u>

Source: The District's Annual Comprehensive Financial Reports.

- (1) Represents transfers out to various funds for support of the District's enterprise fund, technology deployments, child nutrition, employee benefits, and the opening of new schools.
- (2) Represents the receipt of insurance proceeds.

For additional information regarding the District, please contact:

Dr. Rene Barajas
 Deputy Superintendent, Business and Finance
 Northside Independent School District
 5900 Evers Road
 San Antonio, Texas 78238
 Telephone: 210-397-8903
 Fax: 210-706-8543
rene.barajas@nisd.net

or
 Mr. Raul Villaseñor
 Managing Director
 Hilltop Securities Inc.
 70 Northeast Loop 410, Suite 750
 San Antonio, Texas 78216
 Telephone: 210-308-2200
 Fax: 210-349-7585
raul.villasenor@hilltopsecurities.com

Ms. Michelle Aragon
 Senior Vice President
 Hilltop Securities Inc.
 70 Northeast Loop 410, Suite 750
 San Antonio, Texas 78216
 Telephone: 210-308-2200
 Fax: 210-349-7585
michelle.aragon@hilltopsecurities.com

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

THE BOARD OF TRUSTEES

<u>Board of Trustees</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Robert (Bobby) Blount, Jr. President, District 4	25 Years	May 2027	Corporate Manager
Corinne Saldaña Vice President, District 5	3 Years	May 2025	Retired Educator
Gerald B. Lopez Secretary, District 2	9 Years	May 2027	Small Business Owner
David Salcido Trustee, District 1	9 Months	May 2027	Retired Veteran
Dr. Karla Duran Trustee, District 3	9 Months	May 2027	Professor
Dr. Carol Harle Trustee, District 6	11 Years	May 2025	Educational Consultant/Professor
Karen Freeman Trustee, District 7	19 Years	May 2025	Community Volunteer

APPOINTED OFFICIALS

ADMINISTRATIVE OFFICERS

POSITION

Superintendent

Dr. John Craft

Superintendent of Schools

Deputy Superintendents

Dr. Rene Barajas, Ph.D.
Mr. Ray Galindo
Dr. Janis Jordan, Ed.D.

Deputy Superintendent, Business and Finance
Deputy Superintendent, Administration
Deputy Superintendent, Curriculum and Instruction

Assistant Superintendents

Ms. Kimberly Ridgley
Mr. Stephen Daniel
Ms. Jessica Palomares
Mr. Eric Tobias
Ms. Tiffany Contreras
Mr. Leroy San Miguel
Mr. Ben Muir
Ms. Lori Jones
Dr. Jerry Woods, Ed.D.
Ms. Deonna Dean
Ms. Patricia Sanchez
Dr. Brenda Ward, Ed.D.
Mr. Barry Perez

Assistant Superintendent, Whole Child Development
Assistant Superintendent, Secondary Administration
Assistant Superintendent, Elementary Administration
Assistant Superintendent, Secondary Administration
Assistant Superintendent, Budget and Finance
Assistant Superintendent, Facilities and Operations
Assistant Superintendent, Human Resources
Assistant Superintendent, Technology Services
Assistant Superintendent, High School Instruction
Assistant Superintendent, Middle School Instruction
Assistant Superintendent, Elementary School Instruction
Assistant Superintendent, Continuous Improvement
Assistant Superintendent, Communications

CONSULTANTS AND ADVISORS

General Counsel.....Langley & Banack, Inc.
San Antonio, Texas

Certified Public Accountants Whitley Penn
San Antonio, Texas

Bond CounselNorton Rose Fulbright US LLP
San Antonio, Texas

Financial Advisor.....Hilltop Securities Inc.
San Antonio, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$161,885,000*

NORTHSIDE INDEPENDENT SCHOOL DISTRICT

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

UNLIMITED TAX SCHOOL BUILDING BONDS,

SERIES 20234

INTRODUCTION

This Official Statement, and the Appendices hereto, provides certain information pertaining to the \$161,885,000* Northside Independent School District Unlimited Tax School Building Bonds, Series 2024A (the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (defined herein), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Northside Independent School District (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 from the District’s Financial Advisor, Hilltop Securities Inc. (“HilltopSecurities”), San Antonio, Texas upon request by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision of the State of Texas (the “State”) primarily located in Bexar County, Texas but with small amounts of taxable property located in Medina and Bandera Counties, Texas. The District is governed by a seven-member Board of Trustees (the “Board”) who serve staggered four-year terms with elections being held in May of every other year in odd-numbered years. 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. The District covers approximately 340.73 square miles.

OTHER DEBT ISSUED IN CLOSE PROXIMITY TO THE BONDS . . . Simultaneously with or in close proximity to the sale and delivery of the Bonds, the District expects to sell its \$117,470,000* Variable Rate Unlimited Tax School Building and Refunding Bonds, Series 2024B (the “Series 2024B Variable Rate Bonds”), which is expected to close on or about May 8, 2024. The Series 2024B Variable Rate Bonds will be publicly offered under a separate offering document. This Official Statement relates only to the sale of the Bonds and not to the sale of the Series 2024B Variable Rate Bonds. Investors interested in purchasing any of the Series 2024B Variable Rate Bonds should review the offering document relating thereto.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated April 1, 2024 and mature on August 15 in each of the years and in the principal amounts shown in the table appearing on page 2 hereof. Interest accrues from the Bonds’ date of initial delivery to the Underwriters (expected to occur on or about May 8, 2024), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2025 until stated maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System” herein).

AUTHORITY FOR ISSUANCE . . . The Bonds are issued and the tax levied for their payment pursuant to authority conferred by the Constitution and the laws of the State of Texas, including Chapter 45, as amended, Texas Education Code. Chapter 1371, as amended, Texas Government Code (“Chapter 1371”), elections held in the District on May 5, 2018 and May 7, 2022, and an order (the “Order”) adopted by the Board on October 24, 2023. In the Order, and as permitted by Chapter 1371, the Board delegated to certain District officials the ability to execute an approval certificate (the “Approval Certificate”) evidencing final sale terms of the Bonds.

*Preliminary, subject to change.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds (see “TAX RATE LIMITATIONS” herein).

PERMANENT SCHOOL FUND GUARANTEE . . . In connection with the sale of the Bonds, the District has received from the Texas Education Agency (the “TEA”) conditional approval for guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code). Subject to satisfying certain conditions discussed under the heading “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

PURPOSE . . . Proceeds from the sale of the Bonds will be utilized to (1) design, acquire, construct, renovate, and equip various school facilities, the purchase of the necessary sites for school facilities, and the purchase of school buses, and (ii) pay the cost of their issuance.

TAX RATE LIMITATION . . . For debt service of unlimited tax debt, there is no limitation on the tax rate (Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended); provided, however, with respect to “new debt”, the District must demonstrate to the Attorney General of Texas the ability to pay all such “new debt” with a debt service tax not to exceed \$0.50 per \$100 assessed valuation in compliance with Section 45.0031, Texas Education Code, as amended. The Bonds are “new debt” and are, therefore, subject to the \$0.50 threshold tax rate test. For a more detailed description of the \$0.50 test, and the exceptions therefrom (see “TAX RATE LIMITATIONS” herein).

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, ____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If two or more consecutive serial maturities of Bonds are grouped into a single maturity (the “Term Bonds”) by the Underwriters, such Term Bonds will also be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order. The Official Statement will be updated to reflect payment terms of any Term Bonds.

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

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds 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. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The sufficiency of deposits as hereinbefore described shall be certified by an independent certified accountant, the District’s Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the

uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that “Government Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. District officials are authorized to limit these eligible securities, as deemed necessary, in connection with the sale of the Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds (“Defeasance Proceeds”), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that, the District’s right to redeem Bonds defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered certificate will be issued for each stated maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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” and, together with the Direct Participants, the “DTC Participants”). DTC has a S&P Global Ratings rating of “AA+”. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable dates in accordance with their respective holdings shown on DTC’s records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in 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 DTC Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the District, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds

will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under “THE BONDS - Transfer, Exchange and Registration” below.

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

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made as described in “THE BONDS - Book-Entry-Only System,” above.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or its designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer (see “THE BONDS - Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds). Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for determining the person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the month immediately preceding such Interest Payment Date.

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 (“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 holder of a Bond appearing on the registration 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.

BONDHOLDERS’ REMEDIES . . . If the District defaults in the payment of principal or interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Order and the District’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the

provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption “THE BONDS – Authority for Issuance”), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District’s sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due). The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

SOURCES AND USES OF FUNDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds:	
Principal Amount of Bonds	
Net Offering Premium	
Total Sources of Funds	\$ -
Uses of Funds:	
Deposit to the Construction Fund	
Underwriters' Discount	
Cost of Issuance and Contingency	
Total Uses of Funds	\$ -

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See “Appendix D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix D is incorporated herein and made a part hereof for all purposes.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

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

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

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

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

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

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

During the second called special session, legislation was passed that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately \$0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district general residential homestead exemption from ad valorem taxation from \$40,000 to \$100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption; (iii) adjusted the

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

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

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

State Compression Percentage. The "State Compression Percentage" is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's Maximum Compressed Tax Rate ("MCR"). Beginning in the State fiscal year ending in 2021, the State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year 2024, the State Compression Percentage is set at 68.80%.

Maximum Compressed Tax Rate. The MCR is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year 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 the 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 MCR multiplied by 90% so that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2023-2024 school year, the Legislature reduced the maximum MCR, establishing \$0.6880 as the maximum rate and \$0.6192 as the floor.

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS - Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR in 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 "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts - Tier Two").

STATE FUNDING FOR SCHOOL DISTRICTS.... State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier

One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide “Tier One” funding or “Tier Two” funding, respectively, to fund the difference between the school district’s entitlements and the calculated M&O revenues generated by the school district’s respective M&O tax rates.

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

The current public school finance system also provides an Existing Debt Allotment (“EDA”) to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment (“IFA”) to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment (“NIFA”) to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2024-2025 State fiscal biennium, the Legislature appropriated funds in the amount of \$1,072,511,740 for the EDA, IFA, and NIFA.

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

Tier One. Tier One funding is the basic level of programmatic funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the “Basic Allotment”) for each student in “Average Daily Attendance” (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated 20 days of instruction, defined herein as “ADA”). The Basic Allotment is revised downward if a school district’s Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, the demographics of students in ADA, and the education programs the students are served in, to make up most of a school district’s Tier One entitlement under the Foundation School Program.

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district’s MCR, is \$6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district’s MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further Texas’ goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district’s total Tier One funding less the allotments that are not derived by a weighted formula, divided by \$6,160, is a school district’s measure of students in “Weighted Average Daily Attendance” (“WADA”), which serves to calculate Tier Two funding. The fast growth allotment weights is 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 and in 2024 and \$129.52 per student in WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district’s Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 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 this program

first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the 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 Commissioner may proportionally reduce the amount of funding a school district receives under the Foundation School Program and the ADA calculation if the school district operates on a calendar that provides less than the State-mandated minimum instruction time in a school year. The Commissioner may also adjust a school district’s ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district’s attendance.

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

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

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

process known as “recapture”, which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district’s funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption “Options for Local Revenue Levels in Excess of Entitlement”. Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program (except for their Golden Pennies, if applicable), although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE NORTHSIDE INDEPENDENT SCHOOL DISTRICT

For the 2023-2024 fiscal year, the District was designated as an “excess local revenue” district by the TEA. The District was notified by TEA that its local Maintenance and Operations (M&O) tax revenue per penny per Weighted Average Daily Attendance (WADA) is greater than the Tier 2, Level 2 Guaranteed Yield per penny per WADA. For the 2023-2024 tax year, the District did not levy an M&O tax rate greater than the State’s Compressed Rate plus 8 pennies; therefore, the wealth equalization provisions of Chapter 49 do not apply.

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

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

AD VALOREM PROPERTY TAXATION

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

VALUATION OF TAXABLE PROPERTY. . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Bexar 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. After the 2024 tax year, through December 31, 2026 unless extended by the State legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each school district in the State, (1) a \$100,000 exemption (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.

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

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

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

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

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

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

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

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. For tax years beginning prior to January 1, 2022, except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. For tax years beginning on or after January 1, 2022, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature recently amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

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

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

TAX LIMITATION AGREEMENTS. . . The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). During the Regular Session of the 88th Texas Legislature, House Bill 5 ("HB 5") was enacted into law. HB 5 is intended as a replacement of former Chapter 313, Texas Tax Code ("Chapter 313"), but it contains significantly different provisions than the prior program under Chapter 313. Under HB 5, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. HB 5 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt services taxes securing the Bonds cannot be abated under HB 5. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The effective date of HB 5 was January 1, 2024, and the District is still in the process of reviewing HB 5 and cannot make any representations as to what impact, if any, HB 5 will have on its finances or operations. For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

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

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

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

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

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

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

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations. . . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on September 26, 1998 in accordance with the provisions of Chapter 45, Texas Education Code, as amended.

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

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

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. The Bonds are being issued for school building purposes pursuant to Chapter 45, Texas Education code, as amended and therefore are subject to the \$0.50 threshold tax rate test. The District has not used projected property values or State assistance (other than EDA or IFA allotment funding) to satisfy this threshold test.

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of \$0.05 per \$100 of taxable value; and (iii) the school district's current I&S tax rate. For the 2020 tax year, and subsequent years, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) \$0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

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

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

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004I 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.

DISTRICT APPLICATION OF TAX CODE . . . The District grants a State mandated \$100,000 general residence homestead exemption. Additionally, the District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$13,330; which is \$3,330 in addition to the state-mandated \$10,000; the disabled are also granted an exemption by the District of \$13,330, which also is \$3,330 in addition to the state-mandated \$10,000.

The District has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

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

Bexar County Tax Assessor/Collector collects taxes for the District. The District does not tax nonbusiness personal property.

The District does permit split payments, but discounts are not allowed.

The District does tax freeport property.

On October 25, 2011, the District's Board of Trustees adopted a resolution authorizing the continued taxation of goods-in-transit for the 2012 tax year and beyond.

TAX ABATEMENT POLICY . . . The District no longer has a tax abatement program.

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2023/24 Market Valuation Established by Bexar Appraisal District (includes exempt property)		\$ 106,438,877,683
Less Exemptions/Reductions at 100% Market Value:		
Community Housing Development Organization	\$ 118,706,051	
\$100,000 Residential Homestead Exemptions (State Mandated)	12,481,696,828	
Over-65/Disabled Exemptions	945,952,173	
Disabled Veterans	2,970,549,205	
Disabled Persons	43,389,406	
Productivity Loss	891,711,019	
Leased Vehicles	244,991,628	
Member Armed Services Surviving Spouse	4,356,438	
Value Lost to 10% Residential Cap	4,800,506,768	
Exempt	3,910,537,639	
Low Income Housing	20,170,810	
Pollution Control	2,798,893	
Other	<u>1,701,154</u>	<u>26,437,068,012</u>
2023/24 Net Taxable Assessed Valuation		\$ 80,001,809,671
Value Lost Due To Tax Freeze		<u>\$ 7,623,876,228</u>
2023/24 Net Freeze Adjusted Taxable Assessed Valuation		<u>\$ 72,377,933,443</u>
Debt Payable from Ad Valorem Taxes as of February 29, 2024 ⁽¹⁾		
Unlimited Tax Bonds ⁽²⁾	\$2,214,145,000	
The Series 2024B Variable Rate Bonds ⁽³⁾	117,470,000	
The Bonds ⁽³⁾	<u>161,885,000</u>	
Debt Payable from Ad Valorem Taxes		<u>\$ 2,493,500,000</u>
Interest and Sinking Fund as of February 29, 2024 ⁽⁴⁾		<u>\$ 236,775,848</u>
Ratio of Tax Supported Debt to Taxable Assessed Valuation ⁽³⁾		3.12%
2024 Estimated Population - 696,000 Per Capita Taxable Assessed Valuation - \$114,945 Per Capita Debt Payable from Ad Valorem Taxes - \$3,583		

- (1) Excludes the District's Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$100,000,000 outstanding at any time.
- (2) Excludes the Refunded Bonds refunded by the Series 2024B Variable Rate Bonds.
- (3) Preliminary, subject to change.
- (4) Unaudited.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2024		2023		2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 64,148,559,355	60.27%	\$57,118,716,362	60.19%	\$44,967,824,704	57.18%
Real, Residential, Multi-Family	11,887,522,635	11.17%	10,467,962,665	11.03%	8,749,506,960	11.13%
Real, Vacant Lots/Tracts	1,603,219,376	1.51%	1,342,878,598	1.42%	1,180,056,202	1.50%
Real, Acreage (Land Only)	899,622,439	0.85%	780,845,966	0.82%	758,990,259	0.97%
Real, Farm and Ranch Improvements	859,925,167	0.81%	854,779,635	0.90%	664,635,218	0.85%
Real, Commercial	17,029,167,509	16.00%	15,375,215,475	16.20%	13,959,158,957	17.75%
Real, Industrial	149,514,827	0.14%	142,037,965	0.15%	122,920,649	0.16%
Real and Tangible Personal, Utilities	113,159,663	0.11%	110,769,288	0.12%	109,474,271	0.14%
Tangible Personal, Commercial	3,914,507,457	3.68%	3,776,518,341	3.98%	3,673,741,996	4.67%
Tangible Personal, Industrial	371,555,363	0.35%	294,812,968	0.31%	275,827,431	0.35%
Tangible Personal, Mobile Homes	75,017,430	0.07%	71,206,200	0.08%	44,637,610	0.06%
Intangible Property	173,337	0.00%	-	0.00%	-	0.00%
Special Inventory	332,089,950	0.31%	301,921,380	0.32%	238,140,020	0.30%
Real Property, Inventory ⁽¹⁾	719,349,716	0.68%	612,177,699	0.65%	515,295,223	0.66%
Exempt	4,294,614,244	4.03%	3,602,217,080	3.80%	3,339,375,868	4.25%
Other Sub-surface interests	40,879,215	0.04%	40,017,773	0.04%	37,120,444	0.05%
Total Appraised Value Before Exemptions	\$ 106,438,877,683	100.00%	\$94,892,077,395	100.00%	\$ 78,636,705,812	100.00%
Adjustments	-		(3,705,979,231)		(3,175,147,279)	
Less: Total Exemptions/Reductions	26,437,068,012		17,663,848,605		10,616,800,042	
Taxable Assessed Value	<u>\$ 80,001,809,671</u>		<u>\$73,522,249,559</u>		<u>\$64,844,758,491</u>	

Category	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2021		2020	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 41,257,623,226	55.46%	\$38,311,054,004	54.98%
Real, Residential, Multi-Family	8,535,890,306	11.47%	8,209,510,556	11.78%
Real, Vacant Lots/Tracts	1,260,897,269	1.69%	1,345,167,104	1.93%
Real, Acreage (Land Only)	803,356,238	1.08%	803,790,661	1.15%
Real, Farm and Ranch Improvements	650,765,790	0.87%	646,252,819	0.93%
Real, Commercial	13,990,970,134	18.81%	13,401,314,860	19.23%
Real, Industrial	128,732,200	0.17%	124,929,106	0.18%
Real and Tangible Personal, Utilities	106,693,055	0.14%	111,388,843	0.16%
Tangible Personal, Commercial	3,399,509,827	4.57%	3,287,257,865	4.72%
Tangible Personal, Industrial	287,991,254	0.39%	306,122,929	0.44%
Tangible Personal, Mobile Homes	42,366,450	0.06%	40,716,293	0.06%
Special Inventory	232,667,540	0.31%	222,643,480	0.32%
Real Property, Inventory ⁽¹⁾	526,321,987	0.71%	484,053,609	0.69%
Exempt	3,131,659,685	4.21%	2,359,230,361	3.39%
Other Sub-surface interests	34,127,665	0.05%	34,627,470	0.05%
Total Appraised Value Before Exemptions	\$ 74,389,572,626	100.00%	\$69,688,059,960	100.00%
Adjustments	(3,165,900,461)		3,461,970,792	
Less: Total Exemptions/Reductions	9,806,732,288		14,857,818,983	
Taxable Assessed Value	<u>\$ 61,416,939,877</u>		<u>\$58,292,211,769</u>	

(1) Real property, inventory in the hands of developers or builders; each group of properties in this category is appraised on the basis of its value as a whole as a sale to another developer or builder.

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Net Tax Supported Debt Outstanding at End of Year ⁽³⁾	Ratio of Net Tax Supported Debt to Taxable Assessed Valuation	Net Tax Supported Debt Per Capita
2020	666,000	\$ 58,292,211,769	\$ 87,526	\$ 2,066,845,000	3.55%	\$ 3,103
2021	676,000	61,416,939,877	90,853	2,265,280,000	3.69%	3,351
2022	686,000	64,844,758,491	94,526	2,327,690,000	3.59%	3,393
2023	696,000	73,522,249,559	105,635	2,395,545,000	3.26%	3,442
2024	696,000 ⁽⁴⁾	80,001,809,671	114,945	2,418,655,000 ⁽⁵⁾	3.02% ⁽⁵⁾	3,475 ⁽⁵⁾

- (1) Source: District Officials.
- (2) Source: District Annual Comprehensive Financial Reports for years ending 2020 through 2023, and Bexar Appraisal District's Certified Totals for Tax Year 2023, subject to change during the ensuing year.
- (3) Excludes the District's Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$100,000,000 outstanding at any time provided the issuance does not exceed the limits of voted authorization.
- (4) Fiscal Year ending 2023-2024 population held constant for purposes of illustration.
- (5) Includes the Bonds and the Series 2024B Variable Rate Bonds. Excludes the Refunded Bonds refunded by the Series 2024B Variable Rate Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Rate	Local Maintenance ⁽²⁾	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2020	\$ 1.30550	\$ 0.97000	\$ 0.33550	761,004,825	99.20%	98.90%
2021	1.28570	0.95020	0.33550	789,637,596	99.30%	98.69%
2022	1.26130	0.92580	0.33550	817,886,939	99.28%	99.11%
2023	1.19010	0.85460	0.33550	874,988,292	99.23%	99.59%
2024	1.01170	0.67620	0.33550	809,378,308	90.84% ⁽¹⁾	90.65% ⁽¹⁾

- (1) As of February 29, 2024.
- (2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" for a discussion regarding the calculation of the District's tax rate pursuant to the provisions of HB3.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2023/24 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Microsoft Corporation	Computer Technology	\$ 1,763,229,640	2.20 %
Methodist Healthcare System	Hospital	412,506,460	0.52 %
USAA	Insurance	369,479,368	0.46 %
La Cantera Retail LTD	Retail	350,468,050	0.44 %
H.E.B. Grocery Company LP	Grocery Stores	327,284,147	0.41 %
Wal-Mart Stores Inc #2404	Retail	250,009,555	0.31 %
Frankel Family Trust	Real Estate	243,764,590	0.30 %
BVA Kim Rim SPE LLC	Retail	208,792,300	0.26 %
C1 San Antonio IV LLC	Real Estate	200,000,000	0.25 %
LCR Hotel LLC	Hotel	174,879,000	0.22 %
		<u>\$ 4,300,413,110</u>	<u>5.38 %</u>

TAX-SUPPORTED DEBT LIMITATION . . . Section 45.0031, Texas Education Code, as amended, requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay debt service on a proposed issue of bonds, together with debt service on other outstanding “new debt” of the district, from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued. In demonstrating the ability to pay debt service at a rate of \$0.50, a district may take into account State allotments to the district which effectively reduce the district’s local share of debt service. Once the prospective ability to pay such tax has been shown and the bonds are issued, a district may levy an unlimited tax to pay debt service. Taxes levied to pay debt service on bonds approved by district voters at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds) are not subject to the foregoing threshold tax rate test. The Bonds are issued as “new money” bonds pursuant Chapter 45, as amended, Texas Education Code and are, therefore, subject to the \$0.50 threshold tax rate test.

TABLE 6 - TAX ADEQUACY

2023-2024 Principal and Interest Requirements on Unlimited Ad Valorem Tax Bonds ⁽¹⁾	\$ 170,658,427
Plus: Cash Defeasance.....	79,775,000
Less: Estimated Penalty and Interest Collections.....	(625,000)
Net: 2023-2024 Principal and Interest Requirements - Unlimited Ad Valorem Tax Debt.....	<u>\$ 249,808,427</u>
\$0.3355 Interest and Sinking Fund Tax Rate @ 99% Collections.....	\$ 240,399,687
Freeze Tax Levy at 99% Collections.....	20,308,818
Total Interest and Sinking Fund Tax Levy.....	<u>\$ 260,708,505</u>

(1) Includes the Bonds and the Series 2024B Variable Rate Bonds. Excludes the Refunded Bonds refunded by the District’s Series 2024B Variable Rate Bonds and the District’s Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$100,000,000 outstanding at any time provided the issuance does not exceed the limits of voted authorization. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	2023/2024 Taxable Assessed Value	2023/2024 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt As of 2/29/2024	Authorized But Unissued Debt As Of 2/29/2024
Alamo Community College District	\$253,189,964,175	\$0.1492	\$ 741,940,000	34.82%	\$ 258,343,508	\$ -
Bandera County	3,908,271,130	0.5195	3,105,000	1.44%	44,712	-
Bexar County	229,635,877,017	0.2999	2,287,355,000	34.82%	796,457,011	61,265,887
Bexar County Hospital District	251,250,964,257	0.2762	1,280,820,000	34.82%	445,981,524	-
Helotes, City of	1,697,953,184	0.3115	5,420,000	100.00%	5,420,000	-
Leon Valley, City of	1,345,942,663	0.4847	6,170,000	100.00%	6,170,000	-
Medina County	6,240,125,808	0.3526	22,795,000	4.54%	1,034,893	-
Redbird Ranch FWSD #2	160,140,237	1.0000	18,815,000	69.95%	13,161,093	430,791,000
San Antonio, City of	155,482,617,857	0.5416	2,520,820,000	34.75%	875,984,950	842,248,064
San Antonio MUD # 1	78,221,689	0.3153	510,000	100.00%	510,000	24,396,000
Shavano Park, City of	1,782,008,563	0.3077	11,609,240	100.00%	11,609,240	-
Westpointe Special Improvement District	354,576,108	0.5416	18,965,000	100.00%	18,965,000	942,946,000
Westside 211 Special Improvement District	330,103,720	0.5416	20,380,000	41.34%	8,425,092	258,830,000
Northside Independent School District	80,001,809,671	1.0117	2,493,500,000 ⁽¹⁾	100.00%	<u>2,493,500,000 ⁽¹⁾</u>	750,155,000 ⁽²⁾
Total Direct and Overlapping Net Tax Supported Debt					<u>\$ 4,935,607,023</u>	
Ratio of Direct and Overlapping Net Tax Supported Debt to Taxable Assessed Valuation					6.17%	
Per Capita Overlapping Net Tax Supported Debt					7,091	

(1) Includes the Bonds and the Series 2024 Variable Rate Bonds. Excludes the Refunded Bonds refunded by the District’s Series 2024B Variable Rate Bonds and the District’s Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$100,000,000 outstanding at any time provided the issuance does not exceed the limits of voted authorization. Preliminary, subject to change.

(2) See “Table 10 – Authorized but Unissued Unlimited Tax Bonds” herein.

DEBT INFORMATION

TABLE 8 - PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS⁽¹⁾

FYE 8/31	Outstanding Debt ⁽²⁾			The Series 2024B Variable Rate Bonds ⁽³⁾			The Bonds ⁽⁴⁾			Total Debt Service	Percent of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
2024	\$ 87,970,000	\$ 82,688,427	\$ 170,658,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,658,427	
2025	76,535,000	73,445,510	149,980,510	1,585,000	4,914,814	6,499,814	505,000	9,978,722	10,483,722	166,964,046	
2026	95,085,000	82,404,460	177,489,460	2,525,000	3,940,090	6,465,090	2,645,000	7,835,450	10,480,450	194,435,000	
2027	87,390,000	86,533,385	173,923,385	2,655,000	3,854,240	6,509,240	2,780,000	7,703,200	10,483,200	190,915,825	
2028	92,595,000	86,711,015	179,306,015	2,780,000	3,763,970	6,543,970	2,915,000	7,564,200	10,479,200	196,329,185	18.27%
2029	96,900,000	82,440,265	179,340,265	2,920,000	3,669,450	6,589,450	3,065,000	7,418,450	10,483,450	196,413,165	
2030	101,365,000	77,900,884	179,265,884	3,065,000	7,350,350	10,415,350	3,215,000	7,265,200	10,480,200	200,161,434	
2031	111,545,000	73,249,934	184,794,934	3,225,000	7,135,800	10,360,800	3,375,000	7,104,450	10,479,450	205,635,184	
2032	109,495,000	68,415,466	177,910,466	3,385,000	6,910,050	10,295,050	3,545,000	6,935,700	10,480,700	198,686,216	
2033	107,130,000	63,896,686	171,026,686	3,550,000	6,673,100	10,223,100	3,725,000	6,758,450	10,483,450	191,733,236	40.59%
2034	102,350,000	59,693,853	162,043,853	3,730,000	6,424,600	10,154,600	3,910,000	6,572,200	10,482,200	182,680,653	
2035	98,475,000	55,695,050	154,170,050	10,220,000	6,163,500	16,383,500	4,105,000	6,376,700	10,481,700	181,035,250	
2036	86,740,000	52,033,374	138,773,374	10,725,000	5,448,100	16,173,100	4,310,000	6,171,450	10,481,450	165,427,924	
2037	87,835,000	48,809,534	136,644,534	11,265,000	4,697,350	15,962,350	4,525,000	5,955,950	10,480,950	163,087,834	
2038	84,110,000	45,600,951	129,710,951	3,380,000	3,908,800	6,288,800	4,750,000	5,729,700	10,479,700	146,479,451	61.31%
2039	65,335,000	42,509,551	107,844,551	2,260,000	3,742,200	6,002,200	4,990,000	5,492,200	10,482,200	124,328,951	
2040	60,095,000	39,927,273	100,022,273	2,370,000	3,584,000	5,954,000	5,240,000	5,242,700	10,482,700	116,458,973	
2041	68,125,000	37,547,056	105,672,056	2,490,000	3,418,100	5,908,100	5,500,000	4,980,700	10,480,700	122,060,856	
2042	68,600,000	34,315,399	102,915,399	2,615,000	3,243,800	5,858,800	5,720,000	4,760,700	10,480,700	119,254,899	
2043	62,550,000	31,146,830	93,696,830	2,745,000	3,060,750	5,805,750	5,950,000	4,531,900	10,481,900	109,984,480	75.86%
2044	65,170,000	27,846,139	93,016,139	2,885,000	2,868,600	5,753,600	6,185,000	4,293,900	10,478,900	109,248,639	
2045	62,680,000	24,431,538	87,111,538	3,030,000	2,666,650	5,696,650	6,435,000	4,046,500	10,481,500	103,289,688	
2046	60,615,000	21,057,738	81,672,738	3,180,000	2,454,550	5,634,550	6,755,000	3,724,750	10,479,750	97,787,038	
2047	51,590,000	17,695,219	69,285,219	3,340,000	2,231,950	5,571,950	7,095,000	3,387,000	10,482,000	85,339,169	
2048	52,930,000	14,569,275	67,499,275	3,505,000	1,998,150	5,503,150	7,450,000	3,032,250	10,482,250	83,484,675	89.54%
2049	55,190,000	11,330,388	66,520,388	3,680,000	1,752,800	5,432,800	7,820,000	2,659,750	10,479,750	82,432,938	
2050	54,950,000	7,942,881	62,892,881	3,865,000	1,495,200	5,360,200	8,210,000	2,268,750	10,478,750	78,731,831	
2051	31,410,000	4,508,569	35,918,569	4,060,000	1,224,650	5,284,650	8,625,000	1,858,250	10,483,250	51,686,469	
2052	25,710,000	2,733,913	28,443,913	4,260,000	940,450	5,200,450	9,055,000	1,427,000	10,482,000	44,126,363	
2053	16,800,000	1,052,663	17,852,663	4,475,000	642,250	5,117,250	9,505,000	974,250	10,479,250	33,449,163	99.41%
2054	-	-	-	4,700,000	329,000	5,029,000	9,980,000	499,000	10,479,000	15,508,000	100.00%
	<u>\$2,227,270,000</u>	<u>\$1,358,133,221</u>	<u>\$3,585,403,221</u>	<u>\$ 117,470,000</u>	<u>\$ 110,507,314</u>	<u>\$ 227,977,314</u>	<u>\$161,885,000</u>	<u>\$152,549,422</u>	<u>\$314,434,422</u>	<u>\$4,127,814,957</u>	

(1) Excludes the Refunded Bonds refunded by the District's Series 2024B Variable Rate Bonds and the District's Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$100,000,000 outstanding at any time provided the issuance does not exceed the limits of voted authorization.

(2) Interest calculated at the Initial Rate of 0.7000% through May 31, 2025 and at the Stepped Rate of 7.000% per annum thereafter for the Series 2020 Variable Rate Unlimited Tax School Building and Refunding Bonds. Interest calculated at the Initial Rate of 2.000% through May 31, 2027 and at the Stepped Rate of 7.000% per annum thereafter for the Series 2022B Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Initial Rate of 3.00% through July 31, 2026 and at the Stepped Rate of 7.00% per annum thereafter for the Series 2023B Variable Rate Unlimited Tax School Building Bonds.

(3) Interest calculated at an assumed Initial Rate for an assumed Initial Rate Period and at an assumed Stepped Rate thereafter through stated maturity for purposes of illustration only. Preliminary, subject to change.

(4) Interest calculated at assumed rates for purposes of illustration only. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

2024-2025 Principal and Interest Requirements on Unlimited Ad Valorem Tax Bonds ⁽¹⁾	\$ 166,964,046
Less: Estimated Penalty and Interest Collections	<u>(625,000)</u>
Net: 2024-2025 Principal and Interest Requirements - Unlimited Ad Valorem Tax Debt	<u>\$ 166,339,046</u>
\$0.3355 Interest and Sinking Fund Tax Rate @ 99% Collection ⁽²⁾	<u>\$ 256,642,572</u>

- (1) Includes the Bonds and the Series 2024 Variable Rate Bonds. Excludes the Refunded Bonds refunded by the District's Series 2024B Variable Rate Bonds and the District's Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$100,000,000 outstanding at any time provided the issuance does not exceed the limits of voted authorization. Preliminary, subject to change.
- (2) Assumes an estimated \$77,268,232,943 Net Freeze Adjusted Taxable Value in 2024-2025.

TABLE 10 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued ⁽¹⁾	Amount Being Issued	Unissued Balance
Construction and Equipping of School					
Buildings and Purchase of School Buses	5/5/18	\$ 848,910,000	\$ 640,755,000	\$ 100,000,000	(2) \$ 108,155,000
Construction and Equipping of School					
Buildings and Purchase of Sites	5/7/22	<u>992,000,000</u>	<u>200,000,000</u>	<u>150,000,000</u>	(2) <u>642,000,000</u>
		<u>\$ 1,840,910,000</u>	<u>\$ 840,755,000</u>	<u>\$ 250,000,000</u>	<u>\$ 750,155,000</u>

- (1) The District may issue and have outstanding from time to time up to \$100,000,000 in Commercial Paper Notes under its Commercial Paper Program. The "Amount Previously Issued" excludes the issuance of the full \$100,000,000 capacity of the District's Commercial Paper Program.
- (2) Includes the Bonds and the Series 2024B Variable Rate Bonds; preliminary, subject to change.

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . . On May 5, 2018, the District's voters authorized the District to issue \$848,910,000 in unlimited ad valorem tax bonds (the "2018 Election"), proceeds from which will be utilized to undertake District-wide improvements and are expected to address the District's capital needs at least through first quarter of 2025. The District has issued seven installments of this authorization and applied bond proceeds in the aggregate amount of \$640,755,000 (leaving \$208,155,000 unissued against the same).

On May 7, 2022, the District's voters authorized the District to issue \$992,000,000 in unlimited ad valorem tax bonds (the "2022 Election" and together with the 2018 Election, the "Elections"), proceeds from which will be utilized to undertake District-wide improvements and are expected to address the District's capital needs at least through 2027. The District has issued one installment of this authorization and applied bond proceeds in the aggregate amount of \$200,000,000 (leaving \$792,000,000 unissued) against the same.

The District anticipates the concurrent sale of the Series 2024B Variable Rate Bonds (defined herein), which are scheduled to close on or about May 8, 2024. The Bonds represent the eighth installment of the 2018 Election authorization and the second installment of the 2022 Election. The Series 2024B Variable Rate Bonds represent the ninth installment of the 2018 Election authorization. After the issuance of the Bonds and the Series 2024B Variable Rate Bonds the District will have \$8,155,000* in remaining voted, but unissued authorization under the 2018 Election and \$642,000,000* in remaining voted, but unissued authorization under the 2022 Election.

*Preliminary, subject to change.

In July 2020, the District established a commercial paper program, as amended in December 2022 to, among other things, add the 2022 Election voted authorization (the "CP Program" or "Commercial Paper Program") pursuant to which it is authorized to issue commercial paper notes ("Commercial Paper Notes") from time to time and in an aggregate principal amount of not more than \$100 million at any one time outstanding as Series A Commercial Paper Notes that are publicly sold (with liquidity support provided by JPMorgan Chase Bank, National Association (the "Bank")) and as Series B Commercial Paper Notes that are privately placed with the Bank, all pursuant to the authority provided at the Elections; provided, however, that the aggregate amount of indebtedness issued to finance authorized projects pursuant to the Elections cannot exceed the limits of the Elections' authorizations related to maximum indebtedness. One of the purposes of the Series 2024B Variable Rate Bonds includes refinancing the outstanding Commercial Paper Notes to provide permanent financing for various projects that were originally financed pursuant to the Elections through the issuance of the Commercial Paper Notes, in the aggregate amount of \$15,000,000*. Following the issuance of the Series 2024B Variable Rate Bonds, the District will have \$100,000,000* in capacity under its Commercial Paper Program to issue additional Commercial Paper Notes for new money purposes. The District expects to continue issuing Commercial Paper Notes under the Commercial Paper Program to provide interim financing for projects authorized by the Elections and may issue bonds to provide permanent financing for any hereinafter issued Commercial Paper Notes. The District expects to issue its Commercial Paper Notes under the Commercial Paper Program to provide interim financing for projects authorized by the Elections.

TABLE 11 - OTHER OBLIGATIONS

GENERAL . . . In addition to voter authorized ad valorem tax-supported debt, the District may also enter into other financial obligations, 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. The District currently has no other such debt outstanding.

PENSION FUND AND OTHER POST EMPLOYMENT RETIREMENT BENEFITS . . . The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ended August 31, 2023, the State contributed \$46,632,662 to TRS on behalf of the District's employees and the District paid additional State contributions of \$29,992,222. Aside from the District's contribution to the TRS, the District has no pension fund expenditures or liabilities, except for portions of salaries that exceed salary limits of the TRS. The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. For the fiscal year ended August 31, 2023, the State contributed \$12,505,772 to TRS-Care, District employees paid \$4,924,246, and other contributions to the plan made from private grants and from the District were \$6,580,348.

At August 31, 2023, the District reported a liability of \$184,582,808 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 OPEB liability:	\$184,582,808
State's proportionate share that is associated with the District:	<u>225,162,026</u>
Total:	\$409,744,834

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 District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022, the District's proportion of the collective net OPEB liability was 0.770893617%, compared to 0.747095800% as of August 31, 2021.

*Preliminary, subject to change.

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FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET ASSETS

	Fiscal Years Ended August 31,				
	2023	2022	2021	2020	2019
Revenues:					
Program Revenues:					
Charges for Services	\$ 27,267,735	\$ 20,749,313	\$ 6,773,252	\$ 18,783,829	\$ 23,559,957
Operating Grants and Contributions	318,561,343	309,956,739	252,365,616	223,764,897	259,706,970
General Revenues:					
Maintenance and Operations Taxes	628,887,997	597,709,665	579,567,158	562,139,847	559,131,629
Debt Service Taxes	246,645,275	216,388,219	204,274,287	194,576,649	180,232,098
State Aid - Formula Grants	215,643,709	251,410,441	252,162,498	294,111,565	238,522,255
Miscellaneous Local & Intermediate	302,473	557,675	950,233	27,248	79,524
Insurance Proceeds from Hail Damage	-	-	-	10,375,920	-
Extraordinary Item	-	97,809	13,626,851	-	-
Transfers	-	950,928	(2,200,000)	-	-
Investment Earnings	45,473,008	5,848,965	1,054,516	12,605,185	21,838,132
Total Revenues	\$ 1,482,781,540	\$ 1,403,669,754	\$ 1,308,574,411	\$ 1,316,385,140	\$ 1,283,070,565
Expenses:					
Instruction	\$ 714,454,756	\$ 692,082,766	\$ 744,773,700	\$ 746,026,592	\$ 708,258,397
Instructional Resources & Media Services	15,233,705	13,432,651	14,730,098	15,054,075	15,188,560
Curriculum & Staff Development	28,511,918	30,193,498	25,546,294	25,182,117	24,894,535
Instructional Leadership	23,402,679	23,080,909	24,350,467	24,970,083	24,564,822
School Leadership	65,186,131	63,392,129	65,317,455	62,813,587	62,440,190
Guidance, Counseling & Evaluation Services	48,296,032	45,052,597	48,342,763	46,863,562	44,596,293
Social Work Services	7,139,006	5,557,060	3,985,091	4,631,396	3,995,836
Health Services	13,941,894	13,632,225	14,109,435	12,586,233	11,633,078
Student (Pupil) Transportation	42,695,147	40,863,194	34,916,467	38,688,684	39,053,143
Child Nutrition Services	58,911,449	53,568,766	45,875,824	54,216,677	57,265,302
Co-curricular/Extracurricular Activities	39,000,888	29,190,872	28,636,409	29,046,653	32,154,248
General Administration	22,914,640	23,038,190	22,765,568	22,365,626	21,084,349
Plant Maintenance and Operations	116,190,514	106,173,985	103,934,580	104,857,454	125,967,466
Security and Monitoring Services	11,585,718	11,632,783	10,403,685	9,562,055	9,356,479
Data Processing Services	27,584,047	24,417,478	19,725,342	19,016,713	18,615,776
Community Services	15,961,489	15,863,312	6,914,907	7,023,916	7,085,160
Debt Service	58,463,977	54,728,096	57,256,141	62,071,276	70,670,175
Payments to Member Districts of SSA	-	17,412	-	513,725	375,810
Total Expenses	\$ 1,309,473,990	\$ 1,245,917,923	\$ 1,271,584,226	\$ 1,285,490,424	\$ 1,277,199,619
Increase (Decrease) in Net Position	173,307,550	157,751,831	36,990,185	30,894,716	5,870,946
Net Position - September 1 (Beginning)	134,358,308 ⁽¹⁾	(29,195,232)	(66,185,417) ⁽²⁾	(97,071,478)	(102,942,424)
Prior Period Adjustment	-	-	-	-	-
Net Position - August 31 (Ending)	\$ 307,665,858	\$ 128,556,599	\$ (29,195,232)	\$ (66,176,762)	\$ (97,071,478)

Source: The District's Annual Comprehensive Financial Reports.

- (1) In fiscal year 2023, the District implemented GASB No. 96, Subscription-Based Information Technology Arrangements. As a result, the August 31, 2022 net position was restated by \$5.9 million.
- (2) In fiscal year 2021, the District implemented GASB Statement No. 84, Fiduciary Activities. As a result, the beginning net position has been restated.

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TABLE 12-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended August 31,				
	2023	2022	2021	2020	2019
Revenues:					
Local and Intermediate Sources	\$ 673,101,292	\$ 620,135,396	\$ 592,146,130	\$ 580,653,951	\$ 583,736,468
State Sources	269,800,447	302,789,715	303,301,195	361,259,221	277,457,143
Federal Sources	39,671,020	29,968,961	31,882,516	26,948,502	44,183,020
Total Revenues	<u>\$ 982,572,759</u>	<u>\$ 952,894,072</u>	<u>\$ 927,329,841</u>	<u>\$ 968,861,674</u>	<u>\$ 905,376,631</u>
Expenditures:					
Instruction	576,319,760	\$ 571,670,991	\$ 582,140,311	\$ 578,991,834	\$ 542,978,334
Inst. Resources and Media	12,802,263	12,482,597	12,821,341	12,564,454	12,390,678
Curriculum and Instructional					
Staff Development	17,431,923	18,190,012	17,663,867	17,039,211	15,643,028
Instructional Leadership	19,883,405	20,522,044	19,624,556	20,187,965	19,490,508
School Leadership	57,315,579	57,368,575	55,838,548	45,803,860	53,012,640
Guidance, Counseling and					
Evaluation Services	42,295,436	20,747,809	40,060,540	33,368,509	35,919,082
Social Work Services	3,095,638	3,090,085	3,041,821	3,719,058	3,291,351
Health Services	10,707,913	11,095,110	11,163,737	10,202,269	9,295,639
Student (Pupil) Transportation	38,807,902	37,496,630	30,914,908	34,226,923	34,334,724
Child Nutrition Services	477,328	133,578	628,930	772,668	358,263
Cocurricular/Extracurricular					
Activities	24,695,996	22,373,784	20,919,132	21,337,730	22,308,051
General Administration	16,249,130	16,409,342	15,981,730	14,723,655	13,914,046
Plant Maintenance and Operation	99,523,650	91,902,017	82,398,779	77,576,507	79,594,229
Security and Monitoring Services	10,925,528	10,049,271	8,727,188	8,726,142	8,331,619
Data Processing Services	23,761,681	21,273,321	17,627,208	17,018,334	16,678,681
Community Services	10,010,310	9,599,845	1,777,960	2,052,708	2,093,004
Debt Service	5,585,879	-	-	-	-
Facility Acquisition and					
Construction	1,406,781	2,417,011	1,830,032	19,246,464	19,098,956
Payments to Juvenile Justice					
Alternative Education Program	107,050	75,261	17,661	78,521	123,624
Other Intergovernmental Charges	4,729,439	4,785,889	4,091,589	4,895,123	4,616,523
Total Expenditures	<u>\$ 976,132,591</u>	<u>\$ 931,683,172</u>	<u>\$ 927,269,838</u>	<u>\$ 922,531,935</u>	<u>\$ 893,472,980</u>
Other Resources and (Uses)	\$ (8,772,669)	\$ 413,930	\$ (87,847,362) ⁽¹⁾	\$ (3,454,114)	\$ (50,000)
Extraordinary Items	\$ -	\$ 97,809 ⁽²⁾	\$ 13,626,851 ⁽²⁾	\$ -	\$ -
Excess (Deficiency) of					
Revenues Over Expenditures	\$ (2,332,501)	\$ 21,722,639	\$ (74,160,508)	\$ 42,875,625	\$ 11,853,651
Beginning Fund Balance on					
September 1	\$ 457,419,520	\$ 435,696,881	\$ 509,857,389	\$ 466,981,764	\$ 455,128,113
Ending Fund Balance on					
August 31	<u>\$ 455,087,019</u>	<u>\$ 457,419,520</u>	<u>\$ 435,696,881</u>	<u>\$ 509,857,389</u>	<u>\$ 466,981,764</u>

Source: The District's Annual Comprehensive Financial Reports.

- (1) Represents transfers out to various funds for support of the District's enterprise fund, technology deployments, child nutrition, employee benefits, and the opening of new schools.
- (2) Represents the receipt of insurance proceeds.

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INVESTMENTS

The District invests its investable funds in investments authorized by State law, including Chapter 2256, as amended, Texas Government Code (the “Texas Public Funds Investment Act”), and in accordance with investment policies approved by the Board of Trustees of the District. Both State law and the District’s investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAA-”-rated investment pools that invest solely in investments described above; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act; and (16) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

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

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

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

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

State law requires the District’s investments be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

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TABLE 13 - CURRENT INVESTMENTS⁽¹⁾

As of February 29, 2024, the District’s investable funds were invested in the following categories:

Description	% of Funds Invested	Book Value	Market Value
Lone Star Corporate Overnight Plus Fund	20.64%	\$ 255,411,376	\$ 255,411,376
Lone Star Government Overnight Fund	1.19%	14,694,073	14,694,073
LOGIC	19.27%	238,471,373	238,471,373
TexPool	1.30%	16,028,450	16,028,450
TexPool Prime	41.22%	510,001,676	510,001,676
Tex Star	1.20%	14,876,497	14,876,497
Texas CLASS	10.82%	133,815,393	133,815,393
Agency Notes	4.36%	54,000,000	53,910,569
Total	<u>100.00%</u>	<u>\$ 1,237,298,838</u>	<u>\$ 1,237,209,407</u>

As of such date, 99.60% of the District’s investment portfolio will mature within 12 months. The market value of the investment portfolio was approximately 99.99% of its purchase price. 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.

(1) Unaudited.

TexSTAR is a local government investment pool for whom HilltopSecurities provides customer service and marketing for the pool. TexSTAR currently maintains a “AAAm” rating from S&P Global Ratings (“S&P”), and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

Local Government Investment Cooperative (“LOGIC”) is a local government investment pool for whom HilltopSecurities provides customer service and marketing for the pool. LOGIC currently maintains a “AAAm” rating from S&P and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds are allowed by the participants. LOGIC operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State over LOGIC.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel’s opinion appears in Appendix C hereto.

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in

the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds may adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

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

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

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

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

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

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

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

TAX ACCOUNTING TREATMENT OF PREMIUM BONDS . . . The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each

year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its EMMA system, where it will be available to the general public, free of charge, at www.emma.msrb.com.

ANNUAL REPORTS . . . The District will file certain updated financial information and operating data with the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 13 and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in and after 2024.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA Internet Web site or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change with the MSRB.

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

For these purposes, (a) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the

District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Bonds have been rated "Aaa" by Moody's Investor Service, Inc. ("Moody's") and "AAA" by Fitch Ratings, Inc. ("Fitch") by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The presently outstanding unlimited tax supported debt of the District is rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Fitch Ratings, Inc. ("Fitch") without regard to credit enhancement. Applications for contract ratings on the Bonds have been made to Moody's and Fitch. The District has determined to not apply to S&P for a rating on these Bonds. The District has 24 issues outstanding which are rated "Aaa" by Moody's and "AAA" by Fitch, all by virtue of the guarantee of the Permanent School Fund of the State of Texas. The District has one issue that is not subject to the Permanent School Fund Guarantee. The District has received conditional approval for the Bonds to be guaranteed by the corpus of the Permanent School Fund. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

LITIGATION

Except as disclosed in this Official Statement, the District is not a party to any litigation or other proceeding pending or to its 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 statements of the District.

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Ratings" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of at least one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

LEGAL MATTERS

The District will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. A form of Bond Counsel's opinion appears in Appendix C attached hereto.

Though it represents the Underwriters and the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has (other than any financial, technical, or statistical data herein) reviewed the information in this Official Statement appearing under the captions and subcaptions "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee", "Book-Entry-Only-System", "Bondholders' Remedies", and "Sources and Uses of Funds", as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS- M&O Tax Rate Limitations" (first paragraph only), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings", as to which no opinion is expressed), "OTHER INFORMATION - Registration and Qualification of Bonds for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER INFORMATION - Legal Matters" (excluding the last sentence of the second paragraph thereof), and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel Bracewell LLP, San Antonio, Texas, whose fee is contingent on the sale and delivery of the Bonds.

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

FINANCIAL ADVISOR

HilltopSecurities is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the District 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.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at the prices indicated on page 2 hereof, less an underwriting discount of \$ _____, and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Piper Sandler & Co., an underwriter of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

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

The Underwriters and their respective affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included 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 will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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

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

Whitley Penn, being the independent auditor of the District that prepared the financial statements attached hereto as Appendix B, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statement addressed in that report. Whitley Penn. also has not performed any procedures related to the Official Statement.

/s/

President, Board of Trustees
Northside Independent School District

ATTEST:

/s/

Secretary, Board of Trustees
Northside Independent School District

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

Established in 1949, Northside Independent School District (the “District”) includes property in Bexar, Medina and Bandera Counties. The District contains an area of 340.73 square miles located in Bexar, Medina and Bandera Counties. The District primarily lies in the northwest quadrant of Bexar County and is traversed by Interstate Highway 10, a portion of U.S. Highway 90, Bandera Road and Culebra Road. Loop 410, a major expressway loop (the “Inner Loop”) encircling San Antonio, runs through the southern and southwestern portions of the District. The “Outer Loop”, Highway 1604, also runs through a portion of the District. The District has a 2024 estimated population of 696,000.

Eleven new schools have opened in the District in the last five years, and one more is planned to open in the next year. The District is the largest of the 19 school districts in Bexar County and the 4th largest in the State. The District continues to be the “destination” district in San Antonio for many families seeking a quality school system.

BOARD OF TRUSTEES

The District is governed by a seven-member Board of Trustees (the “Board”). Effective as of the May 6, 1995 Board of Trustees election, Trustees are elected from single-member districts. The May 6, 1995 Trustee election was pre-cleared by the United States Department of Justice pursuant to Section 5 of the Federal Voting Rights Act. The District implemented single-member districts to resolve litigation styled “Arriola v. Northside ISD et al,” that was finalized pursuant to an Order of Dismissal entered by a Federal District Judge on March 30, 1995. All Trustees stood for election on May 6, 1995 and three Trustees were elected for two-year terms while the other four were elected for four-year terms. Since May 1997 all Trustees have served staggered four-year terms. 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.

<u>Board of Trustees</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Robert (Bobby) Blount, Jr. President, District 4	25 Years	May 2027	Corporate Manager
Corinne Saldaña Vice President, District 5	3 Years	May 2025	Retired Educator
Gerald B. Lopez Secretary, District 2	9 Years	May 2027	Small Business Owner
David Salcido Trustee, District 1	9 Months	May 2027	Retired Veteran
Dr. Karla Duran Trustee, District 3	9 Months	May 2027	Professor
Dr. Carol Harle Trustee, District 6	11 Years	May 2025	Educational Consultant/Professor
Karen Freeman Trustee, District 7	19 Years	May 2025	Community Volunteer

ADMINISTRATIVE OFFICERS

Superintendent of School

Dr. John Craft became Superintendent in March 2023.

Dr. Craft began his career in education as a Biology teacher and Football/Baseball Coach in Southlake Carroll in 1999. He also had the opportunity to serve as an Assistant Principal for Carroll High School during his time with the district. After nine years with Carroll ISD, he became the Principal of Timberview High School, a large high school located in South Arlington and encompassed within the Mansfield ISD. John has served as the Superintendent of Schools for the Hamilton Independent School District prior to becoming the Deputy Superintendent for the Killeen Independent School District and then Superintendent of Schools where he led the fast-growth district of 45,000 students and 6,300 employees for 9 years.

Dr. Craft received his undergraduate and graduate degrees from the University of North Texas before completing his Doctorate in Educational Administration at Tarleton State University.

Deputy Superintendent, Administration

Ray Galindo started his teaching career at Austin ISD in 1991. He came to the District one year later and taught at Valley Hi and Leon Valley elementary schools. He served as Vice Principal at Lackland City and Leon Springs elementary schools and then as Principal at Leon Valley and Hatchett elementary schools. In 2008, Mr. Galindo was promoted to Assistant Superintendent for Elementary Administration and, in July 2012, to his current position. Mr. Galindo has a bachelor of science degree from the University of Texas at Austin and a master's degree from the University of Texas at San Antonio.

Deputy Superintendent, Curriculum and Instruction

Dr. Janis Jordan is a 28-year veteran educator who joined the District in the fall of 2016 as Deputy Superintendent of Curriculum and Instruction. Prior to joining the District, Dr. Jordan most recently served as Assistant Superintendent of Instruction in both Lake Travis ISD and Corpus Christi ISD. Leading up to those positions was experience as a classroom teacher, university instructor, campus administrator, curriculum coordinator, and director. Dr. Jordan received a bachelor's degree from Texas A&M University, a master's degree from the University of South Carolina, and a doctorate degree from the University of Houston.

Deputy Superintendent, Business and Finance

Dr. Rene Barajas, was named Deputy Superintendent for Business and Finance in February 2020. Dr. Barajas is the Chief Financial Officer overseeing all business functions of the District including accounts payable, payroll, budget, accounting, purchasing, fixed assets, investments, debt management and tax office functions. Dr. Barajas has over 28 years of experience in the management of school business and operational support, having served seven Texas school districts in various business and financial roles, ranging from Internal Auditor to Chief Financial Officer in districts with enrollments ranging from 1,200 to 200,000 students. Prior to joining the District, he served other Texas school districts including Houston ISD, Garland ISD, Dallas ISD, San Marcos CISD, Ft. Sam Houston ISD, Crosby ISD, and Judson ISD. Dr. Barajas holds both a bachelor's and a master's degree in Business Administration from the University of Texas at San Antonio, and a Ph.D. in Educational Administration from the University of Texas at Austin.

OTHER ADMINISTRATIVE PERSONNEL

The District also has thirteen Assistant Superintendents. There are 350 campus administrators and 108 central office administrators.

EDUCATION PROGRAMS

School districts must provide instruction in the Texas Essential Knowledge and Skills (TEKS) in both the foundation and enrichment curriculum. The foundation curriculum includes core content areas, such as English, mathematics, science and social studies while the enrichment curriculum includes courses in the areas of fine arts, health and physical education, career and technical education, and languages other than English. Academically talented students may seek challenges through advanced placement, dual credit, and other college credit courses in both the foundation and enrichment curriculum. Depending upon which of the five endorsement options a student selects, their program of study is customized accordingly. The District consistently performs above the state in the majority of accountability measures and has a District 'Met Standard' rating from TEA.

Magnet Schools:

The District offers magnet schools for students who desire immersive learning experiences in a particular field as they prepare for college and beyond. **The Northside School of Innovation (NSITE)** focuses on Entrepreneurship, App Design and Marketing, Computer Programming and CyberSecurity. **John Jay Science and Engineering Academy** focuses on Artificial Intelligence and Robotics, Computer Science, Engineering and Biotechnology. **Communication Arts High School** focuses on Video and Film Production, Social Media and Global Communication, Graphic Design, and the Visual Arts. **Marshall HS Law and Medical Services** focuses on Medical Services, Police and Fire Science, Law and Legal Service and Legal Governance and Public Administration. **Construction Careers High School** focuses on Engineering, Architecture, Construction and Construction Trades. **Health Careers HS** focuses on Healthcare Diagnostics, Therapeutics, Biomedical Engineering and World Health Research and Ethics. In addition to these high quality magnet high schools, the District has developed two middle school magnets to prepare students even earlier with viable skills and experience of high interest. **Anson Jones Middle School STEM Academy** opened for students in the fall of 2020 and the Zachry Magnet School for Cyber Security opened for students in the fall of 2021. Additionally in 2021, the District opened the Agriculture Academy High School. **Agriculture Science & Technology Academy** provides a hands-on, rigorous education that will equip students for their postsecondary choices. It will focus on responsibility, integrity and leadership development through district courses by providing students real world experiences in the fields of Agribusiness, Animal & Plant Sciences, Agricultural Engineering, Environmental & Natural Resources and Veterinary Medicine. The Northside ISD **CAST Teach High School** presents a unique opportunity to develop and empower its students, so that they in turn, as future educators, have a bigger impact on generations to come. The CAST Teach High School will not only ensure

students have a strong foundation in educational practices, it will also provide experiences in schools - side by side with mentor educators, coaches, counselors, and librarians. **Zachry Magnet School** is focused on the growing industries of Cybersecurity, Global Communications and Information Technology including CyberPatriot competitions and Junior Model UN simulations. The program aligns for further study at NISD high schools in cybersecurity, web development, and information technology. **Hobby** middle school program concentrating on career and technical education courses was added as the district's third middle school program.

Special Education Program:

The Special Education program provides the full spectrum of programs and services to meet the needs of children with identified disabilities. Each elementary school has access to a certified Speech/Language/Hearing specialist. Adapted physical education specialists, licensed music therapists, teachers for the audio-handicapped and teachers for the visually handicapped provide highly specialized services. Special education and regular education teachers have been trained on the implementation of the coteach model which helps ensure students are in the least restrictive environment.

Career and Technology Program:

A wide range of Career and Technology programs are available to District students. All Career and Technical Courses have been aligned into the following Career Clusters:

- Agriculture, Food & Natural Resources
- Architecture & Construction
- Arts, A/V Technology & Communications
- Business, Marketing, and Finance
- Education & Training
- Health Science
- Hospitality & Tourism
- Human Services
- Information Technology
- Law and Public Service
- Manufacturing
- Science, Technology, Engineering & Mathematics
- Transportation, Distribution & Logistics

Through these programs, students are able to obtain specific skills in occupational areas of personal interest such as automotive, electronics, engineering, architecture, graphic and digital media, metal trades, construction, agricultural production, childcare, fashion design, hospitality, culinary arts, business management, health occupations, computer maintenance and technology and cosmetology.

Full Day Pre-K:

The District has full day PreKindergarten for both qualifying and tuition-based students at 66 campuses and is looking to expand to more full day campuses in the 2022-23 school year and beyond.

State and Federal Programs:

Programs and services are provided for students who are economically disadvantaged, at-risk and/or English language learners. Programs are designed to increase student achievement as well as increase graduation and completion rates. Services for at-risk students are provided for all District campuses. Additional services for economically disadvantaged students are provided at 47 designated Title I campuses under the Every Student Succeeds Act (ESSA). A few of the programs currently in place include:

- Credit Retrieval/Acceleration at the high schools provides students the opportunity to make-up previously failed credits and/or accelerate credits for students who are over-aged under-credited. The goal is to help students get back on track to graduate in a timely manner.
- Math and Reading Specialists at the elementary and middle school levels work with small groups of students to enhance learning opportunities and close achievement gaps.
- Tutorial opportunities at all campuses support classroom learning as well as preparation for state assessments.
- Even Start Family Literacy Program consists of school-community partnership to break the cycle of poverty and illiteracy by offering early childhood education, adult literacy or adult basic education and parenting education. The program provides services and support for children from birth through age eight, along with their parents. The goal is to support families so that children and their parents develop habits of lifelong learning.

FACULTY

Teachers in the District have an average of 11.8 years total teaching experience with 8.29 years' experience in the District. Their experience is enhanced by the quality of their education: 33% of the teachers hold master's degrees or higher. The District employs a total of 7,732 teachers.

OTHER EMPLOYEES

The District employs a total of 1,838 professional support and administration personnel as well as 1,477 instructional assistants. In addition, the District employs 4,045 paraprofessionals, maintenance, transportation and other support personnel. Total District employees are 14,597.

EDUCATIONAL FACILITIES AND STUDENT POPULATION

The District includes 21 high schools (8 of which are magnet high schools), 24 middle schools (3 of which are magnet middle schools), 82 elementary schools and 4 special schools serving special population students and 15 support centers. The District is accredited by the Texas Education Agency with a "Met Standard" Accountability rating.

STUDENT ENROLLMENT HISTORY⁽¹⁾

<u>Year</u>	<u>Enrollment</u>	<u>Increase/ Decrease</u>	<u>Year</u>	<u>Enrollment</u>	<u>Increase/ Decrease</u>
1966-67	12,942		1995-96	57,489	1,326
1967-68	14,777	1,835	1996-97	59,175	1,686
1968-69	16,848	2,071	1997-98	60,253	1,078
1969-70	19,092	2,244	1998-99	61,330	1,077
1970-71	21,297	2,205	1999-00	62,661	1,331
1971-72	23,800	2,503	2000-01	63,976	1,315
1972-73	25,446	1,646	2001-02	65,772	1,796
1973-74	27,906	2,460	2002-03	69,058	3,286
1974-75	28,881	975	2003-04	71,507	2,449
1975-76	29,346	465	2004-05	74,018	2,511
1976-77	30,109	763	2005-06	78,104	4,086
1977-78	30,856	747	2006-07	81,826	3,722
1978-79	31,845	989	2007-08	85,546	3,720
1979-80	32,594	749	2008-09	88,400	2,854
1980-81	33,459	865	2009-10	91,578	3,178
1981-82	34,513	1,054	2010-11	94,318	2,740
1982-83	35,097	584	2011-12	96,527	2,209
1983-84	36,605	1,508	2012-13	98,424	1,897
1984-85	39,151	2,546	2013-14	100,651	2,227
1985-86	42,167	3,016	2014-15	102,273	1,622
1986-87	44,702	2,535	2015-16	104,020	1,747
1987-88	46,889	2,187	2016-17	105,550	1,530
1988-89	48,564	1,675	2017-18	106,066	516
1989-90	49,470	906	2018-19	105,856	(210)
1990-91	50,154	684	2019-20	106,863	1,007
1991-92	52,090	1,936	2020-21	102,639	(4,224)
1992-93	53,994	1,904	2021-22	101,575	(1,064)
1993-94	55,036	1,042	2022-23	102,206	631
1994-95	56,163	1,127	2023-24 ⁽²⁾	100,612	-1,594

(1) Enrollment figures are for fall semester each year.

(2) As of September 29, 2023 Base Day.

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STUDENT ENROLLMENT BY GRADE⁽¹⁾

Year	EE	Pre-K ⁽²⁾	K	1	2	3	4	5	6	7	8	9	10	11	12	Special Campuses ⁽³⁾	Total
1972-73	-	-	234	1,697	2,112	2,315	2,190	2,310	2,277	2,238	2,183	2,364	1,851	1,528	1,340	807	25,446
1973-74	-	-	1,289	1,896	1,937	2,223	2,507	2,456	2,464	2,526	2,361	2,512	2,098	1,745	1,479	413	27,906
1974-75	-	-	1,501	2,087	1,969	2,032	2,306	2,580	2,563	2,550	2,515	2,534	2,261	1,907	1,575	501	28,881
1975-76	-	-	1,644	2,166	2,141	2,043	2,039	2,364	2,597	2,578	2,530	2,680	2,286	2,071	1,737	460	29,336
1976-77	-	-	1,759	2,341	2,278	1,149	2,135	2,128	2,448	2,654	2,602	2,796	2,383	2,145	1,882	309	29,009
1977-78	-	-	1,609	2,391	2,445	2,398	2,302	2,233	2,276	2,591	2,682	2,853	2,514	2,238	1,960	364	30,856
1978-79	-	-	1,706	2,285	2,516	2,537	2,514	2,399	2,397	2,395	2,596	3,035	2,604	2,368	2,069	424	31,845
1979-80	-	-	1,664	2,349	2,399	2,611	2,627	2,594	2,535	2,494	2,444	2,901	2,825	2,534	2,173	444	32,594
1980-81	-	-	1,755	2,288	2,511	2,535	2,748	2,795	2,801	2,661	2,555	2,888	2,623	2,519	2,380	400	33,459
1981-82	-	55	1,853	2,431	2,478	2,667	2,757	2,898	2,970	2,927	2,764	2,955	2,519	2,555	2,352	323	34,504
1982-83	-	42	1,996	2,560	2,454	2,478	2,758	2,832	3,024	3,145	2,937	3,127	2,601	2,448	2,332	363	35,097
1983-84	-	58	2,172	2,836	2,582	2,570	2,704	2,829	3,085	3,248	3,162	3,415	2,771	2,544	2,248	381	36,605
1984-85	-	64	2,258	3,209	2,920	2,799	2,846	2,879	3,103	3,318	3,410	4,013	2,856	2,702	2,395	379	39,151
1985-86	-	356	2,694	3,324	3,215	3,111	3,048	2,997	3,275	3,292	3,492	4,382	3,166	2,894	2,518	403	42,167
1986-87	-	583	2,870	3,881	3,252	3,388	3,358	3,153	3,296	3,388	3,353	4,327	3,626	3,098	2,744	385	44,702
1987-88	-	937	3,037	3,922	3,733	3,350	3,548	3,447	3,406	3,426	3,385	4,316	3,600	3,416	2,979	387	46,889
1988-89	-	1,137	3,291	4,220	3,766	3,789	3,535	3,561	3,642	3,442	3,450	4,159	3,564	3,384	3,219	405	48,564
1989-90	-	1,079	3,410	4,390	3,841	3,878	3,799	3,642	3,796	3,649	3,440	4,313	3,400	3,319	3,126	388	49,470
1990-91	-	1,132	3,355	4,575	3,864	3,856	3,925	3,851	3,856	3,685	3,651	4,227	3,548	3,157	3,066	406	50,154
1991-92	-	1,323	3,712	4,482	4,079	3,976	3,977	4,004	4,154	3,899	3,681	4,585	3,447	3,344	2,958	478	52,099
1992-93	-	1,424	3,763	4,663	4,222	4,234	4,087	4,091	4,250	4,163	3,816	4,770	3,705	3,189	3,097	520	53,994
1993-94	-	1,506	3,825	4,555	4,300	4,344	4,356	4,209	4,283	4,137	4,123	4,931	3,712	3,314	2,914	527	55,036
1994-95	-	1,542	3,910	4,392	4,406	4,361	4,438	4,447	4,351	4,263	4,087	5,109	3,847	3,291	3,073	646	56,163
1995-96	-	1,365	4,162	4,476	4,450	4,531	4,536	4,530	4,609	4,398	4,265	5,097	3,914	3,412	3,073	671	57,489
1996-97	203	1,174	4,238	4,695	4,547	4,460	4,579	4,661	4,712	4,627	4,409	5,195	4,062	3,689	3,168	756	59,175
1997-98	193	1,280	4,146	4,698	4,646	4,477	4,519	4,685	4,780	4,741	4,521	5,342	4,244	3,843	3,414	724	60,253
1998-99	227	1,343	4,408	4,729	4,711	4,653	4,495	4,589	4,807	4,662	4,710	5,609	4,207	3,941	3,429	810	61,330
1999-00	254	1,357	4,540	4,895	4,807	4,812	4,734	4,598	4,686	4,875	4,575	5,853	4,381	3,932	3,602	760	62,661
2000-01	268	1,409	4,621	5,060	4,926	4,831	4,904	4,847	4,754	4,709	4,861	5,680	4,706	4,053	3,562	785	63,976
2001-02	243	1,304	4,795	5,267	5,028	5,090	4,903	4,969	5,024	4,871	4,871	5,535	4,885	4,434	3,903	794	65,772
2002-03	228	1,479	5,295	5,414	5,293	5,285	5,216	5,175	5,149	5,206	4,939	5,693	5,109	4,635	4,200	742	69,058
2003-04	260	1,563	5,529	5,781	5,477	5,411	5,473	5,344	5,409	5,313	5,251	5,855	5,270	4,745	4,142	684	71,507
2004-05	271	1,696	5,664	6,094	5,669	5,675	5,565	5,672	5,574	5,515	5,416	6,623	4,800	4,923	4,120	741	74,018
2005-06	290	1,649	6,153	6,429	6,137	5,969	5,979	5,895	5,882	5,791	5,681	7,264	5,643	4,297	4,318	727	78,104
2006-07	325	1,855	6,431	6,972	6,499	6,398	6,332	6,249	5,990	6,018	6,005	7,499	5,557	4,524	4,304	868	81,826
2007-08	309	1,886	6,634	7,139	6,855	6,644	6,624	6,468	6,327	6,107	6,225	7,994	6,139	4,798	4,557	840	85,546
2008-09	392	1,976	6,754	7,292	7,019	6,942	6,724	6,661	6,545	6,455	6,314	7,977	6,649	5,188	4,738	774	88,400
2009-10	404	2,335	7,086	7,448	7,152	7,080	7,118	6,846	6,777	6,694	6,691	7,442	6,941	5,804	5,067	693	91,578
2010-11	463	2,394	7,151	7,748	7,376	7,324	7,284	7,308	6,991	6,974	6,858	7,492	6,516	6,228	5,447	764	94,318
2011-12	593	2,669	7,239	7,753	7,637	7,459	7,504	7,445	7,297	7,044	7,104	7,395	6,814	6,103	5,713	758	96,527
2012-13	610	2,762	7,579	7,647	7,696	7,747	7,499	7,485	7,298	7,306	7,150	7,636	6,926	6,512	5,750	821	98,424
2013-14	646	2,780	7,448	8,061	7,666	7,825	7,835	7,605	7,340	7,474	7,397	7,661	7,183	6,585	6,139	1,006	100,651
2014-15	665	2,509	7,589	8,034	8,108	7,838	7,931	7,852	7,291	7,556	7,611	7,865	7,334	6,809	6,175	1,106	102,273
2015-16	593	2,499	7,593	8,087	8,098	8,308	7,956	7,884	7,513	7,607	7,680	8,331	7,666	7,285	6,460	1,069	104,020
2016-17	510	2,363	7,386	7,914	8,043	8,245	8,410	7,948	7,623	7,779	7,706	8,399	7,971	7,521	6,714	1,018	105,550
2017-18	600	2,473	7,189	7,756	7,806	8,000	8,331	8,426	7,681	7,846	7,854	8,554	7,977	7,581	6,917	1,075	106,066
2018-19	687	2,376	7,164	7,330	7,773	7,780	8,032	8,390	8,143	7,736	7,909	8,798	7,949	7,859	6,873	1,057	105,856
2019-20	745	3,121	7,209	7,456	7,377	7,872	7,935	8,126	8,056	8,273	7,851	8,954	8,199	7,610	7,049	1,030	106,863
2020-21	693	2,111	6,637	6,928	7,145	7,100	7,660	7,786	7,721	7,999	8,292	8,580	8,402	7,954	7,118	513	102,639
2021-22	656	2,423	6,614	6,993	6,920	7,063	7,110	7,517	7,419	7,632	7,923	9,218	8,084	7,881	7,299	823	101,575
2022-23	861	3,065	6,532	7,163	7,142	7,127	7,265	7,263	7,331	7,456	7,736	9,108	8,595	7,687	7,082	793	102,206
2023-24 ⁽⁴⁾	925	3,117	6,224	6,741	7,143	7,151	7,071	7,290	6,993	7,321	7,567	8,914	8,398	8,109	6,952	696	100,612

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(1) All figures are as of the fall semester for each year.
(2) Includes Infant program, Early Childhood Education for the handicapped, and HB 72 Pre-Kindergarten program.
(3) Special Campus counts vary irregularly due to changing methods of accounting for special education students.
(4) As of September 29, 2023, Base Day.

ENROLLMENT BY CAMPUS

9-A

Elementary Schools	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24			
1. Adams Hill	689	678	506	589	610	649	651	686	702	405	398	385	494	431	373	439	411	485	530	533	515	557	533	563	573	536	557	518	472	523	486	466	500	472			
2. Allen ⁰⁷	514	494	478	484	474	497	560	572	564	610	579	532	519	621	612	617	613	609	617	598	610	600	604	598	577	578	556	573	579	562	523	515	465	490	469		
3. Aue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	148	635	732	831	869	957	756	634	647	677	673	685	660	597	596	561	559			
4. Bean	-	-	-	-	-	-	-	-	-	-	-	-	-	619	806	910	1076	1117	184	969	998	1037	915	845	841	789	736	691	664	663	652	638	579	543			
5. Beblau	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	423	458	599	755	825	868	967	1080	763	779	657	608	652	613	-			
6. Blattman	-	-	-	-	-	-	-	-	-	-	-	-	453	491	586	569	494	508	534	582	596	605	634	544	526	524	538	524	569	494	499	511	482	-			
7. Bolt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	495	618	749	580	1066	634	744	845	907	-		
8. Boone	824	886	867	834	888	912	884	905	877	923	970	947	956	1018	1009	999	948	936	658	656	655	654	654	646	597	601	629	579	556	540	516	488	487	471			
9. Bruchle	789	772	746	949	1076	999	988	1019	823	848	965	907	806	796	767	746	718	931	733	705	624	621	606	594	621	602	652	624	610	489	452	457	437	453			
10. Brun Station	755	696	702	721	703	826	855	701	680	592	669	577	560	551	555	606	598	670	648	617	674	643	587	543	579	611	565	537	514	478	447	381	376	349			
11. Burke	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
12. Cable	567	583	611	605	604	621	604	565	558	516	513	461	602	627	502	511	548	622	623	646	663	704	751	770	732	736	695	676	581	534	481	446	451	417			
13. Carlos Coon	1017	1048	867	901	882	916	1045	912	903	936	677	685	805	649	676	762	747	751	680	689	749	759	816	854	851	806	823	766	721	693	572	564	583	579			
H. Carnahan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
15. Carson	-	-	-	-	-	-	546	751	666	1004	713	739	720	622	645	670	713	720	622	645	670	713	713	691	642	642	633	590	572	561	576	529	508	516	500		
16. Cody	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
17. Cole	1023	1063	837	873	965	936	977	941	898	902	958	832	901	928	982	1048	1038	980	733	824	836	806	779	745	777	699	625	610	628	621	541	511	522	530			
18. Colonies North	624	801	749	664	707	705	759	748	770	752	767	740	744	732	771	705	497	533	601	666	606	587	642	710	698	725	657	734	625	636	581	515	608	523			
19. Drieggers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	636	651	658	628	645	617	616	596	604	601	574	566	589	488	455	488	484	-		
20. Ellson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
21. Elrod	618	656	648	667	655	687	714	713	734	764	760	730	740	741	745	799	805	618	600	591	581	565	554	556	539	509	522	456	436	433	374	345	344	337			
22. Esparza	752	760	807	808	771	754	761	724	734	750	737	752	721	765	758	797	794	797	855	775	772	770	743	746	702	695	671	650	581	522	467	433	449	456			
23. Evers	-	-	-	845	917	940	1018	1014	1019	1027	897	905	910	947	970	789	839	746	664	627	678	728	817	853	944	982	996	899	832	754	777	659	587	588	570		
24. Fernandez	588	686	696	732	766	780	836	876	874	898	765	715	741	829	856	838	786	758	718	694	718	698	698	638	640	633	592	600	608	586	532	489	494	442	-		
25. Fields	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
26. Fisher	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	676	847	910	908	954	1042	824	825	846	840	839	774	699	700	681	699	547	559		
27. Forester	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	776	946	753	835	908	961	984	972	980	922	861	873	809	734	718	739		
28. Franklin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
29. Galm	636	683	598	637	699	729	788	835	883	976	1034	818	863	925	769	757	922	1032	934	769	721	730	704	717	710	665	610	568	533	493	441	419	470	-			
30. Glass	564	564	598	567	548	506	526	544	553	512	503	483	464	494	529	521	612	634	579	580	587	635	609	615	589	565	603	613	560	536	455	437	463	387			
31. Glenn	762	824	854	844	832	850	773	725	671	618	628	613	605	603	638	701	684	686	662	687	699	689	671	656	671	669	616	579	544	541	484	459	469	420			
32. Glenoaks	700	772	599	621	599	591	600	550	662	747	735	690	747	729	745	824	616	606	645	624	668	659	687	657	669	619	684	512	527	538	540	453	-	-			
33. Hatcher	-	-	-	-	-	-	-	-	-	-	-	-	-	743	1026	977	786	793	794	838	866	798	814	808	823	800	768	746	716	618	569	632	600	-	-		
34. Helotes	385	345	406	405	445	462	512	485	515	523	541	587	610	544	599	518	547	512	502	483	476	491	376	358	379	386	400	408	424	404	377	349	341	311	-		
35. Henders on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	569	659	702	609	692	841	814	530	537	617	697	829	1029	733	-	-		
36. Hoffman	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	697	925	609	692	761	901	1032	941	999	974	980	822	801	859	807	-	-		
37. Howsman	765	828	619	607	641	705	742	749	728	694	698	755	844	651	705	642	622	642	597	621	629	685	691	693	621	754	752	716	696	739	692	701	666	631	-		
38. Hull	536	528	625	714	709	566	542	528	555	557	595	598	638	593	573	601	496	517	582	576	546	596	664	685	650	632	612	612	545	488	530	414	427	426	-		
39. Kallison	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
40. Knowlton	861	947	998	1012	1002	1023	1038	1032	1032	1067	808	810	818	781	785	776	768	740	773	763	754	749	736	736	681	702	659	669	612	603	645	638	650	606	-		
41. Krueger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	646	994	1226	1034	1013	1072	1068	1051	1071	1046	824	613	693	611	554	505	487	-
42. Kuentz	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
43. Langley	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	741	789	800	818	819	793	771	735	707	655	616	580	540	502	511	-	
44. Leon Springs	-	470	504	551	570	563	593	483	520	510	520	521	528	556	621	729	845	526	541	555	538	574	572	584	393	427	463	487	526	514	477	446	399	430	-		
45. Leon Valley	578	632	618	618	675	876	923	688	710	793	774	869	775	791	822	723	639	593	592	642	682	670	710	719	660	637	624	585	589	554	514	523	568	612	-		
46. Lewis	-	-	-	-	-	-	-	-	-	-	-	635	835	1023	964	1092	912	945	949	940	824	812	806	798	787	758	719</										

THE CITY OF SAN ANTONIO AND BEXAR COUNTY

POPULATION AND LOCATION

The 2020 Census, prepared by the United States Census Bureau (“U.S. Census Bureau”), found a City of San Antonio (the “City”) population of 1,434,625. For the 2010 City population, it was determined that the U.S. Census Bureau had erroneously assigned 35 census blocks to the City that are actually outside of the City limits. The revised 2010 City population is 1,326,539.

The U.S. Census of Population estimates the City’s population to be 1,466,837 in 2023. The U.S. Census Bureau ranks the City as the second largest in the State of Texas (the “State”) and the seventh largest in the United States. The City is located in south central Texas approximately 80 miles south of the state capitol in Austin, 165 miles northwest of the Gulf of Mexico, and approximately 150 miles from the U.S./Mexico border cities of Del Rio, Eagle Pass, and Laredo, respectively.

The City is the county seat of Bexar County (the “County”). The County had a population of 2,009,324 according to the 2020 Census. In 2023, the U.S. Census of Population estimated the County’s population to be 2,078,146 and the San Antonio-New Braunfels Metropolitan Statistical Area (“MSA”) population to be 2,653,989.

POPULATION

The following table provides the population of the City, the County, and the MSA, which includes Bexar County and Comal, Wilson, and Guadalupe Counties:

Year	City of San Antonio	Bexar County	San Antonio-New Braunfels MSA
1920	161,379	202,096	289,089
1930	231,542	292,533	389,445
1940	253,854	338,176	437,854
1950	408,442	500,460	603,775
1960	587,718	687,151	796,792
1970	654,153	830,460	951,876
1980	785,880	988,800	1,154,648
1990	935,933	1,185,394	1,407,745
2000	1,144,646	1,392,931	1,711,703 ⁽¹⁾
2010	1,326,539	1,714,773	2,142,508 ⁽²⁾

- (1) As of June 2003, the United States office of Management and Budget redefined the City MSA by increasing the number of counties from four to eight: Atascosa, Bandera, Kendall, and Medina Counties were added to its mainstays of Bexar, Comal, Guadalupe, and Wilson Counties. (The 2000 figure reflects the new 2003 redefined eight-county area.) As of December 2009, New Braunfels, Texas qualified as a new principal city of the San Antonio MSA, and the MSA was retitled San Antonio-New Braunfels MSA.
- (2) Provided by the American Community Survey.

Sources: U.S. Census Bureau; Texas Association of Counties – County Information Project; and City of San Antonio, Department of Planning and Community Development.

AREA AND TOPOGRAPHY

The area of the City has increased through numerous annexations, and now contains approximately 485 square miles. The topography of the City is generally hilly with heavy black to thin limestone soils. There are numerous streams fed with underground spring water. The average elevation is 795.5 feet above mean sea level.

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BEXAR COUNTY

The County was organized in 1836 as one of the original counties of the Republic of Texas and is now the fourth most populous of the 254 counties in the State. The County has an area of approximately 1,248 square miles and is located in south central Texas and is a component of the San Antonio-New Braunfels MSA. The principal city within the County is San Antonio, which is the county seat.

The diversified economic base of the County is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. The County’s proximity to Mexico provides favorable conditions for international business relations with the country in the areas of agriculture, tourism, manufacturing, wholesale and retail markets. Industry ranges from the manufacturing of apparel, food products, aircraft, electronics and pharmaceuticals to iron and steel products and oil well equipment. San Antonio is a major insurance center in the southwest, serving as the headquarters for several insurance companies, including United Services Automobile Association.

LABOR FORCE STATISTICS FOR BEXAR COUNTY⁽¹⁾

	2024 ⁽²⁾	2023 ⁽³⁾	2022 ⁽³⁾	2021 ⁽³⁾	2020 ⁽³⁾
Civilian Labor Force	<u>1,011,761</u>	<u>1,004,146</u>	<u>977,978</u>	<u>951,800</u>	<u>932,280</u>
Total Employed	973,517	966,616	941,275	900,953	861,055
Total Unemployed	38,244	37,530	36,703	50,847	71,225
Unemployment Rate	3.8%	3.7%	3.8%	5.3%	7.6%
% Unemployed (Texas)	4.1%	3.9%	3.9%	5.6%	7.7%
% Unemployed (U.S.)	4.1%	3.6%	3.6%	5.3%	8.1%

- (1) Source: Texas Employment Commission.
- (2) As of January 2024.
- (3) Average annual statistics.

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APPENDIX B

EXCERPTS FROM THE
NORTHSIDE INDEPENDENT SCHOOL DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended August 31, 2023

The information contained in this Appendix consists of excerpts from the Northside Independent School District Annual Comprehensive Financial Report for the Year Ended August 31, 2023, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete report for further information.



January 23, 2024

Mr. Robert Blount, Jr., President
Members of the Board of School Trustees
Northside Independent School District
San Antonio, Texas

Dear Mr. Blount, Board Members, and Patrons:

The Texas Education Code requires that all school districts file and publish a complete set of financial statements with the Texas Education Agency (“TEA”) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America. The financial statements must be audited by a firm of licensed certified public accountants 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. Pursuant to these requirements, we hereby issue the Annual Financial Report (AFR) of the Northside Independent School District (“District” or “Northside”) for the year ended August 31, 2023.

This report consists of management’s representations concerning the financial condition and operations of the District. Accordingly, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to help protect the District’s assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the District’s financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the District’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Whitley Penn, LLP, a firm of licensed certified public accountants, has audited the financial statements of the District. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2023 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the District’s basic financial statements for the fiscal year ended August 31, 2023 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors’ report is presented as the first component of the financial section of this report.

The independent audit of the basic financial statements of the District was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with emphasis on the administration of federal awards. These reports are presented as part of the Annual Comprehensive Financial Report’s (ACFR) Federal Awards Section. Findings associated with the Single Audit will be found in the Schedule of Findings and Questioned Costs along with a Corrective Action Plan from District Management, if applicable.

Rene Barajas, PhD
Deputy Superintendent
Business and Finance

5900 Evers Road
San Antonio, Texas
78238-1606
Tel: 210.397.8903
Fax: 210.706.8543
www.nisd.net

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report.

DISTRICT PROFILE

Established in 1949 by the consolidation of twelve rural schools, today, the District is the fourth largest school system in Texas. The District is located in the rapidly growing northwest quadrant of Bexar County and includes portions of Medina and Bandera counties as well as the City of San Antonio. The District includes 355 square miles of urban landscape, suburban growth, and rural Texas hill country.

Northside enrollment is 100,612 students for 2023-24 on the September 29, 2023 Base Day count. The District prides itself on its diversity. Student demographics for 2022-23 are: 68.5% Hispanic, 16.1% White, 6.9% African American, 3.9% Asian, 0.2% Native Hawaiian/Other Pacific Islander, 0.1% Native American, and 4.3% of two or more races. About 54.1% of students are considered economically disadvantaged. Data retrieved from PIEMS fall data review SY 2022-23

Residents of the District elect members of the Board of Trustees to four-year terms from each of seven single-member districts. The Trustee seats are up for election on a rotating basis on the second Saturday in May. Vacancies may be filled by appointment until the next election. Trustees annually elect Board officers, including President, Vice-President, and Secretary. The Trustees serve the citizens of San Antonio's largest school system without compensation.

The District provides a full range of educational services for grade levels Pre-K through 12, in addition to educational programs that begin at infancy for some children and extend through age 22 for others. These programs include regular and enriched academic education, special education for students with disabilities, occupational and vocational education, bilingual instruction for students with limited English proficiency, and specialized instruction for economically disadvantaged students.

Academically talented students may seek challenges in, pre-Advanced Placement, Advanced Placement, and dual credit courses in English, Mathematics, Social Studies, and Science and other subjects in grades 6-12. In addition, students may study five different foreign languages. The District provides programs for gifted students in a variety of settings in grades K-12 that focus on the development of higher-level and cognitive thinking skills.

- The District offers three middle school and eight high school magnet programs that provide specialized curricula and career-oriented classes for students. The high school programs include Communication Arts High School, Construction Careers Academy, Health Careers High School, John Jay Science and Engineering Academy, Marshall Law and Medical Services Magnet School, the Northside School of Innovation, Technology, Entrepreneurship (NSITE) High School, Agriculture Science and Technology Academy, and the CAST Teach High School. The district opened its first middle school magnet program, the STEM-focused Jones Magnet School in 2020, the second middle school magnet, Zachry Magnet School, in 2021, and the third, Hobby middle school program concentrating on Career and Technical Education courses in 1971.

In addition, the District is committed to life-long education and offers one of the largest adult and community education programs in Bexar County, as well as numerous outreach programs for students in special circumstances (i.e., teenage mothers, at-risk students, dropouts, and the homeless). More than 20,500 people are served by the Adult and Community Education Department, which also offers career advancement and Learning Tree after school care programs, and operates one of the largest summer education programs in San Antonio.

District Accomplishments

- More than 7,400 students received diplomas in June 2023 at 12 graduation ceremonies. The Class of 2023 earned \$181.4 million in college scholarships and 61,807 hours of college credit.
- Northside teachers and administrators are consistently recognized at local, state, and national levels. Marshall HS history teacher Anthony Gonzales was recipient of the James F. Veninga Outstanding Teaching of the Humanities Award from Humanities Texas. Jasmin Thompson, a first grade, teacher at Braun Station Elementary School, was the recipient of the 2022-23 EXCEL Award by KENS5 and Credit Human. Rayburn MS art teacher Larry West was named the 2022 Outstanding Middle School Art Educator by the Texas Art Education Association (TAEA). Clark HS Latin teacher, William Lee, was named the 2023 American Council on the Teaching of Foreign Language's (ACTFL) National Language Teacher of the Year. Assistant Superintendent for Technology Services Lori Jones, an Air Force reservist, was promoted to the rank of Brigadier General. Monica Faulkenbery, Assistant Director of Communications, received the 2023 President's Award from the Texas State Public Relations Association (TSPRA). Dr. Woods was the 2022 recipient of the Golden Deeds Award presented by the Texas Association of School Administrators (TASA) and Texas A&M University Educational Administration and Human Resources Development. Sasha Luevano, Adult Education Program Coordinator, was named the Administrator of the Year for the Texas Association for Literacy and Adult Education. Head Coach Rihana Houy was named the Express News Coach of the Year. where the NISD Board was named the Outstanding Board in the State of Texas at the H-E-B Excellence Education Awards event.

Innovative Initiatives

- All eighty-one elementary schools offered STEM Labs in the 2022-2023 school year. They're staffed by certified teachers and serve all students on each campus on a rotating basis, similar to music, art, and physical education.
- In the fall of 2022, 6,388 juniors took the PSAT for free during the school day at their home campus.
- Northside ISD is committed to ensuring high-levels of teaching and learning and is focused on the continued use of Professional Learning Communities district-wide.

Community Support

- Since 1995, voters have approved almost \$5 billion in bonds to build new schools and make improvements to existing schools. In May 2022, Northside voters approved a \$992 million election, making it the ninth consecutive bond election voters have passed. Sixty-seven percent of the District's \$992 million bond authorization will fund improvements to existing schools.
- The Northside Education Foundation (Foundation) was created in 1995. The mission of the Foundation is to foster community involvement in innovative educational programs by generating and disbursing funds and other resources to provide enrichment for students of the Northside Independent School District. Since its inception, NEF has awarded more than \$10 million in grants to district educators. The Foundation has been recognized as one of the Top 50 Education Foundations in the nation and has an endowment of \$6.1 million.
- The Adult and Community Education Department, which offers various classes to the community which also includes career advancement and Learning Tree after school care programs. During 2023, it served more than 20,500 participants, in addition, it operates one of the largest summer education programs in San Antonio.

Financial Stewardship

- The District is average in local tax commitment, above average in percent of budget devoted to instruction, and among the lowest in administrative cost-per student.
- The District has one of the lowest tax rates among Bexar County's 19 school districts. With the passage of House Bill 3 in the 2019 legislative session, state revenue for the District increased and the M&O rate for the District decreased 7 cents. Even with the issuance of new debt, the District did not increase the I&S tax rate.

OUR MISSION

The Northside Independent School District and our community will provide innovative, high-quality, diverse learning experiences for all students in an ever-changing world.

OUR BELIEFS

- We believe public education is a bridge to creating productive members of society.
- We believe every individual is entitled to an emotionally and physically safe and respectful learning environment.
- We believe each student deserves equal and equitable access to a quality education.
- We believe a commitment to student success is a shared responsibility among students, parents, educators, and the community.
- We believe students learn best when they are active participants in their own learning.
- We believe the more connected families are in the educational process, the more successful students will be.
- We believe meaningful relationships among parents, educators, and the community foster student success.
- We believe core academics, the arts, career & technology, electives, and extracurricular activities are crucial to a well-rounded education.
- We believe schools create conditions that prepare students to be critical thinkers and problem solvers.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Introduction

The District is located in the heart of a rapidly growing area in Bexar County. The District's appeal to families is due to factors such as excellent teachers, strong academics, and outstanding extracurricular programs. The District facilities provide functionality with aesthetically pleasing facades. As a family-friendly District, our emphasis is on children and families. The District also places great emphasis on a high quality work force and an employee-family culture.

Population

There are an estimated 696,000 people residing in the District and about 258,000 households. Enrollment in the District has been steadily growing since the 1990s, and recent trends show a stable enrollment around 102,719. Northside is the largest of 16 school districts in Bexar County.

San Antonio is the 7th largest city in the United States and boasts one of the fastest growing metropolitan areas. Bexar County population exceeded 1.7 million in the 2010 census, representing a 23% increase since 2000. This growth rate is also typical for the District and has resulted in opening more than 40 new schools in the last fifteen years.

Local Economy

The local economy prior to the pandemic remained strong with growth in major areas of the City's high growth business sectors. The area economy maintained a history of in the aerospace, bioscience/healthcare, energy, information technology and manufacturing sectors. This growth had enabled unemployment rates in the area to remain below the state and national levels. Unemployment rates during the pandemic have increased but began to uptick near the end of the District's fiscal year and trended above the national average.

Altogether, an estimated 9,200 large and small businesses are located in the District, including economic generators such as the South Texas Medical Center, which is home to dozens of hospitals, Valero Energy, USAA Texas based

financial services organization, and Microsoft Corporation, the District's largest taxpayer. Entertainment destinations, SeaWorld and Fiesta Texas, help draw tourists and residents to Northwest San Antonio.

The Westover Hills development includes major corporations like QVC, Citicorp, The American Funds Group, and Chase Manhattan. Ingram Park Mall, one of the area's largest shopping malls, with 1.1 million square feet, the sprawling and upscale Shops at La Cantera, and other major shopping centers are all located within the District. In addition, The Rim is a massive entertainment and shopping destination that brings thousands of visitors to the District and is still expanding. Northside's major taxpayer resorts include the Hyatt Regency Hill Country Resort, The Eilan Hotel Resort and Spa, Hyatt Wild Oak Ranch, and La Cantera Hill Country Resort.

In addition to the more than 150 schools and facilities the District operates, northwest Bexar County is a higher education and research center magnet. The University of Texas at San Antonio, home to more than 35,000 undergraduate, graduate, and post-graduate students, is located in Northside. The University of Texas Health Science Center at San Antonio, with its medical, dental, nursing, and allied health schools, is also located in the District, as well as Northwest Vista College, part of the Alamo Community College District. Other large enterprises located within the District are the Southwest Research Institute, National Security Agency and the Texas Research Park.

Access

The District has an excellent transportation system, with many major roads and highways traversing through it. Interstate Highway 10, which is the major east-west interstate highway in the southern United States, runs through the District. State Highway 151, which is a 10-mile, 4-lane, divided highway, also runs through the District. Both these highways provide quick access to Interstate Loop 410 and Texas State Highway Loop 1604 and link downtown San Antonio to the Northwest part of Bexar County. The Highway 151-Loop 1604 area is where most of the new housing within the District is being constructed.

THE REPORTING ENTITY

Northside Independent School District is an independent reporting entity clearly within the criteria established in Section 2100 of the Governmental Accounting Standards Board codification.

Internal and Budgetary Controls

The development and evaluation of the District's accounting system considers the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits expected to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

We believe that the District's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

Budgetary controls are established by regulations of the Texas Education Agency and by District policy for all administrators with line item responsibility. TEA regulations set the level of budgetary control at the major functional expenditure level. Administrators have the responsibility to develop and manage their own program budgets once approved. Revisions within the categories are accepted upon request, but additions in amount or revisions between functions require recommendation of the Superintendent and approval by the Board of Trustees.

General Educational Functions

Principally, local taxes and state entitlements support general educational activities. Direct federal aid is nominal in the General Fund; however, the Special Revenue Fund receives most of its funding from Federal grants, which are distributed through the Texas Education Agency. General educational activities are accounted for in the General and Special Revenue Funds. State and federal grants or entitlements primarily support the Special Revenue Fund. They include support for the economically and academically disadvantaged, federal support for special and vocational education, and a variety of other projects as described in the Combining Statements.

Cash Management

The District's cash position is reviewed daily and all idle cash is invested in accordance with the District's investment policy. The District's investment officers invest primarily in U.S. Government agency notes and local government investment pools. Total investments at August 31, 2023 were \$964,037,272 and the average yield on investments was 4.60%. Yields on investments remain favorable compared to the three-month Treasury bill rate.

The District's investment policy is to protect principal and minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral pledged to the District was held in the District's name by the Federal Reserve in Boston, Massachusetts. Wells Fargo Securities holds investments owned by the District.

Risk Management

The purpose of Risk Management is to plan for the negative consequences of any decision, process, or action by using whatever means feasible to control the chance of financial loss. Effective risk management is a critical component of any sound organization. Every dollar spent on property damage, on-the-job injuries, liability claims, and insurance premiums is a dollar not spent for school district services.

The objectives of risk management are to:

1. ensure that District assets are protected and managed appropriately;
2. identify situations that may create liability and financial burden upon the District;
3. implement effective procedures to minimize and/or avoid loss exposures;
4. act as a resource and service center for all District employees.

The District also maintains a self-funded worker's compensation program, property and casualty exposures and coverage, safety training and inspection program.

Worker's Compensation Program

The District provides all employees with worker's compensation coverage for injuries that occur in the course and scope of employment. Although the District is self-insured for this exposure, a third party administrator discharges the claims function of this program. The District also purchases excess worker's compensation coverage through a commercial insurer in order to protect the District's fund from catastrophic losses.

Property and Casualty Coverage

Commercial property and casualty policy (P&C) is purchased by the District to provide fire and extended coverage of all District permanent structures and their contents. Other P&C exposures insured are Boiler & Machinery, Underground Storage Tank Liability, Crime Coverage, Errors & Omissions Coverage, and numerous Fidelity Bonds. The District maintains self-insurance for Commercial Automobile Liability.

Safety Program

The District provides regular training to various campus personnel and employee groups throughout the District. Specific or targeted training is provided on the basis of need and at periodic intervals throughout the year. In addition, the use of inspections has allowed the District to identify unsafe acts or conditions, make necessary changes and prevent loss situations from occurring to others.

Northside Employee Benefits

Northside makes an array of benefits available through a Section 125 Cafeteria Plan to all regular employees who work 20 hours or more per week. Participation in the Cafeteria Plan allows for certain benefits to be deducted from the employee's pay with tax-deferred money. Northside retirees are eligible for dental and vision benefits outside of the Section 125 Cafeteria Plan. The District subsidizes premiums for active employees based on the coverage tier selected (i.e., employee only, employee and spouse, employee and children, employee and family). The District does not subsidize retiree benefits.

Health Insurance Program

The District offers its employees a suite of health benefit plans fully insured by UnitedHealthCare. A traditional PPO plan, an EPO plan, an HMO plan, and three high deductible plans are available. Employees who elect health coverage are also provided a \$5,000 life insurance policy. Employees who do not elect health insurance are provided a \$50,000 or \$80,000 life insurance policy.

Supplemental Employee Benefits

Other benefits offered are voluntary and supplemental in nature. The participant pays the total cost of these insurances. The supplemental benefits include dental, vision, employee/spouse/child term life, cancer, and critical illness insurance, as well as disability/income replacement, pre-paid legal, medical/dependent care, and health spending accounts.

Fiscal Strategic Planning

The District continues to be proactive in its strategic fiscal planning by requesting input from community members and staff. The priorities of the Strategic Plan focus on promoting community involvement; educating diverse learners; hiring, developing, and retaining quality staff; and promoting a safe environment for the students and staff.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northside for the fiscal year ending August 31, 2022. This was the thirty-first consecutive year the District has received this award. In order to receive a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report (ACFR). This report must satisfy accounting principles generally accepted in the United States as well as applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Senate Bill 218 of the 77th Texas Legislature (2001) authorized the implementation of the Financial Integrity Rating System of Texas, officially known as Schools FIRST. This law requires each school district to prepare and distribute an annual financial management report and provide the public an opportunity to comment on the report at a public meeting. The primary goal of Schools FIRST is to improve the management of a school district's financial resources.

For nineteen years in a row, the District earned a "Superior Achievement" rating from the TEA. This is the highest possible rating under the Schools FIRST accountability system. Beginning in 2014-15, the TEA modified the ratings to a point system with a maximum of 100 points and a "Superior" rating for achieving a minimum of 90 points. In the latest FIRST report presented to the public in October 2023 for 2021-22, the District earned a "Superior" rating with a score of 98 points.

The timely preparation of this report could not have been accomplished without the assistance of the following departments: Resource Planning, Communications, and Business and Finance. We would like to acknowledge our independent auditors, Whitley Penn, LLP., for their role in providing professional guidance and assistance in the preparation of this report.

Finally, without the interest, leadership and support of the Board of Trustees, preparation of this report would not have been possible.

John Craft, Ed.D.
Superintendent of Schools

Rene Barajas, Ph.D.
Deputy Superintendent
Business and Finance

CERTIFICATE OF BOARD

<u>Northside Independent School District</u>	<u>Bexar</u>	<u>015915</u>
Name of Local Education Agency	County	County-District

We, the undersigned, certify that the attached Annual Financial Reports of the above-named school district were reviewed and { X } approved { } disapproved for the year ended August 31, 2023, at a meeting of the Board of School Trustees of such school district on the 23rd day of January, 2024.

Gerald B. Lopez
Signature of Board Secretary

Robert Blount, Jr.
Signature of Board President



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

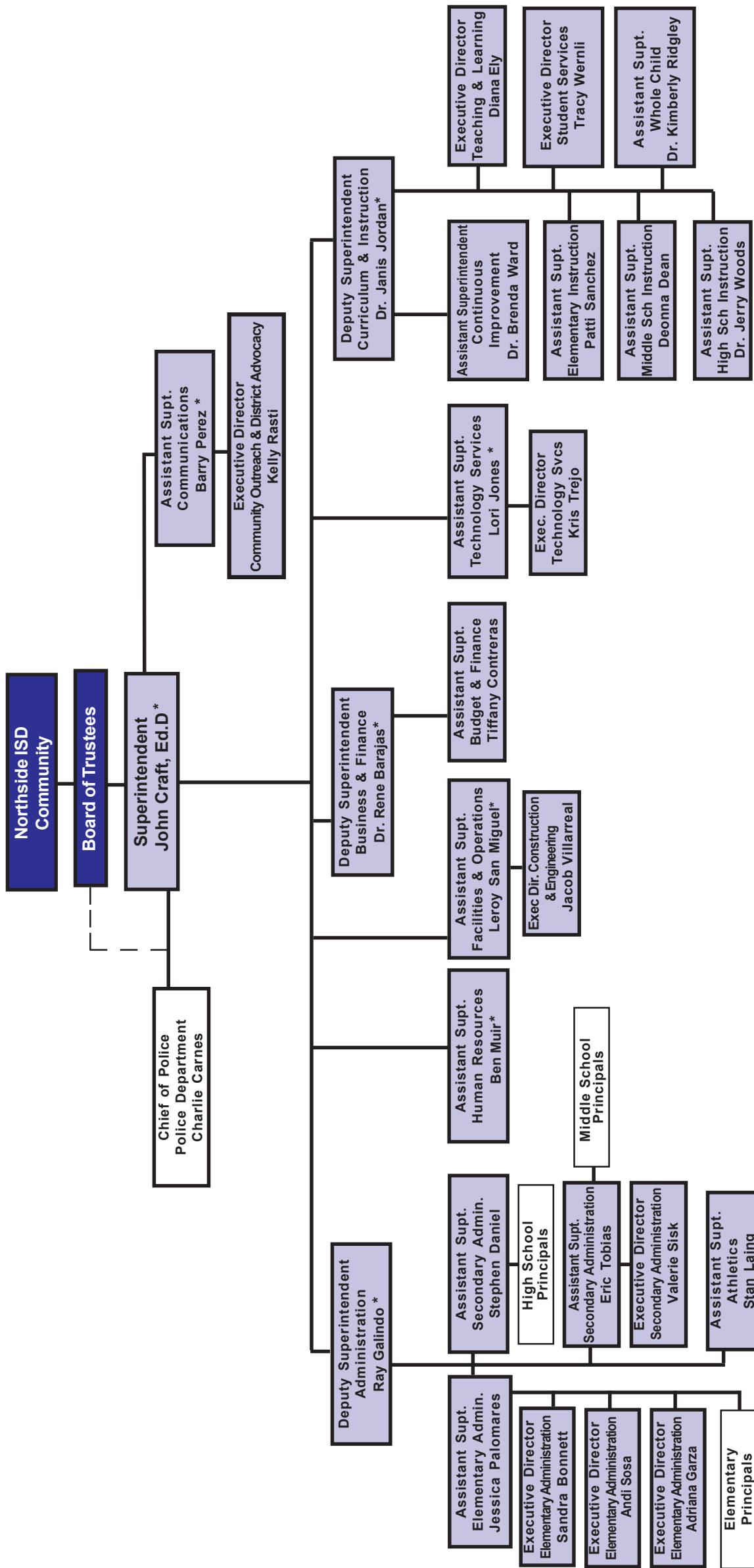
**Northside Independent School District
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

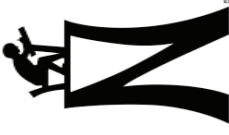
August 31, 2022

Christopher P. Morrill

Executive Director/CEO



Northside Independent School District
 Administrative Organization
Effective August 22, 2023
 Shaded box denotes Superintendent's Cabinet.
 * denotes Senior Staff



NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

APPOINTED OFFICIALS AND ADVISORS
August 31, 2023

APPOINTED OFFICIALS

John M. Craft, Ed.D.	Superintendent
Ray Galindo	Deputy Superintendent - Administration
Rene Barajas, Ph.D.	Deputy Superintendent – Business and Finance
Janis Jordan Ed.D.	Deputy Superintendent – Curriculum and Instruction
Kimberly Ridgley	Assistant Superintendent – Whole Child Development
Stephen Daniel	Assistant Superintendent – Secondary Administration
Jessica Palomares	Assistant Superintendent – Elementary Administration
Eric Tobias	Assistant Superintendent – Secondary Administration
Tiffany Contreras	Assistant Superintendent – Business and Finance
Leroy San Miguel	Assistant Superintendent – Facilities and Operations
Ben Muir	Assistant Superintendent – Human Resources
Lori Jones	Assistant Superintendent – Technology Services
Jerry Woods, Ed.D.	Assistant Superintendent – High School Instruction
Deonna Dean	Assistant Superintendent – Middle School Instruction
Patricia Sanchez	Assistant Superintendent – Elementary Instruction
Brenda Ward, Ed.D.	Assistant Superintendent – Continuous Improvement
Barry Perez	Assistant Superintendent – Communications

ACCOUNTANTS AND ADVISORS

Whitley Penn
Certified Public Accountants
San Antonio, Texas

Langley & Banack, Inc.
General Counsel
San Antonio, Texas

Hilltop Securities, Inc.
Financial Advisors
San Antoni, Texas

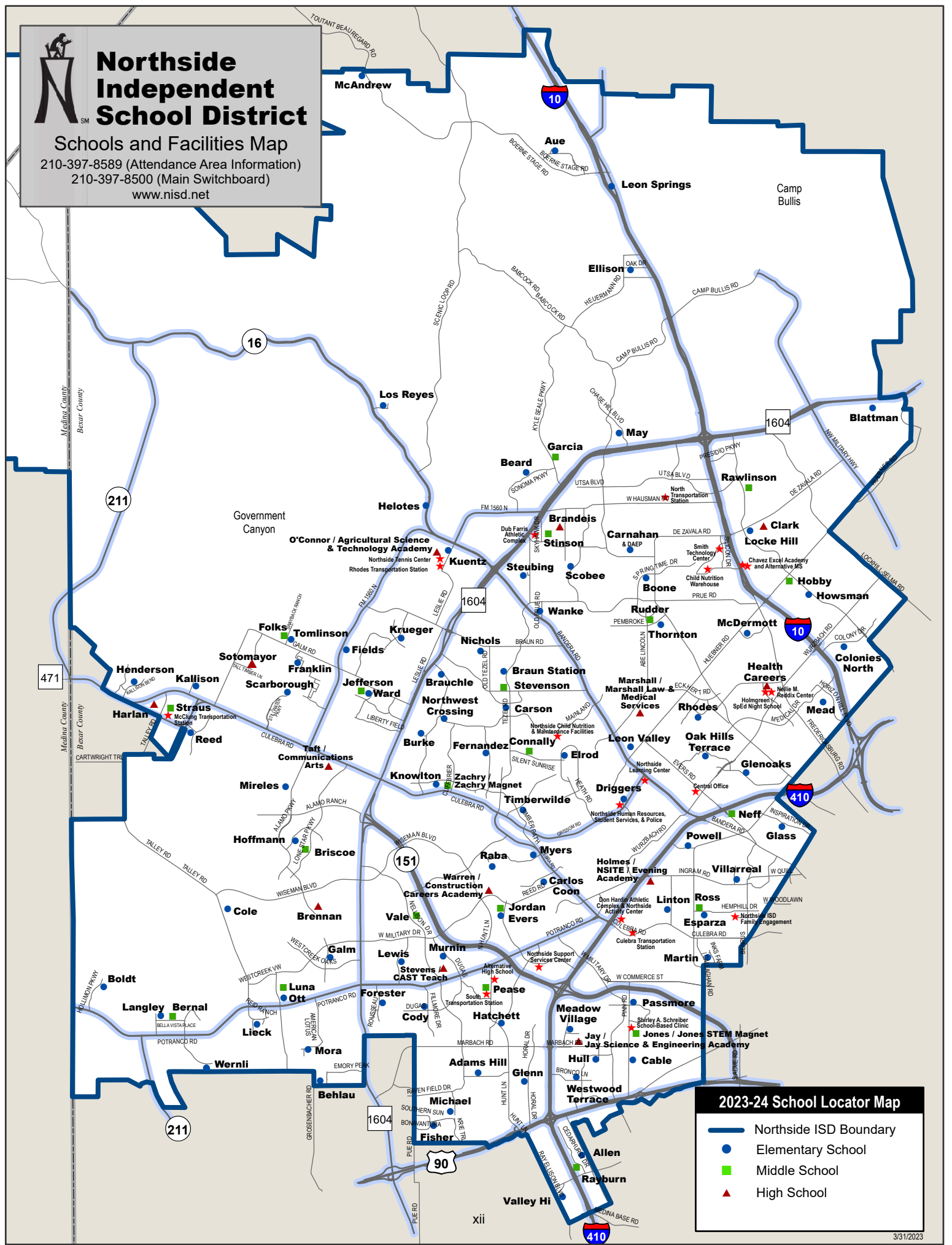
Norton Rose Fulbright
Bond Counsel
San Antonio, Texas



Northside Independent School District

Schools and Facilities Map

210-397-8589 (Attendance Area Information)
210-397-8500 (Main Switchboard)
www.nisd.net



2023-24 School Locator Map

- Northside ISD Boundary
- Elementary School
- Middle School
- ▲ High School

**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Northside Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northside Independent School District (the "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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

To the Board of Trustees
Northside Independent School District

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

To the Board of Trustees
Northside Independent School District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, schedules required by Texas Education Agency (TEA) , and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, required TEA schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections 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 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.



Austin, Texas
January 23, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Northside Independent School District (the "District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended August 31, 2023. The intent of this section is to look at the District's financial performance as a whole. We encourage readers to consider the additional information presented in the transmittal letter, in the introductory section, and the notes to the basic financial statements in conjunction with this discussion and analysis to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the district exceeded liabilities and deferred inflows of resources by \$307,665,858 (net position). The District has \$167,485,166 of negative unrestricted net position. The negative overall and unrestricted net position is primarily the result of liabilities associated with the Pension Obligation and Other Postemployment Obligations (OPEB) which is discussed extensively in Notes 10 and 11 of the Notes to the Financial Statements. Restricted net position consists of \$74,884,258 for debt service and \$19,346,375 for grants.
- The District is reporting an increase in net position of \$173,307,550.
- Tax collections increased \$61,435,388 from 2022 and the tax levy increased by \$57,101,353, as a result of the increase in the tax base.
- The ending fund balance of the District's General Fund decreased \$2,332,501 to \$455,087,019. The unassigned portion of fund balance, \$250,670,832 represents 25.68% of annual operating expenditures or about 67 days of operations (based on 260 annual operating days).
- In May 2018, the Northside community approved a \$848.91 million bond proposal to build one high school, one middle school, two elementary schools, and make additions and improvements to existing schools and facilities. During the year, the District issued \$75,000,000 from the 2018 bond authorization.
- In May 2022, the Northside community approved a \$992 million bond proposal to build one elementary school and make additions and improvements to existing schools and facilities. During the year, the District issued the first bond authorization in the amount of \$200,000,000.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Annual Comprehensive Financial Report (ACFR) consists of an Introductory Section, Financial Section, Statistical Section and a Federal Awards Section. The Financial Section consists of four parts - Management's Discussion and Analysis (this section), the basic financial statements (with accompanying notes), required supplementary information, and an optional section that presents combining statements for non-major governmental funds, internal service funds, fiduciary funds and capital assets used in the operation of governmental funds. The statements are intended to be organized so that the reader can understand the District as an entire operating entity.

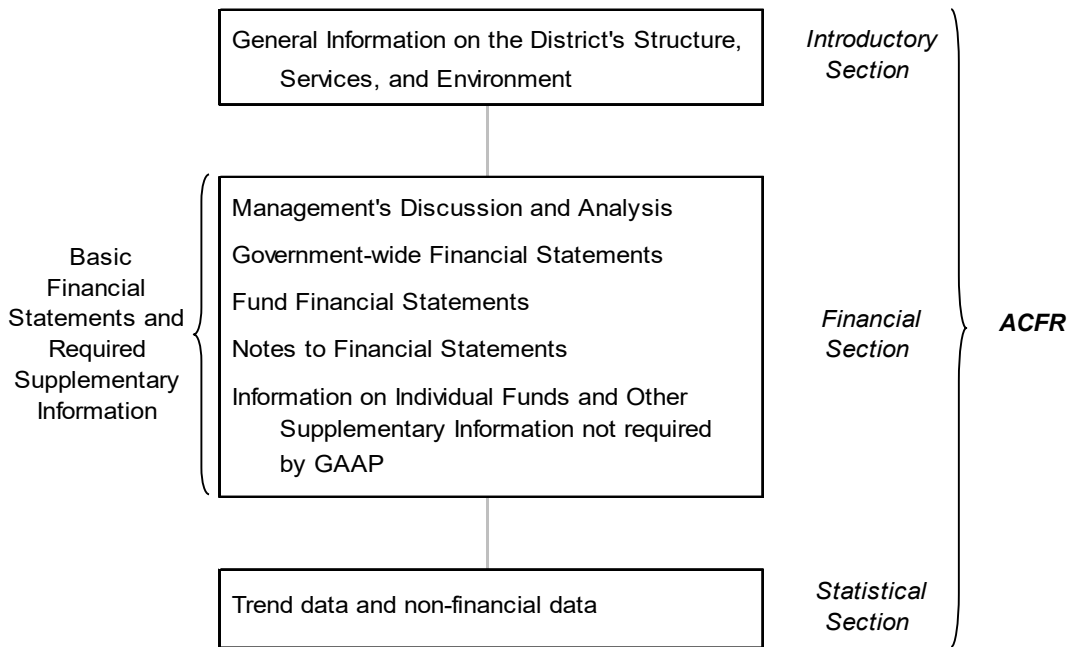
The basic financial statements include two kinds of statements that present different views of the District in addition to the notes that explain some of the information in the basic financial statements and provide data that is more detailed:

1. The first two statements are *government-wide financial statements*, the Statement of Net Position and the Statement of Activities, which provide both long-term and short-term information about the District's overall financial status.
2. 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 printing services. *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.

The statements are followed by a section of *required supplementary information* and *other 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.

Figure A-1
Components of the District’s Annual Comprehensive Financial Report (ACFR)



Government-Wide Financial Statements (Reporting the District as a Whole)

These statements summarize the large number of funds used by the District to provide programs and activities and view the entire District as a whole. The **Statement of Net Position** includes all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by most private-sector companies. The **Statement of Activities** takes into consideration all of the current year’s revenues and expenses regardless of when cash is received or paid. All inter-fund transactions are eliminated.

These two statements report the District’s net position and changes in those positions. Net position, the difference between the District’s assets plus deferred outflows and liabilities plus deferred inflows, are one way to measure the District’s financial health or position.

Change in net position is important because it tells the reader that, as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District’s property tax base, current Texas school finance laws, student growth, facility needs, and required educational programs.

The District is composed of governmental and business-like activities. Governmental activities comprise the programs and services related to providing a public education to residents of the District. Activities reported include, but are not limited to, instruction, support services, administration, maintenance, pupil transportation, extracurricular activities, technology services and security. In 2023, the District absorbed the business-like activities related to transfer of cash to the bank via armored car into the General Fund.

Fund Financial Statements (Reporting the School District's Most Significant Funds)

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions that have been separated for specific activities or objectives. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Debt Service Fund, and the Capital Projects Fund.

All the funds of the District can be described by three categories:

- **Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.
- **Proprietary Funds** - Services for which the District self-charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information. As of year-end, the District no longer has proprietary funds. The Internal Service Funds are used to report activities such as the District's Worker's Compensation Insurance, Unemployment Self Insurance, Equipment Replacement, and Printing Operations that provide supplies and services for the District's other programs and activities. The previously reported Armored Car fund has been absorbed and is now reported in the General Fund.
- **Fiduciary Funds** - The District is the fiduciary for Student Activities and the University Interscholastic League funds. The previously reported Northside Booster Association fund is now accounted for in the General Fund. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the District's basic financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Government-wide)

Net Position

The District's net position was approximately \$307.66 million at August 31, 2023, which is a \$173.31 million increase from the August 31, 2022 net position of \$134.4 million, which includes a restatement amount of \$5.9M as a result of implementation of GASB No. 96 SBITA.

Table A-1 summarizes the change in net position from August 31, 2022 to August 31, 2023.

Table A-1
Net Position
(in millions of dollars)

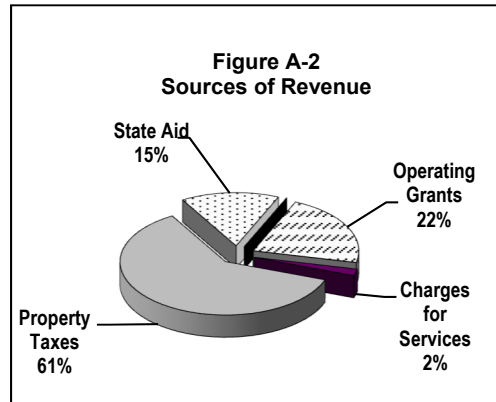
	Governmental Activities		Total	
	08/31/23	08/31/22	08/31/23	08/31/22
Assets				
Current and Other Assets	\$ 1,028.78	\$ 923.69	\$ 1,028.78	\$ 923.69
Restricted Assets	0.85	-	0.85	-
Capital Assets	<u>2,627.65</u>	<u>2,505.53</u>	<u>2,627.65</u>	<u>2,505.54</u>
Total Assets	<u>3,657.28</u>	<u>3,429.22</u>	<u>3,657.28</u>	<u>3,429.23</u>
Total Deferred Outflows of Resources	<u>233.09</u>	<u>157.58</u>	<u>233.09</u>	<u>157.58</u>
Liabilities				
Current and Other Liabilities	145.89	152.71	145.89	152.71
Long-term Liabilities	<u>3,075.42</u>	<u>2,891.67</u>	<u>3,075.42</u>	<u>2,891.67</u>
Total Liabilities	<u>3,221.31</u>	<u>3,044.38</u>	<u>3,221.31</u>	<u>3,044.38</u>
Total Deferred Inflows of Resources	<u>361.40</u>	<u>413.87</u>	<u>361.40</u>	<u>413.87</u>
Net Position				
Net Investment in Capital Assets	380.92	239.23	380.92	239.24
Restricted	94.23	94.90	94.23	94.90
Unrestricted	<u>(167.49)</u>	<u>(205.58)</u>	<u>(167.49)</u>	<u>(205.58)</u>
Total Net Position	<u>\$ 307.66</u>	<u>\$ 128.55</u>	<u>\$ 307.66</u>	<u>\$ 128.56</u>

- 93.7% percent of the District's \$1,028.78 million in Current and Other Assets are liquid, with \$875.27 million in cash and cash equivalents and \$88.9 million in government securities.
- Capital Assets reflect the District's investment in land, construction in progress, buildings, and equipment, and SBITA agreements, net of accumulated depreciation. The increase in Capital Assets is from the addition of a new school, SBITA agreements as a result of the implementation of a new accounting standard, and other ongoing construction projects less the effect of changes in accumulated depreciation expense.
- Long-term Liabilities include the District's outstanding voter-approved general obligation bonds, which were \$2.395 billion. Long-term liabilities increased due to the issuance of one new debt obligations from the 2018 bond authorization and one from the 2022 authorization.
- Restricted net position is not available for general operations and includes \$74.8 million for debt service and \$19.3 for grants at August 31, 2023.

Changes in Net Position

The District's revenues totaled \$1.48 billion in 2022-23. A significant portion, 59.0%, of the District's revenue came from property taxes, 14.5% from state aid – formula grants, 21.5% from operating grants. (See Figure A-2).

The District's 2023 primary government activities increased net position by \$173.31 million as reflected in Table A-2. The largest functional expenses occurred in instruction, school leadership, plant maintenance and operations, which represented \$714.45 million or 54.56%, \$65.19 million or 4.98%, and \$116.19 million or 8.87% of total expenses, respectively. The increase in instruction is associated with increased compensation adjustments, the increase in plant maintenance and operations can be directly associated with the change in the District's enrollment and the opening of a new elementary school.



The total cost of all programs and services was \$1,309.46 million. Of these costs, 80.95% are for instructional and student support services.

Table A-2
Change in Net Position
(in millions of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>08/31/23</u>	<u>08/31/22</u>	<u>08/31/23</u>	<u>08/31/22</u>	<u>08/31/23</u>	<u>08/31/22</u>
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 27.27	\$ 20.75	\$ -	\$ -	\$ 27.27	\$ 20.75
Operating Grants and Contributions	318.56	309.96	-	-	318.56	309.96
<u>General Revenues</u>						
Property Taxes	875.53	814.10	-	-	875.53	814.10
State Aid - formula	215.64	251.41	-	-	215.64	251.41
Investment Earnings	45.47	5.85	-	-	45.47	5.85
Miscellaneous local & intermediate	0.30	0.56	-	-	0.30	0.56
Other Sources-SBITA	-	-	-	(0.95)	-	(0.95)
Total Revenues	<u>1,482.77</u>	<u>1,402.63</u>	<u>-</u>	<u>(0.95)</u>	<u>1,482.78</u>	<u>1,401.68</u>
Expenses						
Instruction	714.45	692.08	-	-	714.45	692.08
Instructional Resources & Media Services	15.23	13.43	-	-	15.23	13.43
Curriculum & Staff Development	28.51	30.19	-	-	28.51	30.19
Instructional Leadership	23.40	23.08	-	-	23.40	23.08
School Leadership	65.19	63.39	-	-	65.19	63.39
Guidance, Counseling & Evaluation Services	48.30	45.05	-	-	48.30	45.05
Social Work Services	7.14	5.56	-	-	7.14	5.56
Health Services	13.94	13.63	-	-	13.94	13.63
Student (pupil) Transportation	46.00	40.86	-	-	46.00	40.86
Child Nutrition Services	58.91	53.57	-	-	58.91	53.57
Co-Curricular Activities	39.00	29.19	-	-	39.00	29.19
General Administration	22.91	23.04	-	-	22.91	23.04
Plant Maintenance and Operations	116.19	106.17	-	-	116.19	106.17
Security & Monitoring Services	11.59	11.63	-	-	11.59	11.63
Data Processing Services	24.28	24.42	-	-	24.28	24.42
Community Services	15.96	15.86	-	-	15.96	15.86
Debt Service-Principal	-	54.73	-	-	-	54.73
Debt Service-Interest	57.19	-	-	-	57.19	-
Debt Service-Fiscal Charges	1.27	-	-	-	1.27	-
Facilities Acquisition and Construction	-	0.02	-	-	-	0.02
Total Expenses	<u>1,309.46</u>	<u>1,245.92</u>	<u>-</u>	<u>-</u>	<u>1,309.46</u>	<u>1,245.92</u>
Change in Net Position before Extraordinary Item and Transfers	<u>173.31</u>	<u>156.70</u>	<u>-</u>	<u>(0.95)</u>	<u>173.32</u>	<u>155.76</u>
Extraordinary item	-	0.10	-	-	-	-
Transfers	-	0.95	-	-	-	-
Beginning Net Position, restated	<u>134.36</u>	<u>(29.20)</u>	<u>0.85</u>	<u>1.80</u>	<u>135.21</u>	<u>(27.40)</u>
Ending Net Position	<u>\$ 307.67</u>	<u>\$ 128.55</u>	<u>\$ 0.85</u>	<u>\$ 0.85</u>	<u>\$ 308.53</u>	<u>\$ 128.36</u>

Governmental Activities

- This year's property tax collection rate was 99.23% based on a tax levy of \$874,988,292. Compared to 2021-22, property tax revenue increased 7.55% for 2022-23 due to a higher tax base.
- Formula State Aid decreased \$35.7 million overall or (14.23%) as property values have continued to increase, our state funding is impacted. This results in less state funding as local revenue increases.

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

	Cost of Services			
	08/31/23		08/31/22	
	Total	Net	Total	Net
Instruction	\$ 714.45	\$ 589.42	\$ 692.08	\$ 574.13
School Leadership	65.19	58.33	63.39	57.37
Guidance, Counseling and Evaluation Services	48.30	28.45	45.05	8.54
Student (Pupil) Transportation	46.00	43.15	40.86	38.48
Child Nutrition Services	58.91	(2.33)	53.57	(14.99)
Plant Maintenance and Operations	116.19	109.68	106.17	95.34
Debt Service	58.46	79.71	54.73	51.95
Total	<u>\$ 1,107.50</u>	<u>\$ 906.42</u>	<u>\$ 1,055.86</u>	<u>\$ 810.82</u>

- Instruction comprises 53.37% of the District's net cost of services on a government-wide basis;
- The net cost of all *governmental* activities this year was \$963,644,912. The amount that our taxpayers paid for these activities through property taxes was \$875,533,272;
- Costs paid by the state were \$215,643,709;
- Net costs include program costs paid by those who directly benefited from the programs of \$27,267,735; and
- Net costs include costs paid by grants and contributions, \$318,561,343.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Using the modified accrual basis of accounting, revenues from governmental funds totaled \$1,464,577,116 and expenditures were \$1,637,366,171. The District reported combined governmental funds ending fund balances of \$859,480,227. Since not all the ending fund balance is available for new spending, the District has the following fund balance classifications:

- Nonspendable amounts from inventories of \$9,895,812;
- Restricted amounts for debt service of \$75,871,440;
- Restricted amounts for child nutrition of \$17,212,692;
- Restricted amounts for grants of \$2,133,683;
- Restricted for authorized construction of \$200,858,580;
- Committed amounts for non-bond funded capital projects \$75,478,154;
- Committed amounts for local special revenue funds of \$27,241,508;
- Committed amounts for instructional continuity of \$200,000,000;

The General Fund experienced a net decrease in fund balance of (\$2,332,501), which was partly the result of an increase in costs for Student Support Services and Debt Service for SBITAs.

The Debt Service Fund experienced a net decrease in fund balance of (\$5,540,744), which was partly the result of the defeasance of certain outstanding bonds against an increase in local tax revenues.

The Capital Projects fund experienced a net increase in fund balance of \$98,958,230 mainly as a net result of new bond issues from the 2018 bond authorization issued in the amount of \$71.53 million and \$200 million from the 2022 bond authorization to complete projects and the opening of a new elementary school.

Budgetary Highlights

Over the course of the year, the District revised its general fund budget three times, as follows:

- Budget Amendment No. 1 reflected adjustments to General Fund expenditures not incorporated into the adopted budget, were amended to recognize a net increase of \$1.7 million which reflects an increase in campus formula carry forward and enrollment adjustment of \$1 million and \$508 thousand in increased insurance premiums.
- Budget Amendment No. 2 amended the General Fund, Child Nutrition Fund, and Debt Service Fund. General fund revenues were amended to recognize an increase of \$36.2 million. Interest income and Foundation School Program revenues compose the majority of the increase with \$20 million and \$15 million respectively. General fund expenditures were amended to recognize a net increase of \$5.1 million with the majority represented by a midyear payroll increase of \$1.6 million, \$850 thousand for portable building moves, \$800 thousand for Medicare Part D adjustment (offset with revenue), and \$757 thousand for athletics supplies and equipment. The General Fund amendment resulted in a reduction of the budgeted fund balance deficit to \$32.3 million. Child nutrition fund local and federal revenues were reclassified to reflect current projections. Revenues and expenditures reflected a \$25,000 increase in federal grant awards. The child nutrition fund amendment did result in a change to budgeted fund balance. Debt service fund expenditures were amended to recognize an increase in commercial paper fees. The debt service fund amendment resulted in a reduction of the budgeted fund balance increase to \$8.9 million.
- Budget Amendment No. 3 amended General Fund revenue to recognize a net increase of \$29.2 million. Tax collections, interest income, Foundation School Program funding, and School Health and Related Service reimbursements comprise the majority of the increase. General Fund expenditures were amended to recognize a net increase of \$4.1 million. The addition of other resources and uses included the recognition of technology software subscription contracts and a transfer to the technology deployment fund. This resulted in a reduction of the budgeted fund balance deficit to \$19.9 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had invested \$2.63 billion in a broad range of capital assets, including land, equipment, buildings, and vehicles (see Table A-4). This amount represents a net increase (including additions and deductions) of \$122.13 million or 4.87% over last year.

	<u>08/31/23</u>	<u>08/31/22</u>
Land	\$ 114.10	\$ 112.29
Buildings and Improvements	3,604.84	3,446.34
Construction in Progress	204.16	161.33
Subscription Based Information Technology Arrangements	22.72	-
Furniture and Equipment	155.53	146.80
Totals at Historical Cost	<u>4,101.35</u>	<u>3,866.76</u>
Total Accumulated Depreciation	<u>(1,473.69)</u>	<u>(1,361.23)</u>
Net Capital Assets	<u>\$ 2,627.66</u>	<u>\$ 2,505.53</u>

The District is continuing the capital improvement program being funded by the 2014 \$648.3 million bond authorization. The 2014 authorization included \$274.5 million for the construction of one high school and four elementary schools, \$199.8 million for major additions and renovations, \$71.8 million for infrastructure improvements, \$47.0 million for technology, and \$55.2 million for other projects. At August 31, 2023, \$636.5 million has been spent on these projects.

In May 5, 2018, the District was authorized to issue \$848.9 million in bonds for the construction of one high, one middle school, two elementary schools, various renovations and upgrades to existing facilities, and equipment for technology and transportation. At August 31, 2023, \$664.8 million has been spent on these projects.

In May 7, 2022, the District was authorized to issue \$992 million in bonds for the construction of one elementary school and various renovations and upgrades to existing facilities, and equipment for technology and transportation. At August 31, 2023, \$168.6 million has been spent on these projects.

More information about the District's capital assets is presented in Note 5 of the Notes to Financial Statements.

Long-Term Debt

During the year, the District issued \$75,000,000 in new debt from the 2018 authorization and \$200,000,000 from the 2022 authorization. The District continued its active debt management practice by refunding a total of \$195,970,000 of fixed and variable rate debt to take advantage of lower interest rates. At year-end, the District had \$2.39 billion in long-term debt outstanding as shown in Table A-5. More information about the District's debt is presented in Note 7 in the Notes to Financial Statements.

	<u>08/31/23</u>	<u>08/31/22</u>
Bonds payable	\$ 2,520.45	\$ 2,454.92
Net Pension Liability	347.24	137.64
Net OPEB Liability	184.58	288.19
Liability for Compensated Absences	8.44	8.43
Workers Compensation	2.36	2.49
Retirement Package Liability	0.07	-
SBITAs	12.27	-
Total Long-Term Debt	<u>\$ 3,075.41</u>	<u>\$ 2,891.67</u>

Long-term bonds are rated “AAA” by Moody's Investors Service, Inc. (“Moody's”) and Fitch Investors Service (“Fitch”) by virtue of the guarantee of the Permanent School Fund of the State of Texas.

The current underlying credit rating from Fitch is AA+. The current underlying credit rating from Moody's is Aa1. The District's short-term credit has been rated F1+ by Fitch and P-1 by Moody's.

In addition, the District currently has an outstanding Taxable Series 2009 Unlimited Tax Qualified School Construction Bond which, beginning in fiscal year 2023, required sinking fund deposits. In 2023, a sinking fund deposit in the amount of \$850,000 was made.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES

- Property values used for the 2023-24 budget preparation will be up an estimated \$8.4 billion or 13.10% from 2023. The expected resulting increase in General Fund tax revenues of \$32.1 million and increase Debt Service Fund tax revenues is \$30.4 million.
- The District's 2023-24 General Fund adopted budget included a projected average daily attendance (ADA) of 94,200. This is a reduction from prior year ADA which was 93,000. A significant factor in this change in ADA is due to post COVID-19 pandemic trends.
- For 2022-23, the District appropriated \$985.6 million in General Fund expenditures and estimated revenues just under \$924 million. The adopted budget included an increase in compensation of \$19.5 million for employees of either 2% or 4% on the mid-point and the approved Growth and Improvement requests in the amount just over \$24 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the District's Deputy Superintendent for Business and Finance at Northside ISD, 5900 Evers Road, San Antonio, TX 78238.

BASIC FINANCIAL STATEMENTS

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NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF NET POSITION
August 31, 2023

Data Control Codes		<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS		
1110	Cash and Cash Equivalents	\$ 875,275,738
1120	Investments	88,934,324
1220	Property Taxes Receivable (Delinquent)	17,572,564
1230	Allowance for Uncollectible Taxes	(9,539,300)
1240	Due from Other Governments	34,593,139
1250	Accrued Interest	1,164,966
1290	Other Receivables	10,759,322
1300	Inventories	9,953,017
1490	Other Current Assets	77,070
Capital Assets		
1510	Land	114,104,250
1520	Buildings, net	2,237,204,516
1530	Furniture & Equipment, net	55,273,425
1553	SBITA Assets, Net	16,920,349
1580	Construction in Progress	<u>204,155,595</u>
1800	Restricted Assets	<u>850,000</u>
1000	Total Assets	<u>3,657,298,975</u>
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	9,661,352
1705	Deferred Outflow Related to TRS Pension	150,357,659
1706	Deferred Outflow Related to TRS OPEB	<u>73,074,634</u>
1700	Total Deferred Outflows of Resources	<u>233,093,645</u>
LIABILITIES		
2110	Accounts Payable	45,163,617
2120	Deferred Compensation	66,000
2140	Accrued Interest	8,732,665
2150	Payroll Deductions & Withholdings Payable	15,847,085
2160	Accrued Wages Payable	34,427,929
2180	Due to Other Governments	3,111,907
2210	Accrued Expenses	1,198,936
2300	Unearned Revenue	37,357,630
Noncurrent Liabilities		
2501	Long term liabilities - due within one year	94,691,577
2510	Bonds Payable - Long-term	2,432,495,914
2533	SBITA Liability -Long Term	7,626,715
2540	Net Pension Liability (District's Share) due in more than one year	347,239,897
2545	Net OPEB Liability (District's Share) due in more than one year	184,582,808
2590	Other Long term liabilities - due or payable after one year	<u>8,786,233</u>
2000	Total Liabilities	<u>3,221,328,913</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	47,882,489
2606	Deferred Inflow Related to TRS OPEB	<u>313,515,360</u>
2600	Total Deferred Inflows of Resources	<u>361,397,849</u>
NET POSITION		
3200	Net Investment in Capital Assets	380,920,391
3820	Restricted for Grants	19,346,375
3850	Restricted for Debt Service	74,884,258
3900	Unrestricted	<u>(167,485,166)</u>
3000	Total Net Position	<u>\$ 307,665,858</u>

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF ACTIVITIES
Year Ended August 31, 2023

Data Control Codes	Functions/Programs	1	Program 3
		Expenses	Charges for Services
	Governmental Activities:		
0011	Instruction	\$ 714,454,756	\$ 1,521,642
0012	Instructional Resources & Media Services	15,233,705	-
0013	Curriculum & Staff Development	28,511,918	-
0021	Instructional Leadership	23,402,679	-
0023	School Leadership	65,186,131	-
0031	Guidance, Counseling & Evaluation Services	48,296,032	45,544
0032	Social Work Services	7,139,006	-
0033	Health Services	13,941,894	-
0034	Student (Pupil) Transportation	42,695,147	400,032
0035	Child Nutrition Services	58,911,449	9,889,588
0036	Co-curricular/Extracurricular Activities	39,000,888	4,045,262
0041	General Administration	22,914,640	32,804
0051	Plant Maintenance & Operations	116,190,514	1,793,554
0052	Security & Monitoring Services	11,585,718	94,145
0053	Data Processing Services	27,584,047	-
0061	Community Services	15,961,489	9,445,164
0071	Debt Service - Principal	-	-
0072	Debt Service - Interest	57,193,540	-
0073	Debt Service - Fiscal Charges	1,270,437	-
0081	Facilities Acquisition and Construction	-	-
	TOTAL GOVERNMENTAL ACTIVITIES	1,309,473,990	27,267,735
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 1,309,473,990</u>	<u>\$ 27,267,735</u>

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State aid - unrestricted formula grants
MI	Miscellaneous local & intermediate
IE	Investment earnings
TR	Total General Revenues

CN	Changes in Net Position
NB	Net Position -- beginning, restated
NE	Net Position -- ending

The accompanying notes are an integral part of this statement.

Revenues		Net (Expense) Revenue and Changes in Net Position	
4		6	
Operating Grants and Contributions	Total Governmental Activities	Total Primary Government	
\$ 123,684,942	\$ (589,248,172)	\$ (589,248,172)	
1,929,672	(13,304,033)	(13,304,033)	
10,945,360	(17,566,558)	(17,566,558)	
3,246,528	(20,156,151)	(20,156,151)	
6,842,840	(58,343,291)	(58,343,291)	
19,793,345	(28,457,143)	(28,457,143)	
3,744,376	(3,394,630)	(3,394,630)	
18,650,542	4,708,648	4,708,648	
2,438,333	(39,856,782)	(39,856,782)	
51,335,784	2,313,923	2,313,923	
12,201,656	(22,753,970)	(22,753,970)	
8,929,725	(13,952,111)	(13,952,111)	
4,707,519	(109,689,441)	(109,689,441)	
706,013	(10,785,560)	(10,785,560)	
3,212,740	(24,371,307)	(24,371,307)	
5,393,039	(1,123,286)	(1,123,286)	
1,195,683	1,195,683	1,195,683	
5,752,126	(51,441,414)	(51,441,414)	
-	(1,270,437)	(1,270,437)	
<u>33,851,120</u>	<u>33,851,120</u>	<u>33,851,120</u>	
318,561,343	(963,644,912)	(963,644,912)	
<u>\$ 318,561,343</u>	<u>\$ (963,644,912)</u>	<u>\$ (963,644,912)</u>	
	628,887,997	628,887,997	
	246,645,275	246,645,275	
	215,643,709	215,643,709	
	302,473	302,473	
	<u>45,473,008</u>	<u>45,473,008</u>	
	<u>1,136,952,462</u>	<u>1,136,952,462</u>	
	173,307,550	173,307,550	
	<u>134,358,308</u>	<u>134,358,308</u>	
	<u>\$ 307,665,858</u>	<u>\$ 307,665,858</u>	

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2023

Data Control Codes	General Fund	Debt Service Fund
ASSETS		
1110 Cash and Cash Equivalents	\$ 415,628,650	\$ 76,517,371
1120 Investments	83,933,574	-
1220 Property Taxes - Delinquent	12,929,632	4,642,932
1230 Allowance for Uncollectible Taxes (credit)	(7,044,700)	(2,494,600)
1240 Due from Other Governments	14,740,843	-
1250 Accrued Interest	1,105,938	-
1260 Due from Other Funds	22,816,699	72,270
1290 Other Receivables	30,822	8,522
1300 Inventories, at cost	4,416,187	-
1490 Other Current Assets	77,070	-
1800 Restricted Assets	-	850,000
1000 Total Assets	<u>\$ 548,634,715</u>	<u>\$ 79,596,495</u>
LIABILITIES		
2110 Accounts Payable	\$ 4,578,449	\$ -
2120 Bonds and Loans Payable	66,000	-
2150 Payroll Deductions & Withholdings Payable	15,847,085	-
2160 Accrued Wages Payable	31,507,022	-
2170 Due to Other Funds	72,270	-
2180 Due to Other Governments	18,934	361,435
2210 Accrued Expenditures	1,198,936	-
2300 Unearned Revenue	34,308,068	1,097,762
2590 Deferred Compensation	66,000	-
2000 Total Liabilities	<u>87,662,764</u>	<u>1,459,197</u>
DEFERRED INFLOWS OF RESOURCES		
2601 Unavailable Revenue - Property Taxes	<u>5,884,932</u>	<u>2,148,332</u>
2600 Total Deferred Inflows of Resources	<u>5,884,932</u>	<u>2,148,332</u>
FUND BALANCES		
3410 Nonspendable	4,416,187	-
3450 Restricted - Grant Funds	-	-
3470 Restricted - Capital Acquisitions and Contractual Obligations	-	-
3480 Restricted - Debt Service	-	75,988,966
3545 Committed - Other	200,000,000	-
3600 Unassigned	<u>250,670,832</u>	<u>-</u>
3000 Total Fund Balance	<u>455,087,019</u>	<u>75,988,966</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 548,634,715</u>	<u>\$ 79,596,495</u>

The accompanying notes are an integral part of this statement.

Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 313,492,067	\$ 44,571,992	\$ 850,210,080
-	5,000,750	88,934,324
-	-	17,572,564
-	-	(9,539,300)
-	19,852,296	34,593,139
-	59,028	1,164,966
-	-	22,888,969
-	10,719,978	10,759,322
-	5,479,625	9,895,812
-	-	77,070
-	-	850,000
<u>\$ 313,492,067</u>	<u>\$ 85,683,669</u>	<u>\$ 1,027,406,946</u>
\$ 34,425,727	\$ 6,095,278	\$ 45,099,454
-	-	66,000
-	-	15,847,085
-	2,905,120	34,412,142
-	22,662,030	22,734,300
2,729,606	1,932	3,111,907
-	-	1,198,936
-	1,951,801	37,357,631
-	-	66,000
<u>37,155,333</u>	<u>33,616,161</u>	<u>159,893,455</u>
-	-	8,033,264
-	-	8,033,264
-	5,479,625	9,895,812
-	19,346,375	19,346,375
200,858,580	-	200,858,580
-	-	75,988,966
75,478,154	27,241,508	302,719,662
-	-	250,670,832
<u>276,336,734</u>	<u>52,067,508</u>	<u>859,480,227</u>
<u>\$ 313,492,067</u>	<u>\$ 85,683,669</u>	<u>\$ 1,027,406,946</u>

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NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

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

August 31, 2023

Amounts reported for government activities in the Statement of Net Position are different because:

Total fund balances - governmental funds \$ 859,480,227

The District uses internal service funds to charge the costs of certain activities, such as printing, armored car service and self-insurance (worker's compensation, equipment and unemployment) to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, including furniture and equipment and accumulated depreciation in the following amounts:

Furniture and Equipment	\$	1,527,294	
Accumulated Depreciation - Furniture and Equipment		(1,229,135)	22,829,490

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.

Land	\$	114,104,250	
Buildings		3,604,865,418	
Furniture and Equipment		154,003,581	
SBITA		22,722,059	
Construction in Progress		<u>204,155,595</u>	4,099,850,903
Accumulated Depreciation - Buildings		(1,367,660,902)	
Accumulated Depreciation - Furniture and Equipment		(99,028,313)	
Accumulated Amortization - SBITA		<u>(5,801,710)</u>	(1,472,490,925)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Unearned revenue is not reported as a liability in the government-wide financial statements, because the revenue is considered earned.

Accrued Interest - Bonds	\$	(8,732,665)	
Bonds Payable		(2,395,545,000)	
Unamortized Bond Premiums		(124,920,914)	
SBITA Liabilities		(12,269,916)	
Other Long term Liability - Accrued Vacation		<u>(8,441,697)</u>	(2,549,910,192)

Unavailable revenue from property taxes and other items is not reported as a deferred inflow in the government-wide financial statements, because the revenue is considered earned.

Property Taxes			8,033,264
----------------	--	--	-----------

Deferred Charge on Refunding Bonds is a deferred outflow and is not reported in the fund financial statements.

9,661,352

Included in the items related to long term debt, as required by GASB 68 and 75, are the

District's proportionate share of the net pension liability	\$	(347,239,897)	
District's proportionate share of the net OPEB liability		(184,582,808)	
Deferred resource inflow related to TRS pension		(47,882,489)	
Deferred resource inflow related to TRS OPEB		(313,515,360)	
Deferred resource outflow related to TRS pension		150,357,659	
Deferred resource outflow related to TRS OPEB		<u>73,074,634</u>	<u>(669,788,261)</u>

Net Position - Governmental Activities \$ 307,665,858

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended August 31, 2023

Data Control Codes		General Fund	Debt Service Fund
	REVENUES:		
5700	Local and Intermediate Sources	\$ 673,101,292	\$ 254,495,731
5800	State Sources	269,800,447	5,683,660
5900	Federal Sources	<u>39,671,020</u>	<u>-</u>
5020	Total Revenues	<u>982,572,759</u>	<u>260,179,391</u>
	EXPENDITURES		
	Current:		
0011	Instruction	576,319,760	-
0012	Instructional Resources and Media Services	12,802,263	-
0013	Curriculum and Instructional Staff Development	17,431,923	-
0021	Instructional Leadership	19,883,405	-
0023	School Leadership	57,315,579	-
0031	Guidance and Counseling Services	42,295,436	-
0032	Social Work Services	3,095,638	-
0033	Health Services	10,707,913	-
0034	Pupil Transportation	38,807,902	-
0035	Child Nutrition Services	477,328	-
0036	Co-Curricular Activities	24,695,996	-
0041	General Administration	16,249,130	-
0051	Plant Maintenance and Operations	99,523,650	-
0052	Security & Monitoring Services	10,925,528	-
0053	Data Processing Services	23,761,681	-
0061	Community Services	10,010,310	-
0071	Debt Service - Principal on Long-Term Debt	5,197,020	185,350,000
0072	Debt Service - Interest	388,859	79,542,253
0073	Debt Service - Cost of Issuance and Fiscal Charges	-	1,270,437
0081	Facilities Acquisition and Construction	1,406,781	-
0095	Juvenile Alternative Education Program	107,050	-
0099	Other Intergovernmental Charges	<u>4,729,439</u>	<u>-</u>
6030	Total Expenditures	<u>976,132,591</u>	<u>266,162,690</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>6,440,168</u>	<u>(5,983,299)</u>
	OTHER FINANCING SOURCES (USES)		
7911	Issuance of Debt - General Obligations Bonds	-	140,485,000
7911	Issuance of Debt - Refunding Bonds	-	-
7915	Transfers in	17,807	-
7916	Premium on Issuance of Bonds	-	18,782,341
7949	Proceeds of SBITAs and Other Resources	6,271,229	-
8911	Transfers out	(15,061,705)	-
8940	Payment to Refunded Bond Escrow Agent	<u>-</u>	<u>(158,824,786)</u>
	Total Other Financing Sources (Uses)	<u>(8,772,669)</u>	<u>442,555</u>
1200	Net Change in Fund Balance	(2,332,501)	(5,540,744)
0100	FUND BALANCES, September 1, 2022	<u>457,419,520</u>	<u>81,529,710</u>
3000	FUND BALANCES, August 31, 2023	<u>\$ 455,087,019</u>	<u>\$ 75,988,966</u>

The accompanying notes are an integral part of this statement.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 7,223,667	\$ 24,543,077	\$ 959,363,767
-	3,303,477	278,787,584
<u>1,305,338</u>	<u>185,449,407</u>	<u>226,425,765</u>
<u>8,529,005</u>	<u>213,295,961</u>	<u>1,464,577,116</u>
2,636,270	75,037,480	653,993,510
22,934	1,126,465	13,951,662
16,596	8,877,005	26,325,524
-	1,576,694	21,460,099
48,833	2,462,656	59,827,068
14,325	1,997,722	44,307,483
-	3,429,735	6,525,373
9,018	2,109,521	12,826,452
-	378,333	39,186,235
-	54,239,496	54,716,824
468,492	10,631,211	35,795,699
-	2,400	16,251,530
127,330	3,726,183	103,377,163
16,522	84,794	11,026,844
-	2,250,464	26,012,145
960	4,615,132	14,626,402
-	1,543,191	192,090,211
-	103,849	80,034,961
-	-	1,270,437
183,666,698	33,850,581	218,924,060
-	-	107,050
-	-	4,729,439
<u>187,027,978</u>	<u>208,042,912</u>	<u>1,637,366,171</u>
<u>(178,498,973)</u>	<u>5,253,049</u>	<u>(172,789,055)</u>
200,000,000	-	340,485,000
71,530,000	-	71,530,000
15,000,000	61,706	15,079,513
4,016,439	-	22,798,780
-	1,654,037	7,925,266
(13,089,236)	-	(28,150,941)
-	-	(158,824,786)
<u>277,457,203</u>	<u>1,715,743</u>	<u>270,842,832</u>
98,958,230	6,968,792	98,053,777
<u>177,378,504</u>	<u>45,098,716</u>	<u>761,426,450</u>
<u>\$ 276,336,734</u>	<u>\$ 52,067,508</u>	<u>\$ 859,480,227</u>

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES**
Year Ended August 31, 2023

Amounts reported for government activities in the Statement of Activities are different because:

Total net change in fund balances - governmental funds	\$ 98,053,777
The District uses internal service funds to charge the costs of certain activities, such as printing, armored car services, and self-insurance (worker's compensation, equipment and unemployment) to appropriate functions in other funds. The net income (loss) of the internal service funds are reported with the governmental activities.	13,543,370
Current year capital expenditures in the fund financial statements are shown as increases in capital assets in the government-wide financial statements.	212,146,309
Long-term issuances of debt are reported as resources in the fund financial statements and are shown as increases in long-term debt in the government-wide financial statements. Payments of principal on long-term debt are expenditures in the fund financial statements and are shown as reductions in long-term debt in the government-wide financial statements. Long-term debt activity was:	
Accrued Interest - Bonds	(669,643)
Bonds Payable - Long-term	(67,855,000)
Unamortized Bond Premiums	2,305,972
Deferred Charge for Refunding Bonds	(1,578,902)
SBITA Long Term Liability	(1,185,057)
SBITA Additions	7,925,266
	(61,057,364)
Restated Beginning Balance - SBITA	(2,089,776)
Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(112,643,295)
Adjustments related to the net pension liability, net OPEB liability, and related deferred inflows and deferred outflows, which impact ending net position.	23,569,842
Reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue as revenue, recognizing liabilities for compensated absences, and consolidating interfund transactions.	1,784,687
Changes in Net Position - Governmental Activities	<u>\$ 173,307,550</u>

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

August 31, 2023

			Governmental Activities Internal Service Funds
ASSETS			
Current Assets:			
1110	Cash and Cash Equivalents	\$	25,065,658
1310	Inventories, at Cost		<u>57,205</u>
	Total Current Assets		<u>25,122,863</u>
Capital Assets			
1530	Furniture & Equipment		1,527,294
1570	Accumulated Depreciation		<u>(1,229,135)</u>
	Total Capital Assets (net of accumulated depreciation)		<u>298,159</u>
1000	TOTAL ASSETS	\$	<u>25,421,022</u>
LIABILITIES			
Current Liabilities			
2110	Accounts Payable	\$	64,163
2160	Accrued Wages Payable		15,786
2170	Due to Other Funds		154,669
2200	Accrued Expenses - Claims Payable		<u>1,298,352</u>
	Total Current Liabilities		<u>1,532,970</u>
Non-current Liabilities			
2590	Claims Payable - Non-current		<u>1,058,562</u>
	Total Non-current Liabilities		<u>1,058,562</u>
2000	TOTAL LIABILITIES		<u>2,591,532</u>
NET POSITION			
3200	Net Investment in Capital Assets		298,159
3900	Unrestricted		<u>22,531,331</u>
3000	TOTAL NET POSITION	\$	<u>22,829,490</u>

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS**
Year Ended August 31, 2023

		Governmental Activities Internal Service Funds
OPERATING REVENUES		
5754	Charges for Services	\$ 716,008
5749	Premiums	3,461,488
5020	Total Operating Revenues	4,177,496
OPERATING EXPENSES		
6100	Payroll Costs	651,088
6200	Purchased and Contracted Services	740,909
6300	Supplies and Materials	284,204
6429	Claims Expenses	255,044
6400	Other Operating Expenses	2,415,113
6449	Depreciation	93,762
6030	Total Operating Expenses	4,440,120
	Operating Loss	(262,624)
NON-OPERATING REVENUES (EXPENSES)		
7955	Investment Income	734,564
8989	Transfer Out	-
	Income Before Non-operating Transfers	471,940
NON-OPERATING TRANSFERS		
7989	Transfer In	13,089,236
8989	Transfer Out	(17,806)
	Net Transfer In/Transfer Out	13,071,430
1300	Changes in Net Position	13,543,370
0100	TOTAL NET POSITION, September 1, 2022	9,286,120
3300	TOTAL NET POSITION, August 31, 2023	\$ 22,829,490

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended August 31, 2023

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Interfund Services Provided	\$ 4,161,063
Cash Payments to Employees for Services	(653,016)
Cash Payments to Suppliers	(1,031,369)
Cash Payments for Insurance Claims	(388,992)
Cash Payments for Other Operating Expenses	(2,415,113)
Net Cash Used by Operating Activities	(327,427)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers In (Out)	13,071,430
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	734,564
Net Cash Flows Provided by Investing Activities	734,564
Net Increase In Cash & Cash Equivalents	13,478,567
CASH AND CASH EQUIVALENTS, September 1, 2022	11,587,091
CASH AND CASH EQUIVALENTS, August 31, 2023	\$ 25,065,658
 Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (262,624)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	93,762
Effect of Changes in Current Assets and Liabilities:	
(Increase) Decrease in Inventories	64
Increase (Decrease) in Accounts Payable	(6,320)
Increase (Decrease) in Due to Other Funds	(16,433)
Increase (Decrease) in Claims Payable	(133,948)
Increase (Decrease) in Accrued Wages	(1,928)
Net Cash Provided by Operating Activities	\$ (327,427)

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

August 31, 2023

		<u>CUSTODIAL FUNDS</u>
ASSETS		
1110	Cash and cash equivalents	\$ <u>1,497,897</u>
1000	Total assets	<u>1,497,897</u>
 LIABILITIES		
2111	Accounts payable	16,265.00
2180	Due to other governments	<u>7,902</u>
2000	Total liabilities	<u>24,167</u>
 NET POSITION		
Restricted for:		
3490	Individuals, organizations and other governments	<u>1,473,730</u>
TOTAL NET POSITION, August 31 (Ending)		<u>\$ 1,497,897</u>

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
for the fiscal year ended August 31, 2023

FIDUCIARY FUNDS

	<u>CUSTODIAL FUNDS</u>
ADDITIONS:	
Received from Student Groups	\$ 1,690,664
Contributions, Gifts, Donations, and Fees	<u>-</u>
Total Additions	<u>1,690,664</u>
DEDUCTIONS:	
Professional and Contracted Services	552,192
Supplies and Materials	356,279
Other Deductions	<u>1,014,909</u>
Total Deductions	<u>1,923,380</u>
Change in Net Position	(232,716)
TOTAL FIDUCIARY NET POSITION, September 1	<u>1,730,613</u>
TOTAL FIDUCIARY NET POSITION, August 31 (Ending)	<u>\$ 1,497,897</u>

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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 Northside Independent School District, San Antonio, Texas. Because members of the Board of Trustees are elected by the public, have the authority to make decisions, appoint administrators and managers, and significantly influence operations, and have the primary accountability for fiscal matters, the District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board (GASB), Statement No. 14, "The Financial Reporting Entity", and/or GASB Statements No. 39, No. 61, and No. 80, determining whether certain organizations are component units. There are no component units included within the reporting entity. Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

The accounting policies of the District substantially comply with the rules prescribed in the Texas Education Agency Financial Accountability System Resource Guide (Resource Guide). The accounting policies included in the Resource Guide conform to accounting principles generally accepted in the United States of America applicable to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for establishing governmental accounting and financial reporting standards.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Consolidations have been made to minimize the double counting of internal activities. Inter-fund services provided and used are not eliminated in the process of consolidation. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include: (a) fees 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. Property taxes, State aid - formula grants, and other items not included in program revenues are presented as general revenues. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Learning Tree after school program, the internal service fund's print shop and self-funded programs. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses are non-operating.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Custodial funds use the economic resources measurement focus and are presented on 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. Non-exchange 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 imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. For this purpose, the District considers all revenues to be available if the revenues are collected within sixty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, if measurable, except for debt service expenditures, and compensated absences, which are recognized as expenditures only when payment is due. Property tax revenue, interest, and revenues received from the State are recognized under the susceptible to accrual concept. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. General capital asset acquisitions are reported as expenditures in governmental funds.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription-based technology arrangements (SBITA) liabilities, as well as expenditures related to compensation absences, claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right-to-use leased and SBITA assets, are reported as expenditures in government funds. Issuance of long-term debt and financing through leased and SBITAs are reported as other financing sources.

Grant funds are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount has been received during the period or within the available period of this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Net Position. The net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to apply block grants, followed by general revenues and then cost reimbursement grant resources.

The District reports the following major governmental funds:

- General Fund - The General Fund accounts for financial resources used for the fundamental operations of the District. All revenues and expenditures not required to be accounted for in other funds are included here. It is a budgeted fund and unassigned fund balances are considered resources available for current operations. From year to year within unassigned fund balance are investments with a maturity of greater than one year from the date of the financial statements. The District has traditionally held investments to maturity and does not intend for those investments to be utilized for expenditures in the budget year following the date of the financial statements. All but one investment with a maturity greater than one year for the year ending August 31, 2023 which had call date features, were exercised prior to the issuance of this report. General Fund primary revenue sources include local property taxes and state funding.
- Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for, and the payment of bonded debt principal and interest. The primary revenue source is local property taxes levied specifically for debt service. The fund balance of this fund represents amounts that will be used for retirement of bonds and payment of interest in the future. The Debt Service Fund is a budgeted fund.
- Capital Projects Fund - The Capital Projects Fund was established to account for the proceeds from the sale of bonds including earnings on investments of the fund. Proceeds are used for acquiring school sites, constructing and equipping new school facilities, and renovating existing facilities.

Additionally, the District reports the following fund types:

- Special Revenue Funds - These funds are used to account for the majority of federal and state funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Funds are used primarily for math and reading improvement programs for the educationally deprived, special education programs involving learning disabilities and the physically handicapped, career and technology education programs, and a child nutrition program, in addition to campus supported activities. The District's Special Revenue Funds use project accounting and budgeting for all funds.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Internal Service Funds – These funds are used to account for the financing of goods and services provided by one fund to other funds of the District, on a cost reimbursement basis. These activities include printing services, armored car services and the worker’s compensation self-funded insurance program of the District. These are not budgeted funds.
- Custodial Funds - These funds are used to account for assets held by the District as an agent for individuals, private organizations, other governmental units, which are not held in trust. These include funds set aside for scholarships and monies that are collected principally through fund raising efforts of the individual schools or school-sponsored groups (student activity funds).

d. Implementation of New Standard

In fiscal year 2023, the District implemented a new accounting standard. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) was issued in May 2020 and was effective for periods beginning after June 15, 2022. This Statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87 Leases, as amended. The District has evaluated the effects of this standard and has determined that it impacts the financial statements and as such, has implemented and incorporated such SBITAs into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

e. Budgets

The official budget was prepared for adoption for all required Governmental Fund Types. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- 1) Prior to August 20th of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1st. 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 1st, the budget is legally enacted through adoption of the budget by the Board.

The legal level of budgetary control is at the major functional expenditure level by fund type. Annual budgets are adopted for the General Fund, Child Nutrition Special Revenue Fund, and Debt Service Fund on a basis consistent with accounting principles generally accepted in the United States of America. All budget appropriations lapse at year end.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Original Budget	Net Change	Amended Budget
General Fund	\$ 985,622,710	\$ 11,054,527	\$ 996,677,237
Debt Service	245,438,562	21,651,438	267,090,000
Special Revenue Funds – Child Nutrition Fund	\$ 62,000,000	\$ (3,222,000)	\$ 58,778,000

Once a budget is approved, it may be amended by management without Board approval within a major functional expenditure category and can be amended at the major functional expenditure level by fund type only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Amendments are reflected in the official minutes of the Board and are made before the fiscal year end as required by law.

The budget amounts included in this report reflect various amendments made by management and adopted by the Board throughout the year through the final amended budget, which was approved by the Board on August 23, 2023.

A reconciliation of fund balances for both budgeted and unbudgeted special revenue funds follows:

Budgeted Funds – Child Nutrition Fund	\$19,399,829
Funds not Budgeted	31,994,662
	\$51,394,491

f. Encumbrances

An encumbrance system of accounting is maintained to account for commitments from approved purchase orders, work orders and contracts. Capital Projects Fund encumbrances represent significant construction commitments. Under Texas law, appropriations lapse at August 31, 2023, and encumbrances outstanding at the time are canceled or re-appropriated in the succeeding year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are presented below:

General Fund	\$ 4,508,322
Capital Projects Fund	162,492,712
Special Revenue Funds	40,377,550

g. Inventories

Inventories of supplies on the balance sheet are stated at cost, determined on the weighted average method, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services on the date received. Inventories are maintained on a perpetual inventory system and adjusted at year end to physical count balances, if necessary. Inventory in governmental funds consist of expendable goods held for consumption. Reported inventories in these funds are equally offset by nonspendable fund balance. Expenditures are recorded when individual inventory items are distributed from the warehouse to campuses and District offices.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The amount of deferred charge for refunding transactions is reported as a deferred outflow of resources and amortized using the straight-line method over the shorter of the life of the new debt or the refunded debt.

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

i. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

The District has implemented new GASB accounting standards that impact capital assets. The District has established lease and Subscription-Based Information Technology Arrangements (SBITA) recognition thresholds of \$50,000 and \$150,000 respectively. As the District constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported historical costs except for intangible right-to-use lease and SBITA assets.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	10 – 40 years
Automotive Equipment	7 – 18 years
Furniture and Equipment	5 – 15 years
Right to use SBITA Assets	1 – 3 years

Subscription Based Information Technology Arrangements:

The District is under contracts for SBITA for various financial and educational software. The agreements/contracts which are classified as SBITA agreements are deemed to be noncancelable

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for certain time periods and the District recognizes a SBITA liability as an intangible right-to-use SBITA asset in the government-wide statements. The District recognizes SBITA liabilities with an initial, individual value of \$150,000 or more.

At the commencement of the SBITA, the District initially measures the SBITA at the present value of payments expected to be made during the SBITA term. Subsequently, the SBIA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how the District determines the discount rate it used to discount the expected SBITA payments to present value, SBITA term, and SBITA payments.

The District has applied an estimated incremental borrowing rate as the discount rate for its SBITAs. In addition, the SBITA terms include noncancelable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and any purchase options prices that the District is reasonably certain to exercise. The District monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

SBITA Liabilities

During the current fiscal year, the District entered into a number of SBITAs for the acquisition of educational/financial software. Initial SBITA liability was recorded in the amount of \$12,282,460 during the current fiscal year. As of August 31, 2023, the value of the SBITA liabilities was \$12,269,914. There were no variable payments in the agreements identified as SBITAs. The District is required to make payments of principal and interest in the amount of \$12,812,125 on an annual basis in most cases. The SBITAs have an interest rate of estimated at 3%. The value of the right-to-use assets as of the end of the current fiscal year was \$16,920,349. In addition, the district's beginning net position of \$128.5 was restated by \$5.9 million as a result of this implementation

The future principal and interest SBITA payments of August 31, 2023, were as follows:

Fiscal Year Ending August 31	Principal	Interest	Total
2024	\$ 4,626,913	\$ 317,562	\$ 4,944,475
2025	5,015,510	195,042	5,210,552
2026	2,187,975	29,607	2,217,582
2027	439,516	-	439,516
Totals	\$ 12,269,914	\$ 542,211	\$ 12,812,125

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Fund Equity

In the governmental fund financial statements, fund balance amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose are designated as restricted, committed, assigned and non-spendable. Designations of fund balance for non-spendable amounts, commitments, and assignments have been eliminated from the government-wide financial statements. The unassigned fund balance represents that portion of the fund balance that is available for budgeting in future periods.

Commitments of fund balance may only be done by a resolution of the Board of Trustees. By Board of Trustees resolution, assignments of fund balance may be made by the Superintendent, or their designee, or the Deputy Superintendent for Business and Finance. Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when the expenditure is incurred for the purpose for which the fund balance was restricted, committed, or assigned. Committed and assigned fund balances may also be relieved by Board resolution. If an expenditure meets the criteria in more than one fund balance category, then the District considers the fund balance relieved in the following order: restricted, committed, assigned, and then unassigned.

k. Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, adjusted by outstanding debt related to the acquisition of those capital assets and any unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use by external creditors or grantors. Any remaining net position is considered unrestricted.

l. Compensated Absences

Accumulated vacation and earned leave for eligible employees are expected to be liquidated with expendable available financial resources and are recognized as governmental fund liabilities, to the extent that they have matured.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of:

- Vacation leave earned by hourly non-exempt personnel is accrued when incurred and unused balances are distributed on termination from employment.
- Compensatory time earned by salaried non-exempt personnel is accrued when earned. Unused balances are paid annually to the extent balances exceed 120 hours and the entire unused balance is paid on termination from employment. The liability has been calculated using the vesting method. Compensated absences typically have been liquidated in the general and the child nutrition funds.
- Accumulated State and Local leave earned by eligible employees is paid upon retirement under the Teacher's Retirement System at a percentage of an established pay rate that increases based on years of service.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Cash and Cash Equivalents

Cash in bank, money market accounts, and external investment pools are reported as cash and cash equivalents in the financial statements. For the statement of cash flows, cash and cash equivalents consist of cash in banks, investment pool deposits, and securities with maturities of less than three months from the date purchased.

Investments

State statutes and Board policy authorize the District to invest any and all of its funds in fully collateralized certificates of deposit, direct debt securities of the United States of America or the state of Texas, other obligations the principal and interest of which are unconditionally guaranteed by the state of Texas or the United States, fully collateralized repurchase agreements, banker's acceptances, public funds investment pools, money market mutual funds, commercial paper and other investments specifically allowed by Chapter 2256 of the Texas Government Code. The District participates in several local government investment pools and accrues interest based on the terms and interest rates of the pools. The District's policy is to report local government investment pools that meet the criteria of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, at the pool's net asset value (NAV) which is based on amortized cost.

n. Accounting System

In accordance with Texas Education Code, Chapter 44, subchapter A, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Data Control codes refer to the account code structure prescribed by the Texas Education Agency in the Resource Guide.

o. Accrual of Foundation School Program Revenues

The State of Texas provides funding to Districts through the Foundation School Program based on instructional days, average daily attendance by fiscal year, and other factors. The academic year for the District typically begins after the fourth Monday in August and before the beginning of the subsequent fiscal year (September 1st). During this period, expenditures are incurred that relate directly to revenues received in the subsequent fiscal year. In the current fiscal year, the District accrued Foundation School revenues that would be received next year to match August days of instructional expenditures.

p. Unearned Revenue

Nonexchange revenues where resources are transmitted before the eligibility requirements are met are reported as unearned revenues on the balance sheet of the governmental funds. Prepaid meals for the School Lunch Program and prepaid tuition for the District's after school care program are also recorded as unearned revenues.

q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reported period. Actual results could differ from those estimates.

r. Indirect Expenses

School districts are required to report all expenses by function, except for certain indirect expenses – general administration and data processing services. These include expenses that are indirect and not allocated to other functions.

s. Arbitrage Payable

The Tax Reform Act of 1986 enacted section 148(f) of the Internal Revenue Code, relating to arbitrage rebate requirements, which generally provides that in order for interest on any issue of obligation to be excluded from gross income (i.e., tax-exempt), the issuer must rebate to the United States the excess of the amount earned on investments acquired from bond proceeds over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue. This amount is determined based on current investment yields and is subject to change prior to the due date of the rebate. The due date of the rebate is five years from the date of issue. The District records the liability, which is currently payable, in the Debt Service Fund and Capital Projects Fund. Arbitrage payable at August 31, 2023 is \$361,435 for the Debt Service Fund and \$2,729,606 for the Capital Projects Fund.

t. Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources are reported between the assets and liabilities sections on the government-wide Statement of Net Position. These represent a consumption of net assets that applies to future periods and will not be recognized until then. The District reports the deferred charge for refunding in this category, which is the difference between the carrying value of refunded debt and its reacquisition price. The District also reports deferred outflows related to pension and other post-employment benefit amounts. There are no deferred outflows of resources to report in the fund financial statements.

Deferred Inflows of Resources represent an acquisition of net assets that applies to a future period and will not be recognized until then. The District reports unavailable revenue for property taxes and unavailable grant revenue in this category as these amounts are not anticipated to be available within 60 days of the fiscal year end. The Teacher Retirement system (TRS) pension and other post-employment benefits investment earnings are reported only on the Government-wide Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period amounts become available.

u. Pensions

The fiduciary net position of Teacher Retirement System (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

v. Other Post-Employment Benefits (OPEB)

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

2. DEPOSITS AND INVESTMENTS

a. Cash Deposits

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

At August 31, 2023, the carrying amount of the District's deposits (cash and interest-bearing money market accounts) was \$1,670,687 and the bank balance was \$2,211,906. The District's cash deposits at August 31, 2023 were covered by FDIC insurance and by pledged collateral held by the Federal Reserve in a book entry system in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- Name of the bank: Wells Fargo Bank, N.A.
- As of the date of the highest combined balance on deposit occurring during the month of November 2022, and the District's cash deposits were partially covered by FDIC insurance and by pledged collateral.
- The largest combined balances of cash, savings, and time deposit accounts amount to \$9,438,903 and occurred on November 10, 2023. The total amount of FDIC coverage at the time of the largest combined balance was \$1,000,000. The amount of pledged collateral was \$23,757,567.

b. Investments

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

2. DEPOSITS AND INVESTMENTS (Continued)

In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

State statutes authorize the District to invest in obligations of the U.S. Treasury, the State of Texas, certain United States agencies, certificates of deposit, money market savings accounts, repurchase agreements, no-load money market mutual funds and other investments specifically allowed by Chapter 2256 Public Funds Investment and Chapter 2257 Collateral for Public Funds of the Government Code. The District invests primarily in obligations of U.S. agencies, TexPool, LoneStar Investment Pool ("LoneStar"), the Texas Short Term Asset Reserve Program (TEXSTAR), Texas CLASS, and the Local Government Investment Cooperative (LOGIC).

The Comptroller of Public Accounts (Comptroller) exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

LoneStar is governed by the Texas Association of School Boards. This entity has the responsibility of adopting and monitoring compliance with the investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for monitoring the performance of the Pool.

In September 2005, TEXSTAR and LOGIC merged. A separate board for each pool holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TEXSTAR and LOGIC. The business and affairs of TEXSTAR and LOGIC are managed by their Boards in accordance with their bylaws. The Bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TEXSTAR and LOGIC is maintained through daily, weekly, and monthly reporting requirements.

Texas CLASS is a local government investment pool. Texas CLASS invests in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants.

The District's agency notes and municipal bonds are reported at amortized cost which approximates fair value. Money market investments are reported at amortized cost if the remaining maturity at time of purchase is one year or less, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Accordingly, the District's money market investments are reported at amortized cost and do not include any unrealized gains and losses. At fiscal year-end the District had no money market investments. The fair value of the position in the government investment pools is the same as the value of the pool shares which is at either amortized cost or net asset value (NAV) which is based on amortized cost.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

2. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The following is the minimum rating required by the District's investment policy and the Act and the actual rating as of August 31, 2023 for each investment:

Description	Days to Maturity	Minimum Legal Rating	Investment Rating	Rating Organization	Carrying Value	Percentage Invested	Weighted Average Days to Maturity
<i>Investment Pools:</i>							
Lone Star Corporate Overnight Plus Fund	N/A	AAAf/S1+	AAAf/S1+	Standard & Poor's	\$ 212,711,842	22.06%	0.22
Lone Star Government Overnight Fund	N/A	AAA-m	AAA-m	Standard & Poor's	17,489,902	1.81%	0.02
LOGIC	N/A	AAA-m	AAA-m	Standard & Poor's	277,295,047	28.77%	0.29
Texpool	N/A	AAA-m	AAA-m	Standard & Poor's	17,857,492	1.85%	0.02
Texpool Prime	N/A	AAA-m	AAA-m	Standard & Poor's	236,957,683	24.58%	0.25
TexSTAR	N/A	AAA-m	AAA-m	Standard & Poor's	16,510,412	1.71%	0.02
Texas Class	N/A	AAA-m	AAA-m	Standard & Poor's	96,280,570	9.99%	0.10
<i>Total Investments Pools</i>					875,102,948	90.77%	0.92
<i>Agency Notes:</i>							
Agency Notes	00-30	A	AA+	Standard & Poor's	5,000,000	0.52%	0.14
Agency Notes	61-90	A	AA+	Standard & Poor's	5,000,000	0.52%	0.47
Agency Notes	91-180	A	AA+	Standard & Poor's	29,934,324	3.11%	3.91
Agency Notes	181-364	A	AA+	Standard & Poor's	29,000,000	3.01%	7.34
Agency Notes	365+	A	AA+	Standard & Poor's	20,000,000	2.07%	10.14
<i>Total Agency Notes</i>					88,934,324	9.23%	22.00
Total Investments					\$ 964,037,272	100.00%	22.92

Standard and Poor's Rating Legend	
Rating	Capacity to maintain principal stability and to limit exposure to principal losses due to credit risk.
AAA	Extremely strong
AA	Strong
A	Strong but susceptible to adverse effects of changes in circumstances.
BBB	Adequate but more likely to be affected by adverse effects of changes in circumstances.
BB	Uncertain and vulnerable. Demonstrates speculative characteristics.
D	Failed to maintain resulting in realized or unrealized loss of principal.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

2. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The District is required to disclose investments in any one issuer that represents 5% or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At August 31, 2023, the District had no investments that exceeded 5% total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting exposure to fair value losses due to rising interest rates, the District's investment policy states "To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average-maturity limits and diversification. The District shall monitor interest rate risk using weighted average maturity and specific identification."

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside third party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the district and are held by the counterparty, its trust or agent, but not in the District's name. The District's investment securities are not exposed to custodial credit risk because all securities held by the District's custodial banks are in the District's name.

As of August 31, 2023, the District had \$964,037,272 invested with a weighted average maturity of 22.92 days.

Fair Value Measurement

The District categorizes its fair value measurements within 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. The District has no level 1 assets at August 31, 2023.

Level 2 – inputs are significant observable inputs, which may include quoted prices for similar assets in active markets, quoted prices of similar assets in non-active markets, and inputs other than quoted that are observable either directly or indirectly.

Level 3 – inputs are unobservable and may include situations where there is minimal, if any, market activity. The District has no level 3 assets at August 31, 2023.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

2. DEPOSITS AND INVESTMENTS (Continued)

The District's investments at August 31, 2023 are as follows:

	August 31, 2023	Level 1	Level 2	Level 3
Investments by fair value level:				
Debt Securities:				
Federal Home Loan Mortgage Corporation	\$ 20,000,000	-	\$ 20,000,000	-
Federal National Mortgage Association	34,000,000	-	34,000,000	-
Federal Farm Credit Bank System Bond	5,000,000	-	5,000,000	-
Federal Home Loan Bank System	25,000,750	-	25,000,750	-
Federal Home Loan Bank System Bond	4,933,574	-	4,933,574	-
Total Debt Securities	\$ 88,934,324	-	\$ 88,934,324	-
Investments measured at amortized cost:				
External Investment Pools:				
Lone Star Corporate Overnight Plus Fund	\$ 212,711,842			
Lone Star Government Overnight Fund	17,489,902			
TexPool	17,857,492			
TexPool Prime	236,957,683			
Total External Investment Pools	485,016,919			
Total investments measured at amortized cost	485,016,919			
Investments measured at net asset value ("NAV"):				
External Investment Pools:				
LOGIC	277,295,047			
Tex STAR	16,510,412			
Texas Class	96,280,570			
Total External Investment Pools	390,086,029			
Total investments measured at NAV	390,086,029			
Total Investments	\$ 964,037,272			

The valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at net asset value ("NAV"):				
External Investment Pools:				
LOGIC	\$ 277,295,047	N/A	Daily	N/A
Tex STAR	16,510,412	N/A	Daily	N/A
Texas Class	96,280,570	N/A	Daily	N/A
Total investments measured at NAV	\$ 390,086,029			

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

2. DEPOSITS AND INVESTMENTS (Continued)

GASB Statement No. 72 *Fair Value Measurement and Application*, established a hierarchy that prioritizes the inputs used to measure fair value. Certain investment types utilized by the District are not required to be fair valued. Securities classified as Level 2 have used a number pricing methodologies including Treasury Desktop inputs. Since these are not prices quoted for identical securities quoted in active markets they are not classified as Level 1 inputs.

3. INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS

Interfund receivable and payable balances at August 31, 2023 were as follows:

	Receivable Balance	Payable Balance
General Fund:		
Debt Service Funds	\$ -	\$ 72,270
Non-major Governmental Funds	22,662,030	-
Proprietary Funds	154,669	-
Total General Fund	\$ 22,816,699	\$ 72,270
Debt Service Fund:		
General Fund	72,270	-
Non-Major Governmental Funds:		
General Fund	-	22,662,030
Proprietary Funds:		
General Fund	-	154,669
TOTAL	\$ 22,888,969	\$ 22,888,969

From time to time, grant funds, which are on a reimbursement basis, may experience deficit cash balances. The centralized cash disbursement process through the general fund will pay for liabilities incurred until reimbursement is received. Such cash deficits are recorded as interfund payables to the general fund. In addition, the general fund paid for equipment purchased for the Printing Operations internal service fund. This interfund loan is being repaid over several years. The Board of Trustees also authorized transfers to be made from the General Fund's fund balance.

The General Fund subsidized activities whose resources were insufficient to pay for all activities of

- Transfers of \$15,000,000 to the Capital Projects fund, \$36,160 to the Campus Activity fund, and \$25,545 to the Child Nutrition fund. These transfers were authorized by the Board of Trustees in August 2023. In addition, a transfer of \$13M was made from the non-bond funded capital projects fund to the district's new self-funded Health Insurance Operations fund.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

3. INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS (Continued)

- An additional \$316,835 was authorized by the Board of Trustees to cover several Internal Service funds.

4. PROPERTY TAXES

In accordance with Texas statutes, the Board of the District approves a tax rate and order to levy taxes in August of each year. Property taxes are billed by the county tax assessor collector as of October 1st in conformity with Subtitle E, Texas Property Tax Code. Taxes are payable on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of the year following the District's order to levy taxes (the assessment date), a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessment date represents the date on which an enforceable legal claim arises and attaches as a lien of the assessed property. In the government-wide financial statements, property tax revenue is recognized as earned, net of an allowance for uncollectible taxes. In the governmental fund financial statements, property tax revenues are considered available when they become due and receivable within the current period.

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

5. CAPITAL ASSETS

A summary of capital asset activity of the District's governmental activities including internal service funds for the year ended August 31, 2023 follows:

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

5. CAPITAL ASSETS (Continued)

	Balance September 1, 2022, restated	Additions	Transfers	Deletions	Balance, August 31, 2023
<u>Capital Assets not being depreciated/amortized:</u>					
Land	\$ 112,284,812	\$ 1,819,438	\$ -	\$ -	\$ 114,104,250
Construction In Progress	161,329,308	147,229,319	(104,403,032)	-	204,155,595
Total	<u>273,614,120</u>	<u>149,048,757</u>	<u>(104,403,032)</u>	<u>-</u>	<u>318,259,845</u>
<u>Capital Assets being depreciated/amortized:</u>					
Buildings and Improvements	3,446,347,158	54,115,228	104,403,032	(22,253)	3,604,843,164
Furniture and Equipment	146,802,947	12,727,461	(138,324)	(3,861,208)	155,530,876
SBITAs	14,796,793	7,925,266	-	-	22,722,059
Total	<u>3,607,946,898</u>	<u>74,767,955</u>	<u>104,264,708</u>	<u>(3,883,461)</u>	<u>3,783,096,099</u>
<u>Less Accumulated Depreciation/Amortization:</u>					
Buildings and Improvements	(1,265,165,219)	(102,495,682)	-	22,253	(1,367,638,648)
Furniture and Equipment	(96,072,182)	(8,184,801)	138,324	3,861,208	(100,257,451)
SBITAs	-	(5,801,710)	-	-	(5,801,710)
Total	<u>(1,361,237,401)</u>	<u>(116,482,193)</u>	<u>138,324</u>	<u>3,883,461</u>	<u>(1,473,697,809)</u>
Total Capital Assets being depreciated/amortized	<u>2,246,709,497</u>	<u>(41,714,238)</u>	<u>104,403,032</u>	<u>-</u>	<u>2,309,398,290</u>
Government Activities Capital Assets, Net	<u>\$ 2,520,323,617</u>	<u>\$ 107,334,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,627,658,135</u>

Depreciation and amortization expense was charged to governmental activities in the following functional categories:

Instruction	\$ 63,611,871
Instructional Resources & Media Services	1,361,112
Curriculum & Staff Development	2,451,214
Instructional Leadership	2,093,630
School Leadership	5,836,679
Guidance, Counseling & Evaluation Services	4,323,128
Social Work Services	636,610
Health Services	1,226,942
Student Transportation	3,643,988
Child Nutrition Services	5,274,851
Co-Curricular Activities	3,503,703
General Administration	2,048,017
Plant Maintenance & Operations	10,062,781
Security & Monitoring Services	1,075,770
Data Processing Services	2,103,246
Community Services	1,426,939
Debt Service	5,801,710
Total Depreciation	<u>\$ 116,482,193</u>

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

6. UNEARNED REVENUE

Unearned revenue consisted of the following:

General Fund	
State Aid	\$ 34,308,068
Total General Fund	<u>34,308,068</u>
Debt Service Fund	
State Aid	\$ 1,097,762
Total Debt Service Fund	<u>1,097,762</u>
Non-Major Governmental Funds	
Pre-paid Meals	1,054,654
Grants	<u>897,147</u>
Total Non-Major Governmental Funds	<u>1,951,801</u>
Total Governmental Activities	<u>\$ 37,357,631</u>

7. LONG-TERM LIABILITIES

Bonded Debt Payable

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. The bonds are supported by a pledge of the District's full faith and credit and require a levy and collection of taxes without limitation as to rate or amount on all property subject to taxation by the District sufficient in amount to pay the principal and interest on such bonds as they become due. The indentures also require that a debt service fund be created and administered by the District solely for paying principal and interest when due.

Bond indebtedness of the District is reflected in the government-wide financial statements, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

The following is a summary of general obligation bonds payable at August 31, 2023.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

7. LONG-TERM LIABILITIES (Continued)

Issue Date	Series	Original Amount	Interest Rates	Final Maturity	Outstanding 08/31/23	Due Within One Year
Unlimited Tax School Building Bonds						
07/09/15	2015	\$ 70,315,000	0.50 - 5.00%	2035	\$ 45,000,000	\$ 2,995,000
05/18/16	2016	69,030,000	2.00 - 5.00%	2046	55,750,000	1,580,000
06/28/17	2010	69,450,000	2.00 - 5.00%	2038	55,165,000	2,815,000
06/01/20	2017	92,030,000	3.00 - 5.00%	2047	92,030,000	-
03/10/22	2022A	106,110,000	2.50 - 5.00%	2042	104,285,000	3,615,000
Unlimited Tax School Building and Refunding Bonds						
07/30/15	2015	93,420,000	2.50 - 5.00%	2045	68,165,000	3,235,000
05/23/17	2017	86,650,000	2.50 - 5.00%	2037	49,980,000	6,875,000
05/30/19	2019	106,370,000	2.50 - 5.00%	2049	94,245,000	3,420,000
05/26/21	2021	225,770,000	2.38 - 5.00%	2051	212,120,000	8,290,000
05/17/23	2023A	137,040,000	4.00 - 5.00%	2053	137,040,000	5,095,000
Unlimited Tax Refunding Bonds						
12/11/14	2014A	69,115,000	2.00 - 5.00%	2033	36,780,000	8,035,000
04/06/16	2016	85,575,000	2.00 - 5.00%	2035	64,240,000	2,230,000
10/20/16	2016A	88,335,000	3.00 - 5.00%	2037	56,760,000	5,890,000
12/06/17	2017	49,675,000	2.00 - 5.00%	2027	21,700,000	5,050,000
05/30/18	2018	202,315,000	3.35 - 5.00%	2044	168,090,000	2,730,000
11/20/18	2018A	57,570,000	4.00 - 5.00%	2039	49,950,000	2,150,000
08/20/19	2019A	177,890,000	3.00 - 5.00%	2040	133,475,000	5,540,000
12/18/19	2019B	64,705,000	2.50 - 5.00%	2032	43,135,000	5,090,000
07/29/20	2020	64,895,000	1.88 - 5.00%	2040	55,735,000	3,410,000
05/25/21	2021	127,550,000	1.98 - 5.00%	2042	123,190,000	5,100,000
Unlimited Tax Qualified School Construction Bonds (Tax Credit Bonds)						
11/12/09	2009	28,000,000	1.505%	2026	28,000,000	-
Variable Rate Unlimited Tax School Building Bonds						
07/11/18	2018	123,390,000	2.75%	2048	74,975,000	2,535,000
10/28/20	2020	200,000,000	0.70%	2050	200,000,000	-
03/10/22	2022B	85,000,000	2.00%	2052	85,000,000	-
05/17/23	2023B	200,000,000	3.00%	2053	200,000,000	1,085,000
Variable Rate Unlimited Tax School Building and Refunding Bonds						
07/30/19	2019	145,000,000	1.60%	2049	140,735,000	1,205,000
Totals		<u>\$ 2,825,200,000</u>			<u>\$ 2,395,545,000</u>	<u>\$ 87,970,000</u>

Beginning with fiscal year 2023, the District is required to make certain annual deposits into a reserve fund help by the District's bond paying agent. For Series 2009 Unlimited Tax Qualified School Construction Bonds Taxable Series, the District was required to make a payment in the amount \$850,000 which will be used to pay off the outstanding debt upon maturity in August 2026. Payments to this deposit fund is are as follows and the asset is reported as Restricted Cash in the Statement of Net Position. These payments are recorded on the balance sheet of the Debt Fund.

Sinking Fund Deposits	
8/15/2023	\$ 850,000
8/15/2024	2,075,000
8/15/2025	7,605,000
8/15/2026	17,470,000
	<u>\$ 28,000,000</u>

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

7. LONG-TERM LIABILITIES (Continued)

Voted and authorized bonds are issued solely for the purpose of constructing, equipping, and renovating school buildings, purchasing sites for future schools, and paying costs of issuance. The remaining authorized but unissued unlimited tax bonds are as follows:

Date Authorized	Amount Authorized	Previously Issued	Amount Issued*	Unissued Balance
5/5/2018	\$848,910,000	\$566,795,865	\$75,546,439	\$206,567,696
5/7/2022	\$992,000,000	\$0	\$200,000,000	\$792,000,000

*Amounts include \$271,530,000 of debt issuance and \$4,016,439 of premium from debt issuance.

Annual debt service requirements of currently outstanding bonds are as follows:

Year Ending August 31,	Principal	Interest	Total
2024	\$ 87,970,000	\$ 83,338,402	\$ 171,308,402
2025	83,975,000	81,916,410	165,891,410
2026	98,905,000	87,092,198	185,997,198
2027	91,360,000	87,683,998	179,043,998
2028	96,710,000	86,257,490	182,967,490
2029-33	549,765,000	361,606,484	911,371,484
2034-38	497,495,000	253,317,175	750,812,175
2039-43	380,835,000	167,981,021	548,816,021
2044-48	320,395,000	87,518,470	407,913,470
2049-53	188,135,000	21,780,025	209,915,025
Total	<u>\$ 2,395,545,000</u>	<u>\$ 1,318,491,671</u>	<u>\$ 3,714,036,671</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2023.

- a. On May 17, 2023, the District issued \$137,040,000 in Unlimited Tax School Building and Refunding Bonds, Series 2023A. Of this amount, \$65,510,000 were proceeds from refunding. This is recorded on the statement of revenues, expenditures, and changes in fund balance. The bonds were issued pursuant to an election held on May 5, 2018 authorizing the issuance of \$848.91 million and an Order adopted by the Board of Trustees on October 26, 2021. This issue represents the sixth issuance from the 2018 authorization. Proceeds from the sale of the bonds will be used to design, acquire, construct, renovate, equip various school facilities, purchase school buses, purchase necessary sites for school facilities, and refund \$49,640,000 Unlimited Tax Refunding Bonds, Series 2014 and \$25,355,000 Unlimited Tax School Building Bonds, Series 2014, and pay the cost of issuance of these Bonds. The resulting economic gain of \$7,935,027.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

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August 31, 2023

7. LONG-TERM LIABILITIES (Continued)

Cash flow requirements to service old debt service	\$	97,996,488
Less: Cash flow requirements for new debt service		89,179,457
Net decreases in cash flow from refunding	\$	8,817,031

- b. On May 17, 2023, the District issued \$200,000,000 in Variable Rate Unlimited Tax School Building Bonds, Series 2023B. The bonds were issued pursuant to an election held on May 7, 2022 authorizing the issuance of \$992 million and an Order adopted by the Board of Trustees on October 25, 2022. This issue represents the first issuance from the 2022 authorization. Proceeds from the sale of the bonds will be used to design, acquire, construct, renovate, equip various school facilities, purchase school buses, purchase necessary sites for school facilities, and pay the cost of issuance of these Bonds. The Bonds will bear interest at an Initial Rate from May 17, 2023 through July 31, 2026, with interest being payable initially on February 1, 2024 and will be payable on February 1 and August 1 thereafter through the initial rate period at the rate of 3.00%. Thereafter the bonds will convert to and bear interest a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be changed from time to time to a Term Mode during which the Bonds bear interest at a Term Rate for a period of different duration, or converted to a Fixed Rate until stated maturity.

The Bonds are subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on August 1, 2026. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion date at the end of Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 7.00% per annum.

- c. On August 1, 2023, Variable Rate Unlimited Tax School Building Bonds, Series 2018 were remarketed and converted to fixed rate mode. The conversion of the bonds to a fixed rate mode was accomplished pursuant to the respective provisions of the Orders of the Series 2018 Bonds adopted by the Board on October 25, 2022.

The Bonds were in Term Rate model expiring on July 31, 2023. The Bonds were outstanding in the aggregate principal amount of \$123,390,000. On August 1, 2023, \$2,415,000 in principal amount was redeemed pursuant to mandatory and optional redemption provisions, \$74,975,000 was converted to a Fixed Rate Period, and the remaining \$46,000,000 was retired and no longer outstanding. This is recorded on the statement of revenues, expenditures, and changes in fund balance. The Bonds will be subject to mandatory tender without the right of retention and will bear interest at a Fixed Rate for each maturity until stated maturity or prior redemption thereof. Following the conversion to Fixed Rate, the Bonds maturing on and after August 1, 2033 will be subject to optional redemption at par, plus accrued interest through the date of redemption, on August 1, 2032 or any date thereafter. Proceeds from the sale of the Bonds were originally used to acquire, construct, renovate, improve and equip various school facilities, the purchase of necessary sites

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August 31, 2023

7. LONG-TERM LIABILITIES (Continued)

therefore and the purchase of school buses and pay the costs of issuance of the Bonds. The Fixed Rate Conversion contemplated herein is intended to reduce variable interest rate exposure to the District.

The District began making annual deposits into a reserve fund account for the Series 2009 Unlimited Tax Qualified School Construction Bonds. These annual deposits plus the interest earned on the reserve account will be used to pay off the debt upon maturity in 2026.

Worker's Compensation

All funds of the District participate in the Worker's Compensation Insurance Fund and make payments to the Fund based on rates, which reflect historical claims experience. The claims payable of \$2,356,913 reported in the fund at August 31, 2023 is based on an actuarial study completed in August 2023.

The study was performed to provide claims payable in accordance with the requirements of Governmental Accounting Standards Board Statement No. 10 as amended by GASB Statement No. 30. This standard requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The liability includes provisions for the following:

- cash reserves on open claims
- expected ultimate value of future development on reported claims
- expected ultimate value of claims not yet reported
- expected ultimate value of reopened claims
- allocated loss adjustment expenses

The claims liability reported as accrued claims payable in the accompanying financial statement is based on a discounted rate of 3% in anticipation of the investment income potential.

Changes in Long-term Liabilities

Changes in Long-term liabilities of governmental activities for the year ended August 31, 2023 were as follows:

	Beginning			Ending	Due Within
	Balance, restated	Additions	Reductions	Balance	One Year
Bonds Payable	\$2,327,690,000	\$412,015,000	\$344,160,000	\$2,395,545,000	\$87,970,000
Unamortized Bond Premium	127,226,886	22,798,779	25,104,752	124,920,913	-
Compensated Absences	8,432,290	2,935,263	2,925,858	8,441,695	714,024
Deferred Pension Liability	-	66,000	-	66,000	66,000
SBITAs	11,084,859	7,925,266	6,740,209	12,269,916	4,643,201
Net Pension Liability	137,638,982	347,239,897	137,638,982	347,239,897	-
Net OPEB Liability	288,188,237	184,582,808	288,188,237	184,582,808	-
Worker's Compensation	2,490,862	2,369,233	2,503,182	2,356,913	1,298,352
Total	\$2,902,752,116	\$979,932,246	\$807,261,220	\$3,075,423,142	\$94,691,577

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

7. LONG-TERM LIABILITIES (Continued)

The General Fund has typically been used to cover the costs to liquidate pension liabilities as that is where primarily all of the costs are paid.

Internal Service Funds serve only the governmental funds of the District. The liability associated with the Worker's Compensation Internal Service Fund is, therefore, included in the above activity. A reconciliation of changes in the aggregate liabilities for worker's compensation claims for the prior and the current year are presented below:

	<u>2023</u>	<u>2022</u>
Beginning of Year Liability	\$ 2,490,862	\$ 2,323,896
Current Year Claims and Changes in Estimates	2,280,457	2,442,377
Claim Payments	<u>(2,414,405)</u>	<u>(2,275,411)</u>
End of Year Liability	<u>\$ 2,356,914</u>	<u>\$ 2,490,862</u>

8. HEALTH CARE COVERAGE

At August 31, 2023, 9,625 employees of the District were covered by an employee benefits health plan. TRS-qualified insurance plan participants were 9,624. The District paid premiums averaging \$697 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed provider. Total premiums paid by the District during the year were \$64,142,130.

9. FUND BALANCE

The fund balance as of August 31, 2023 consists of the following amounts:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Non-spendable:					
Inventory	\$ 4,416,187	\$ -	\$ -	\$ 5,479,625	\$ 9,895,812
Restricted:					
Debt Service	-	75,988,966	-	-	75,988,966
Child Nutrition	-	-	-	17,212,692	17,212,692
Authorized Construction	-	-	200,858,580	-	200,858,580
Grants	-	-	-	2,133,683	2,133,683
Committed:					
Local Special Revenue	-	-	-	27,241,508	27,241,508
Non-bond funded Capital Projects	-	-	75,478,154	-	75,478,154
Instructional Continuity	200,000,000	-	-	-	200,000,000
Unassigned	<u>250,670,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,670,832</u>
Total	<u>\$ 455,087,019</u>	<u>\$ 75,988,966</u>	<u>\$ 276,336,734</u>	<u>\$ 52,067,508</u>	<u>\$ 859,480,227</u>

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

9. FUND BALANCE (Continued)

Nonspendable fund balance results from items that are not in spendable form as of August 31st including inventory and prepaid items. Restricted fund balance consists of items that are legally restricted for specific purposes. The committed fund balance consists of funds designated by the Board of Trustees to be used for specific purposes. Assigned fund balances reflect management intentions to use funds for specific purposes.

10. DEFINED BENEFIT PENSION PLANS

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's

defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a

qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution.

The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/TRS%20Documents/acfr-2022.pdf>, or by writing to TRS at 1000 Red River Street, Austin, TX.

Benefits Provided

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

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San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

10. DEFINED BENEFIT PENSION PLANS (Continued)

employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description section above.

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

Contributions

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

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

<u>Contribution Rates</u>	<u>2022</u>	<u>2023</u>
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%
	<u>2022</u>	<u>2023</u>
Northside ISD Employer Contributions	\$27,327,211	\$29,992,222
Northside ISD Member Contributions	\$44,233,002	\$60,636,981
Northside ISD NECE On-behalf Contributions	\$59,098,330	\$46,632,662

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

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

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS

August 31, 2023

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2% in fiscal year 2025.

When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2021 actuarial valuation was determined using the following assumptions:

<u>Component</u>	<u>Result</u>
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 of Return	7.00%
Municipal Bond Rates as of August 2020	3.91% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA index"
Last Year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Discount Rate

A single discount rate of 7.00% 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%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2022, (see page 54 of the TRS ACFR) are summarized below:

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NOTES TO FINANCIAL STATEMENTS

August 31, 2023

10. DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	FY 2022 Target Allocation ¹ %	Long-Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00	4.90	0.90
Emerging Markets	9.00	5.40	0.75
Private Equity	14.00	7.70	1.55
Stable Value			
Government Bonds	16.00	1.00	0.22
Absolute Return (Including Credit Sensitive Investment)	0.00	3.70	0.00
Stable Value Hedge Funds	5.00	3.40	0.18
Real Return			
Real Estate	15.00	4.10	0.94
Energy, Natural Resources, and Infrastructure	6.00	5.10	0.37
Commodities	0.00	3.60	0.00
Risk Parity			
Risk Parity	8.00	4.60	0.43
Asset Allocation Leverage			
Cash	2.00	3.00	0.01
Asset Allocation Leverage	(6.00)	3.60	(0.05)
Inflation Expectation			2.70
Volatility Drag ³			(0.91)
Expected Return	100%		8.19%

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$540,173,622	\$347,239,897	\$190,858,058

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

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

10. DEFINED BENEFIT PENSION PLANS (Continued)

At August 31, 2023, the District reported a liability of \$347,239,897 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$347,239,897
State's proportionate share that is associated with District	495,048,003
Total	<u>\$842,287,900</u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2023, the District's proportion of the collective net pension liability was 0.5849% which was an increase of 0.2006% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$36,765,308 and revenue of \$47,320,777 for support provided by the State.

At August 31, 2023, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,034,950	\$ 7,570,487
Changes in actuarial assumptions	64,702,094	16,125,569
Difference between projected and actual investment earnings	34,306,191	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	16,322,202	24,186,433
Contributions paid to TRS subsequent to the measurement date	29,992,222	-
Total	<u>\$ 150,357,659</u>	<u>\$ 47,882,489</u>

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS

August 31, 2023

10. DEFINED BENEFIT PENSION PLANS (Continued)

Deferred outflows of resources in the amount of \$29,992,222 related to pension that resulted from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending August 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	Pension Expense
2024	\$ 18,467,627
2025	7,843,240
2026	(332,453)
2027	39,456,318
2028	7,048,216
	<hr/> <u>\$ 72,482,948</u>

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. It can also be obtained on the internet at: <https://www.trs.texas.gov/TRS%20Documents/acfr-2022.pdf>

Benefits Provided

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

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS

August 31, 2023

11. DEFINED OTHER POST-EMPLOYMENT 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. There are no automatic post-employment benefit changes; including automatic COLAs. The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates			
		Medicare	Non-Medicare
Retiree*	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree* and Children		468	408
Retiree and Family		1,020	999

*or surviving spouse

Contributions

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

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

	<u>Contribution Rates</u>	
	<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%
Employer # 015915 - Employer Contributions	\$ 6,301,593	\$ 6,580,348
Employer # 015915 - Member Contributions	\$ 4,801,739	\$ 4,924,246
Employer # 015915 - NECE On-behalf Contributions	\$ 7,134,355	\$ 12,505,772

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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 hiring 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.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions: *Actuarial assumptions can be found in the 2022 TRS ACFR, Note 9, page 76.*

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 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.
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	The initial medical trend rates were 8.25% for Medical retirees and 7.25% for non-Medicare retirees. The initial prescription drug trend was 8.25% for all retirees. The initial trend rates decrease to an ultimatum trend rate of 4.25% over a period of 13 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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. *The Discount Rate can be found in the 2022 TRS ACFR on page 77.* Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to **not be able** to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2022 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District’s proportionate share of the Net OPEB Liability:	\$ 217,637,769	\$ 184,582,808	\$ 157,804,048

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

At August 31, 2023, the District reported a liability of \$184,582,808 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the collective net pension liability	\$184,582,808
State’s proportionate share that is associated with District	225,162,026
Total	<u>\$409,744,834</u>

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District’s proportion of the Net OPEB Liability was based on the District’s

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

contributions to OPEB 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 0.770893617% compared to 0.747095800% as of August 31, 2021.

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

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	\$ 152,097,065	\$ 184,582,808	\$ 226,696,394

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period: *These can be found in the TRS ACFR on page 77.*

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

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 10,262,151	\$ 153,774,048
Changes in actuarial assumptions	28,115,618	128,237,155
Difference between projected and actual investment earnings	549,822	-
Changes in proportion and Differences between the District's contributions and proportionate share of contributions	27,566,696	31,504,157
Contributions paid to TRS subsequent to the measurement date	6,580,347	-
Total	\$ 73,074,634	\$ 313,515,360

Deferred outflows of resources in the amount of \$6,580,347 related to OPEB that resulted from contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the fiscal year ending August 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2024	\$ (44,794,355)
2025	(44,792,362)
2026	(36,964,826)
2027	(26,367,750)
2028	(32,451,639)
Thereafter	(61,650,141)
Total	<u>\$ (247,021,073)</u>

For the year ended August 31, 2023 the District recognized negative OPEB expense of \$23,766,573. The District also recognized negative on-behalf OPEB expense and revenue of \$31,952,309 for support provided by the State.

12. RISK MANAGEMENT

Equipment Insurance

The District maintains an Equipment Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss in the event of theft or vandalism of certain District equipment and supplies. Under this program, the fund provides coverage for up to a maximum of \$25,000 in the aggregate per year. The District purchases commercial insurance for claims in excess of coverage provided by the fund. Settled claims have not exceeded this commercial coverage for each of the past three fiscal years. In addition, historical losses in the Equipment Insurance Fund have not been material to the financial statements; therefore, accrued liabilities are not recorded in this fund.

Unemployment Insurance

The District maintains an Unemployment Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss for unemployment compensation benefits. It is the District's policy not to pay for unemployment insurance premiums for the risks of losses to which it is exposed. Instead, the District management believes it is more economical to manage its risks internally and set aside assets for unemployment compensation benefits in this fund. The District pays the Texas Workforce Commission on a reimbursement basis for unemployment compensations paid to qualifying employees. Historical losses in the unemployment insurance fund have not been material to the financial statements; therefore, accrued liabilities are not recorded in this fund.

Worker's Compensation

The District maintains a Worker's Compensation Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss for worker's compensation coverage. Under this program, the fund provides coverage for up to a maximum per occurrence of \$500,000. The District purchases stop-loss coverage through a commercial insurer for claims in excess of coverage provided by the fund. Settled claims have not exceeded this stop-loss coverage for each of the past three fiscal years.

Casualty Liability

In July 2017, the District moved from a deductible insurance plan to a self-insured Plan for liability claims. Due to the change, the District maintains a Casualty Liability Insurance fund to account and

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

12. RISK MANAGEMENT (Continued)

finance its uninsured risks of loss pertaining to auto liability, educator’s legal liability and general liability. Under this program, the fund provides coverage for up to a maximum per occurrence of \$50,000. The District purchases excess liability insurance through a commercial insurer for claims in excess of coverage provided by the fund. Settled claims have not exceeded this stop-loss coverage since inception of the self-insured program which is accounted for in the general fund.

13. CONTINGENCIES AND COMMITMENTS

Legal Proceedings

The District is a defendant in several lawsuits for claims filed against it. In the best judgment of the District's management in consultation with legal counsel, the accompanying financial statements will not be affected materially by the outcome of any of these proceedings and therefore no loss contingency has been recorded.

14. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled \$4,068,264, \$3,083,969, and \$3,148,632, for fiscal years 2023, 2022, and 2021, respectively.

15. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Most federal grants shown below are passed through from the Texas Education Agency and are reported on the basic financial statements as Due from Other Governments.

Amounts due from federal and state governments as of August 31, 2023, are summarized below:

Fund	Inter-local	State Entitlements	Federal Grants	Total
General Fund	\$ 14,423	\$ 14,726,420	\$ -	\$ 14,740,843
Nonmajor Governmental Funds	-	106,656	19,745,636	19,852,292
Total	\$ 14,423	\$ 14,833,076	\$ 19,745,636	\$ 34,593,135

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

16. SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for four shared service arrangements (SSA) that provide special education teachers and instructional assistants to member districts. In addition to the District, there are two other member districts. The following are the SSA revenue and expenditures:

	315	435		435
	SSA	SSA		SSA
	IDEA	Regional Day		Regional Day
	Programs	School - Deaf		School - Deaf
Revenue:				
Distributed by TEA	\$ 84,014		\$	251,301
Total Revenues	\$ 84,014		\$	251,301
Expenditures:				
Payroll Costs	\$ 84,014		\$	251,301
Total Expenditures	\$ 84,014		\$	251,301

17. MAJOR SOURCES OF REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

The District's major sources of local revenues in its governmental funds are presented below:

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Property Taxes	\$ 627,378,667	\$ 245,943,619	\$ -	\$ -	\$ 873,322,286
Tuition & Fees	9,619,410	-	-	-	9,619,410
Investment Earnings	27,742,637	8,434,586	7,223,667	1,337,554	44,738,444
Rentals	342,248	-	-	-	342,248
Food Sales	-	-	-	2,662,355	2,662,355
Athletic/Co-curricular	2,977,767	-	-	-	2,977,767
Other	4,741,195	-	-	20,543,168	25,284,363
Total	\$ 672,801,924	\$ 254,378,205	\$ 7,223,667	\$ 24,543,077	\$ 958,946,873

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

August 31, 2023

18. FEDERAL REVENUE RECORDED IN THE GENERAL FUND

	Type Program	Amount
Impact Aid-P.L. 81-874	Direct	\$ 702,419
ROTC	Direct	1,001,843
Teacher Placement Program	Direct	1,500
Medicaid School Health and Related Services	Direct	29,268,037
E-Rate Program	Direct	671,669
Summer School LEP	Direct	45,855
21st Century Community Learning Centers	Indirect	47,909
Adult Education Grants	Indirect	31,913
Adult Education -Temporary Assistance for Needy Families (TANF)	Indirect	2,030
ARP Elementary and Secondary School Emergency Relief (ESSER III)	Indirect	3,010,044
ARP ESSER - Homeless I Children and Youth (ARP-HCY)	Indirect	8,102
ARP ESSER - Homeless II Children and Youth (ARP-HCY)	Indirect	8,933
Career and Technical Education - Basic Grant	Indirect	35,080
COVID-19 School Health Support Grant	Indirect	37,189
CRRSA Elementary and Secondary School Emergency Relief (ESSER II)	Indirect	3,143,389
Elementary and Secondary School Emergency Relief Fund (ESSER I)	Indirect	2,552
IDEA - Part B, Discretionary (Deaf)	Indirect	2,879
IDEA - Part B, Formula	Indirect	509,758
IDEA - Part B, Formula - American Rescue Plan Act (ARP)	Indirect	94,188
IDEA - Part B, Preschool	Indirect	7,137
IDEA - Part B, Preschool - American Rescue Plan Act (ARP)	Indirect	4,678
McKinney Vento Homeless Assist Act Title VII-Education for Homeless Children & Youth	Indirect	3,949
Title I, Part A - Improving Basic Programs	Indirect	783,479
Title II, Part A - Teacher and Principal Training	Indirect	129,335
Title III Part A - English Language Acquisition and Language Enhancement	Indirect	30,368
Title IV, Part A, Subpart 1, Student Support and Academic Enrichment	Indirect	86,785
		\$ 39,671,020

19. COMPLIANCE AND ACCOUNTABILITY

Finance Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended August 31, 2023**

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final	(GAAP Basis)		
REVENUES					
5700	Local and Intermediate Sources	\$ 642,703,132	\$ 675,492,260	\$ 673,101,292	\$ (2,390,968)
5800	State Sources	247,578,746	274,253,784	269,800,447	(4,453,337)
5900	Federal Sources	<u>33,673,900</u>	<u>39,704,569</u>	<u>39,671,020</u>	<u>(33,549)</u>
5020	Total Revenues	<u>923,955,778</u>	<u>989,450,613</u>	<u>982,572,759</u>	<u>(6,877,854)</u>
EXPENDITURES					
Current:					
0010	Instruction & Instructional Related Services:				
0011	Instruction	588,378,231	589,006,242	576,319,760	12,686,482
0012	Instructional Resources and Media Services	13,506,380	13,347,100	12,802,263	544,837
0013	Curriculum and Instructional Staff Development	<u>21,128,949</u>	<u>17,231,770</u>	<u>17,431,923</u>	<u>(200,153)</u>
	Total Instruction & Instructional Related Services	<u>623,013,560</u>	<u>619,585,112</u>	<u>606,553,946</u>	<u>13,031,166</u>
0020	Instructional & School Leadership:				
0021	Instructional Leadership	22,682,485	20,671,427	19,883,405	788,022
0023	School Leadership	<u>60,780,231</u>	<u>58,952,850</u>	<u>57,315,579</u>	<u>1,637,271</u>
	Total Instructional and School Leadership	<u>83,462,716</u>	<u>79,624,277</u>	<u>77,198,984</u>	<u>2,425,293</u>
0030	Support Services - Student:				
0031	Guidance and Counseling Services	42,726,688	43,606,846	42,295,436	1,311,410
0032	Social Work Services	3,474,205	3,459,648	3,095,638	364,010
0033	Health Services	11,053,672	11,252,443	10,707,913	544,530
0034	Pupil Transportation	38,137,944	38,483,257	38,807,902	(324,645)
0035	Child Nutrition Services	746,692	506,897	477,328	29,569
0036	Co-Curricular Activities	<u>23,876,715</u>	<u>25,206,304</u>	<u>24,695,996</u>	<u>510,308</u>
	Total Support Services - Student	<u>120,015,916</u>	<u>122,515,395</u>	<u>120,080,213</u>	<u>2,435,182</u>
0040	Administration:				
0041	General Administration	<u>17,267,670</u>	<u>16,978,320</u>	<u>16,249,130</u>	<u>729,190</u>
	Total Administration	<u>17,267,670</u>	<u>16,978,320</u>	<u>16,249,130</u>	<u>729,190</u>
0050	Support Services - Non-Student Based:				
0051	Plant Maintenance and Operations	91,232,584	100,400,693	99,523,650	877,043
0052	Security & Monitoring Services	10,348,447	11,132,828	10,925,528	207,300
0053	Data Processing Services	<u>20,841,235</u>	<u>23,658,666</u>	<u>23,761,681</u>	<u>(103,015)</u>
	Total Support Services - Non-Student Based	<u>122,422,266</u>	<u>135,192,187</u>	<u>134,210,859</u>	<u>981,328</u>
0060	Ancillary Services:				
0061	Community Services	<u>12,279,320</u>	<u>9,785,647</u>	<u>10,010,310</u>	<u>(224,663)</u>
	Total Ancillary Services	<u>12,279,320</u>	<u>9,785,647</u>	<u>10,010,310</u>	<u>(224,663)</u>
0070	Debt Service				
0071	Debt Service - Principal on Long-Term Debt	-	6,435,120	5,197,020	1,238,100
0072	Debt Service - Interest	<u>-</u>	<u>-</u>	<u>388,859</u>	<u>(388,859)</u>
	Total Debt Service	<u>-</u>	<u>6,435,120</u>	<u>5,585,879</u>	<u>849,241</u>

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NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended August 31, 2023**

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final	(GAAP Basis)		
EXPENDITURES (Continued)					
0080	Capital Outlay				
0081	Facilities Acquisition and Construction	\$ 984,221.00	\$ 1,691,038.00	\$ 1,406,781.00	\$ 284,257.00
	Total Capital Outlay	<u>984,221</u>	<u>1,691,038</u>	<u>1,406,781</u>	<u>284,257</u>
0090	Intergovernmental Charges				
0095	Juvenile Alternative Education Program	100,000	109,100	107,050	2,050
0099	Other Intergovernmental Charges	<u>6,077,041</u>	<u>4,761,041</u>	<u>4,729,439</u>	<u>31,602</u>
	Total Intergovernmental Charges	<u>6,177,041</u>	<u>4,870,141</u>	<u>4,836,489</u>	<u>33,652</u>
6030	Total Expenditures	<u>985,622,710</u>	<u>996,677,237</u>	<u>976,132,591</u>	<u>20,544,646</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>(61,666,932)</u>	<u>(7,226,624)</u>	<u>6,440,168</u>	<u>13,666,792</u>
	Other Financing Sources (Uses):				
7915	Transfer from Capital Projects Fund	-	-	17,807	17,807
7949	Proceeds of SBITAs and Other Resources	-	2,543,300	6,271,229	3,727,929
8911	Other Uses	<u>-</u>	<u>(15,261,706)</u>	<u>(15,061,705)</u>	<u>200,001</u>
	Total Other Financing Sources (Uses)	<u>-</u>	<u>(12,718,406)</u>	<u>(8,772,669)</u>	<u>3,945,737</u>
1200	Net Change in Fund Balance	(61,666,932)	(19,945,030)	(2,332,501)	17,612,529
0100	FUND BALANCES, September 1, 2022	<u>457,419,520</u>	<u>457,419,520</u>	<u>457,419,520</u>	<u>-</u>
3000	FUND BALANCES, August 31, 2023	<u>\$ 395,752,588</u>	<u>\$ 437,474,490</u>	<u>\$ 455,087,019</u>	<u>\$ 17,612,529</u>

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS**
Year Ended August 31, 2023

	2023	2022	2021
District's Proportion of the Net Pension Liability (Asset)	0.584899679%	0.567789164%	0.635636340%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 347,239,897	\$ 304,096,292	\$ 330,423,641
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>495,048,003</u>	<u>509,230,988</u>	<u>473,203,648</u>
Total	<u>\$ 842,287,900</u>	<u>\$ 813,327,280</u>	<u>\$ 803,627,289</u>
District's Covered Payroll	\$ 738,729,124	\$ 708,014,427	\$ 723,335,987
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	47.01%	42.95%	45.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	75.54%	75.24%

Note: GASB 68, 81.a.(2)(a) requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2022 - the period from September 1, 2021 - August 31, 2022.

Note: Eight years of data are 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."

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
0.634933610%	0.633179746%	0.629787679%	0.653317300%	0.463126500%
\$ 349,482,869	\$ 202,456,772	\$ 237,987,399	\$ 230,938,970	\$ 123,707,492
<u>514,008,447</u>	<u>301,343,520</u>	<u>363,908,162</u>	<u>346,456,429</u>	<u>293,076,803</u>
<u>\$ 863,491,316</u>	<u>\$ 503,800,292</u>	<u>\$ 601,895,561</u>	<u>\$ 577,395,399</u>	<u>\$ 416,784,295</u>
\$ 692,630,183	\$ 671,910,694	\$ 649,054,807	\$ 631,085,132	\$ 606,189,117
50.46%	30.13%	36.67%	36.59%	20.41%
73.74%	82.17%	78.00%	78.43%	83.25%

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

**SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS**
Year Ended August 31, 2023

	2023	2022	2021
Contractually Required Contribution	\$ 29,992,222	\$ 27,327,211	\$ 23,034,957
Contribution in Relation to the Contractually Required Contribution associated with the District	(29,992,222)	(27,327,211)	(23,034,957)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 757,962,259	\$ 738,729,124	\$ 708,014,427
Contributions as a Percentage of Covered Payroll	3.96%	3.70%	3.25%

Note: GASB 68, Paragraph 81.b. requires that the data in this schedule be presented as of the District's current fiscal year end.

Note: Eight years of data are 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."

2020	2019	2018	2017	2016
\$ 23,429,772	\$ 22,298,929	\$ 21,369,734	\$ 20,759,157	\$ 19,982,317
(23,429,772)	(22,298,929)	(21,369,734)	(20,759,157)	(19,982,317)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 723,335,987	\$ 692,630,183	\$ 671,910,694	\$ 649,054,807	\$ 631,085,132
3.24%	3.22%	3.18%	3.20%	3.17%

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY OF A COST-SHARING MULTIPLE EMPLOYER OPEB PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS**
Year Ended August 31, 2023

	2023	2022	2021	2020	2019	2018
District's Proportion of the Net OPEB (Asset)	0.770893617%	0.747095800%	0.785511732%	0.816446761%	0.807140966%	0.764518600%
District's Proportionate Share of Net OPEB (Asset)	\$ 184,582,808	\$ 288,188,237	\$ 298,608,482	\$ 386,107,674	\$ 403,012,873	\$ 332,460,481
State's Proportionate Share of the Net OPEB (Asset) associated with the District	<u>225,162,026</u>	<u>386,108,013</u>	<u>401,258,221</u>	<u>513,050,734</u>	<u>571,379,341</u>	<u>506,815,527</u>
Total	<u>\$ 409,744,834</u>	<u>\$ 674,296,250</u>	<u>\$ 699,866,703</u>	<u>\$ 899,158,408</u>	<u>\$ 974,392,214</u>	<u>\$ 839,276,008</u>
District's Covered Payroll	\$ 738,729,124	\$ 708,014,427	\$ 723,335,987	\$ 692,630,183	\$ 671,910,694	\$ 649,054,807
District's Proportionate Share of the Net Pension OPEB (Asset) as a Percentage of its Covered Payroll	24.99%	40.70%	41.28%	55.75%	59.98%	51.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension OPEB	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note: The authoritative pronouncement that mandates this schedule requires ten years of historical data or the maximum available as of the date the financial statements. Six years of data is available as of the date of these statements.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

**SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE OPEB PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS**
Year Ended August 31, 2023

	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 6,580,348	\$ 6,301,593	\$ 5,825,320	\$ 5,966,606	\$ 5,767,167	\$ 5,573,435
Contribution in Relation to the Contractually Required Contribution associated with the District	(6,580,348)	(6,301,593)	(5,825,320)	(5,966,606)	(5,767,167)	(5,573,435)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 757,962,259	\$ 738,729,124	\$ 708,014,427	\$ 723,335,987	\$ 692,630,183	\$ 671,910,694
Contributions as a Percentage of Covered Payroll	0.87%	0.85%	0.82%	0.82%	0.83%	0.83%

Note: The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31 of the prior year. Six years of data is available as of the date of these statements.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

May 8, 2024

Norton Rose Fulbright US LLP
111 W. Houston, Suite 1800
San Antonio, Texas 78205-3792
United States

Tel +1 210 224 5575
Fax +1 210 270 7205
nortonrosefulbright.com

DRAFT

IN REGARD to the authorization and issuance of the “Northside Independent School District Unlimited Tax School Building Bonds, Series 2024A” (the *Bonds*), dated April 1, 2024, in the aggregate original principal amount of \$[_____], we have reviewed the legality and validity of the issuance thereof by the Northside Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. The Bonds have Stated Maturities of August 15 in each of the years 20[] through 20[], unless [optionally or mandatorily] redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “NORTHSIDE INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024A”

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

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

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

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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “NORTHSIDE INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024A”

Norton Rose Fulbright US LLP

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

APPENDIX D

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

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

During the 87th Regular Session of the Texas Legislature (the “87th Regular Session”), which concluded on May 31, 2021, Senate Bill 1232 (“SB 1232”) was enacted and became effective on September 1, 2021. SB 1232 provided for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the “PSF Corporation”), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the “SBOE”) to the PSF Corporation. SB 1232 also required changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board (the “SLB”), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation.

The regular session of the 88th Texas Legislature (the “Legislature”) was held from January 10, 2023, to May 29, 2023. As of the date of this disclosure, there have been four special sessions held, with the fourth special session ending December 5, 2023. The Texas Governor may call one or more additional special sessions. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the SBOE, the Act, the PSF Corporation, and Texas school finance generally. No representation is made regarding any actions the Legislature has taken or may take, but the TEA, SBOE, and PSF Corporation monitor and analyze legislation for any developments applicable thereto.

History and Purpose

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

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

In 2011, legislation was enacted that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program. That legislation authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as “charter districts” by the Education Commissioner. On approval by the Education Commissioner, bonds properly issued by a charter district participating in the Guarantee Program are fully guaranteed by the PSF. The Charter District Bond Guarantee Program became effective on March 3, 2014. See “The Charter District Bond Guarantee Program.”

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation’s Annual Comprehensive Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). Due to the establishment of the PSF Corporation, the most recent financial statements include several restatements related thereto. The SLB’s land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the “GLO”) that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message of the Chief Executive Officer of the PSF Corporation (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2023, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the United States Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2023, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2023, and for a description of the financial results of the PSF for the year ended August 31, 2023, the most recent year for which audited financial information regarding the Fund is available. The 2023 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2023 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation’s Investment Policy Statement (the “IPS”), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the “Web Site Materials”) on the PSF Corporation’s web site at <https://texaspsf.org/bond-guarantee-program/> and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund’s holdings of securities specified in Section 13(f), including exchange-traded (*e.g.*, NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at www.sec.gov/edgar. A list of the Fund’s equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation’s web site and filed with the MSRB. Such list excludes holdings in the Fund’s securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

Management and Administration of the Fund

The Texas Constitution and applicable statutes delegate to the SBOE and the PSF Corporation the authority and responsibility for investment of the PSF’s financial assets. The SBOE consists of 15 members who are elected by territorial districts in the State to four-year terms of office. The PSF Corporation is a special-purpose governmental corporation and instrumentality of the State entitled to sovereign immunity, and is governed by a nine-member board of directors (the “PSFC Board”), which consists of five members of the SBOE, the Land Commissioner, and three appointed members who have substantial background and expertise in investments and asset management, with one member being appointed by the Land Commissioner and the other two appointed by the Governor with confirmation by the Senate.

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

The Texas Constitution provides that the Fund shall be managed through the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the “Prudent Person Standard”). In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment, and the Fund is managed as an endowment fund with a long-term investment horizon. For a detailed description of the PSFC Board’s investment objectives, as well as a description of the PSFC’s roles and responsibilities in managing and administering the fund, see the IPS (available on the PSF Corporation’s website).

As described below, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to both (i) 6% of the average of the market value of the Fund, excluding real property, on the last day of each of the sixteen State fiscal quarters

preceding the Regular Session of the Legislature that begins before that State fiscal biennium, and (ii) the total-return on all investment assets of the Fund over a rolling ten-year period.

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

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

The Act requires that the Education Commissioner prepare, and the SBOE approve, an annual status report on the Guarantee Program (which is included in the Annual Report). The State Auditor audits the financial statements of the PSF, which are separate from other financial statements of the State. Additionally, not less than once each year, the PSFC Board must submit an audit report to the Legislative Budget Board ("LBB") regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with State laws.

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

The Total Return Constitutional Amendment

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

In determining the Distribution Rate, the SBOE has adopted the goal of maximizing the amount distributed from the Fund in a manner designed to preserve "intergenerational equity." The definition of intergenerational equity that the SBOE has generally followed is the maintenance of purchasing power to ensure that endowment spending keeps pace with inflation, with the ultimate goal being to ensure that current and future generations are given equal levels of purchasing power in real terms. In making this determination, the SBOE takes into account various considerations, and relies upon PSF Corporation and TEA staff and external investment consultants, which undertake analysis for long-term projection periods that includes certain assumptions. Among the assumptions used in the analysis are a projected rate of growth of student enrollment State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

The Texas Constitution also provides authority to the GLO or another entity (described in statute as the SLB or the PSF Corporation) that has responsibility for the management of revenues derived from land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. The Texas Constitution limits the maximum transfer to the ASF to \$600 million in each year from the revenue derived during that year from the PSF from the GLO, the SBOE or another entity to the extent such entity has the responsibility for the management of revenues derived from such land or other properties. Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

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

Annual Distributions to the Available School Fund⁽¹⁾

<u>Fiscal Year Ending</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023²</u>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,076
PSF(SBOE) Distribution	839	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-
PSF(SLB) Distribution	0	0	0	0	0	300	600	600 ³	415	115
Per Student Distribution	175	173	215	212	247	306	347	341	432	440

⁽¹⁾ In millions of dollars. Source: Annual Report for year ended August 31, 2023.

⁽²⁾ Reflects the first fiscal year in which distributions were made by the PSF Corporation.

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

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

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

State Fiscal Biennium 2008-09 2010-11 2012-13 2014-15 2016-17 2018-19 2020-21 2022-23 2024-25

SBOE Distribution Rate⁽¹⁾ 3.5% 2.5% 4.2% 3.3% 3.5% 3.7% 2.974% 4.18% 3.32%⁽²⁾

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

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

PSF Corporation Strategic Asset Allocation

The PSFC Board sets the asset allocation policy for the Fund, including determining the available asset classes for investment and approving target percentages and ranges for allocation to each asset class, with the goal of delivering a long-term risk adjusted return through all economic and market environments. Effective January 1, 2023, the IPS includes a combined asset allocation for all Fund assets (consisting of assets transferred for management to the PSF Corporation from the SBOE and the SLB). The IPS provides that the Fund’s investment objectives are as follows:

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

The table below sets forth the current asset allocation of the Fund that was adopted February 2024 (which is subject to change from time to time):

Asset Class	Strategic Asset Allocation	Range	
		Min	Max
Cash	2.0%	0.0%	7.0%
Core Bonds	10.0%	5.0%	15.0%
High Yield	2.0%	0.0%	7.0%
Bank Loans	4.0%	0.0%	9.0%
Treasury Inflation Protected Securities	2.0%	0.0%	7.0%
Large Cap Equity	14.0%	9.0%	19.0%
Small/Mid-Cap Equity	6.0%	1.0%	11.0%
Non-US Developed Equity	7.0%	2.0%	12.0%
Absolute Return	3.0%	0.0%	8.0%
Real Estate	12.0%	7.0%	17.0%
Private Equity	20.0%	10.0%	30.0%
Private Credit	8.0%	3.0%	13.0%
Natural Resources	5.0%	0.0%	10.0%
Infrastructure	5.0%	0.0%	10.0%

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

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Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2023 and 2022

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

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

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

Investment Schedule - PSF(SLB)¹

Investment Schedule - PSF(SLB)¹

Fair Value (in millions) August 31, 2023

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

⁽¹⁾ Unaudited figures from Table 5 in the FY 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

⁽²⁾ Historical Cost of investments at August 31, 2023 was: Sovereign Lands \$838,776.71; Discretionary Internal Investments \$129,728,504.04; Other Lands \$38,241,863.70; and Minerals \$13,437,063.73.

⁽³⁾ Includes an estimated 1,000,000.00 acres in freshwater rivers.

⁽⁴⁾ Includes an estimated 1,747,600.00 in excess acreage.

⁽⁵⁾ Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.

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

The asset allocation of the Fund's financial assets portfolio is subject to change by the PSF Corporation from time to time based upon a number of factors, including recommendations to the PSF Corporation made by internal investment staff and external consultants. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets and other capital markets in the United States and abroad, which may be affected by different levels of economic activity; decisions of political officeholders; significant adverse weather events; development of hostilities in and among nations; cybersecurity threats and events; changes in international trade policies or practices; application of the Prudent Person Standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and PSF operational limitations impacted by Texas law or legislative appropriation. The Guarantee Program could also be impacted by changes in State or federal law or regulations or the implementation of new accounting standards.

The School District Bond Guarantee Program

The School District Bond Guarantee Program requires an application be made by a school district to the Education Commissioner for a guarantee of its bonds. If the conditions for the School District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

In the event of default, holders of guaranteed school district bonds will receive all payments due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Education Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Education Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld pursuant to this funding "intercept" feature will be deposited to the credit of the PSF. The Comptroller must hold such canceled bond or evidence of

payment of the interest on behalf of the PSF. Following full reimbursement of such payment by the school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

If a school district fails to pay principal or interest on a bond as it is stated to mature, other amounts not due and payable are not accelerated and do not become due and payable by virtue of the district's default. The School District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a school district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed school district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond order provision requiring an interest rate change. The guarantee does not extend to any obligation of a school district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event that two or more payments are made from the PSF on behalf of a district, the Education Commissioner shall request the Attorney General to institute legal action to compel the district and its officers, agents and employees to comply with the duties required of them by law in respect to the payment of guaranteed bonds.

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings. The SDBGP Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at <https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now codified at 19 TAC section 33.7 and are available at <https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>.

The Charter District Bond Guarantee Program has been authorized through the enactment of amendments to the Act, which provide that a charter holder may make application to the Education Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2024 fiscal year, the ratio is 7.69%. At February 26, 2024, there were 186 active open-enrollment charter schools in the State and there were 1,128 charter school campuses authorized under such charters, though as of such date, 212 of such campuses are not currently serving students for various reasons; therefore, there are 916 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

In accordance with the Act, the Education Commissioner may not approve charter district bonds for guarantee if such guarantees will result in lower bond ratings for public school district bonds that are guaranteed under the School District Bond Guarantee Program. To be eligible for a guarantee, the Act provides that a charter district's bonds must be approved by the Attorney General, have an unenhanced investment grade rating from a nationally recognized investment rating firm, and satisfy a limited investigation conducted by the TEA.

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a

redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a “bond enhancement agreement” or a “credit agreement,” unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event of default, holders of guaranteed charter district bonds will receive all payments due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding “intercept” feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The CDBGP Rules provide that the PSF may be used to guarantee bonds issued for the acquisition, construction, repair, or renovation of an educational facility for an open-enrollment charter holder and equipping real property of an open-enrollment charter school and/or to refinance promissory notes executed by an open-enrollment charter school, each in an amount in excess of \$500,000 the proceeds of which loans were used for a purpose described above (so-called new money bonds) or for refinancing bonds previously issued for the charter school that were approved by the Attorney General (so-called refunding bonds). Refunding bonds may not be guaranteed under the Charter District Bond Guarantee Program if they do not result in a present value savings to the charter holder.

The CDBGP Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the Charter District Bond Guarantee Program, the Education Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the “CDBGP Capacity”) is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See “Capacity Limits for the Guarantee Program.” Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the “State Capacity Limit”) and that imposed by regulations and a notice issued by the IRS (the “IRS Limit”, with the limit in effect at any given time being the “Capacity Limit”). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 after the IRS updated regulations relating to the PSF and similar funds.

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 (“SB 389”) was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF.

Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

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

Changes in SBOE-determined multiplier for State Capacity Limit

<u>Date</u>	<u>Multiplier</u>
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

Since December 16, 2009, the IRS Limit was a static limit set at 500% of the total cost value of the assets held by the PSF as of December 16, 2009; however, on May 10, 2023, the IRS released Notice 2023-39 (the “IRS Notice”), stating that the IRS would issue regulations amending the existing regulations to amend the calculation of the IRS limit to 500% of the total cost value of assets held by the PSF as of the date of sale of new bonds, effective as of May 10, 2023.

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2023 the cost value of the Guarantee Program was \$44,034,322,531 (unaudited), thereby producing an IRS Limit of \$220,171,612,655 in principal amount of guaranteed bonds outstanding.

As of December 31, 2023, the estimated State Capacity Limit is \$154,120,128,859, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table “Permanent School Fund Guaranteed Bonds” below. Effective March 1, 2023, the Act provides that the SBOE may establish a percentage of the Capacity Limit to be reserved from use in guaranteeing bonds (the “Capacity Reserve”). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity

Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the PSF Corporation's web site at <https://texaspsf.org/monthly-disclosures/>, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

No representation is made as to how the capacity will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. If the amount of guaranteed bonds approaches the State Capacity Limit, the SBOE or Education Commissioner may increase the State Capacity Limit multiplier as discussed above.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017, and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.69% in February 2024. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provided that the Education Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Education Commissioner may decline to approve the application if the Education Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules also require the Education Commissioner to make an investigation of the accreditation status and financial status for a charter district applying for a bond guarantee.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2024, the Charter District Reserve Fund contained \$97,636,048, which represented approximately 2.32% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides \$60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is

limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

As a general rule, the operation of a charter school involves fewer State requirements and regulations for charter holders as compared to other public schools, but the maintenance of a State-granted charter is dependent upon on-going compliance with State law and regulations, which are monitored by TEA. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school. Charter holders are governed by a private board of directors, as compared to the elected boards of trustees that govern school districts.

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSF.

Infectious Disease Outbreak

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054. That plan was designed to ensure performance of the Agency's essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

Circumstances regarding the COVID-19 pandemic continue to evolve; for additional information on these events in the State, reference is made to the website of the Governor, <https://gov.texas.gov/>, and, with respect to public school events, the website of TEA, <https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance>.

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of January 2024, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

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Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district's underlying rating and the enhanced rating applied to a given series of bonds.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations		
<u>Fiscal Year</u> <u>Ended 8/31</u>	<u>Book</u> <u>Value⁽¹⁾</u>	<u>Market</u> <u>Value⁽¹⁾</u>
2019	\$35,288,344,219	\$46,464,447,981
2020	36,642,000,738	46,764,059,745
2021	38,699,895,545	55,582,252,097
2022	42,511,350,050	56,754,515,757
2023 ⁽²⁾	43,915,792,841	59,020,536,667

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

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

Permanent School Fund Guaranteed Bonds

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

⁽¹⁾ Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.

⁽²⁾ At August 31, 2023 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$178,520,723,868, of which

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

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>		
Fiscal Year						
<u>Ended 8/31</u>	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023 ⁽²⁾	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682

⁽¹⁾ Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

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

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

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

At the end of fiscal year 2023, the PSF(CORP) net position was \$52.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(CORP) is invested in global markets and liquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten- year periods ending August 31, 2023, net of fees, were 6.14%, 6.19%, and 6.78%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund’s investments). See “Comparative Investment Schedule - PSF(CORP)” for the PSF(CORP) holdings as of August 31, 2023.

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

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PSF Returns Fiscal Year Ended 8-31-2023⁽¹⁾

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>		
<u>Fiscal Year</u> <u>Ended 8/31</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>
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PSF Returns Fiscal Year Ended 8-31-2023⁽¹⁾

<u>Portfolio</u>	<u>Return</u>	<u>Return²</u>
Total PSF(CORP) Portfolio	6.14	4.38
Domestic Large Cap Equities	16.09	15.94
Domestic Small/Mid Cap Equities	9.31	9.14
International Equities	12.38	11.89
Emerging Market Equity	2.48	1.25
Fixed Income	(1.30)	(1.19)
U.S. Treasuries	(9.21)	(9.69)
Absolute Return	7.59	3.58
Real Estate	(1.96)	(3.13)
Private Equity	4.55	0.20
Real Return	(5.51)	(5.88)
Emerging Market Debt	12.68	11.34
High Yield	7.80	7.19
Emerging Manager Program	33.35	0.97
Natural Resources	5.70	3.67
Infrastructure	14.22	3.67

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

⁽²⁾ Benchmarks are as set forth in the Annual Report for year ended August 31, 2023.

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

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

Other Events and Disclosures

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at <https://tea.texas.gov/sites/default/files/ch033a.pdf>. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this offering document under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information also includes the Annual Report. The PSF Corporation will update and provide this information within six months after the end of each fiscal year.

The TEA and the PSF Corporation may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited financial statements will be provided when available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is composed of two primary segments: the financial assets (PSF(CORP)) managed by PSF Corporation, and the non-financial assets (PSF(SLB)) managed by the SLB. Each of these segments is reported separately and different bases of accounting.

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

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

The State's current fiscal year end is August 31. Accordingly, the TEA and the PSF Corporation must provide updated information by the last day of February in each year, unless the State changes its fiscal year. If the State changes its fiscal year, the TEA will notify the MSRB of the change.

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

The continuing disclosure agreement is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial information and operating data concerning such entity and events notices relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in this offering document.

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an

underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA or the PSF Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA or the PSF Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than \$10 million of outstanding municipal securities.