

OFFICIAL STATEMENT DATED JANUARY 26, 2022

NEW ISSUE - Book-Entry-Only

**Enhanced/Unenhanced Ratings of
2022A, 2022B, 2022D:
Moody's: "Aaa/Aaa"
PSF: "Approved"
Unenhanced Ratings of 2022C, 2022E:
Moody's: "Aaa"
(See "OTHER INFORMATION – Ratings" and
"THE PERMANENT SCHOOL FUND GUARANTEE
PROGRAM" herein)**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. See "TAX MATTERS".

Interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS".

**AUSTIN INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas located in Travis County, Texas)**

\$93,960,000	\$101,670,000	\$28,570,000
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022A	UNLIMITED TAX REFUNDING BONDS, SERIES 2022B	UNLIMITED TAX REFUNDING BONDS, SERIES 2022C (Non-PSF)
\$50,520,000	\$80,350,000	
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2022D	UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2022E (Non-PSF)	

**Due: August 1
as shown on pages ii and iii**

Interest to accrue from Delivery Date

THE BONDS . . . The Austin Independent School District (the "District") is issuing its \$93,960,000 Unlimited Tax School Building Bonds, Series 2022A (the "2022A Bonds"), its \$101,670,000 Unlimited Tax Refunding Bonds, Series 2022B (the "2022B Bonds"), its \$28,570,000 Unlimited Tax Refunding Bonds, Series 2022C (Non-PSF) (the "2022C Bonds"), (collectively the 2022A Bonds, 2022B Bonds and 2022C Bonds are referred to as the "Tax-Exempt Bonds"), its \$50,520,000 Unlimited Tax Refunding Bonds, Taxable Series 2022D (the "2022D Bonds") and its \$80,350,000 Unlimited Tax Refunding Bonds, herein Taxable Series 2022E (Non-PSF) (the "2022E Bonds") (collectively the 2022D Bonds and 2022E Bonds are referred to herein as the "Taxable Bonds", and together with the Tax-Exempt Bonds, the "Bonds"), pursuant to the authority and for the purposes hereinafter specified.

PAYMENT TERMS . . . Interest on the Bonds will accrue from the date of delivery to the initial purchasers, anticipated to be February 23, 2022 (the "Delivery Date"), will be payable on February 1 and August 1 of each year commencing August 1, 2022, until stated maturity or prior redemption and will be calculated on the basis of a 360-day year 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. DTC will act as securities depository. 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 and interest on the Bonds will be payable by the Paying Agent/Registrar (defined herein) 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"). The initial "Paying Agent/Registrar" is BOKF, NA, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The 2022A Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 45 Texas Education Code, as amended, Chapter 1371, Texas Government Code, an election held within the District on November 7, 2017, and an order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on December 16, 2021. The 2022B Bonds, 2022C Bonds, 2022D Bonds and 2022E Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapters 1207 and 1371, Texas Government Code, as amended, and the Bond Order.

In the Bond Order, the Board delegated the authority to certain District officials to execute a pricing certificate establishing pricing and other terms for each series of Bonds which was executed by an authorized official on January 26, 2022 (the "Pricing Certificate"). The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order".

The Bonds are direct obligations of the District payable from a continuing direct ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District as provided in the Order (see "THE BONDS – Security and Source of Payment"). The District has made application to the Texas Education Agency and has received conditional approval for the 2022A Bonds, 2022B Bonds and 2022D Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined) which guarantee will automatically become effective when the Attorney General of Texas approves the 2022A 2022B, and 2022D Bonds (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). **The 2022C Bonds and the 2022E Bonds will not be guaranteed by the Permanent School Fund Guarantee Program.**

PURPOSE . . . Proceeds from the sale of the 2022A Bonds will be used (i) for construction, acquisition and equipment of school buildings and to purchase the necessary sites therefor and (ii) for the payment of costs of issuance related to the 2022A Bonds (see "PLAN OF FINANCE – Purpose of the Tax-Exempt Bonds").

Proceeds from the sale of the 2022B Bonds, 2022C Bonds, 2022D Bonds, and 2022E Bonds will be used (i) to refund certain maturities of the District's currently outstanding bonds for debt service savings, as shown on SCHEDULE I hereto (the "Refunded Bonds") and (ii) for the payment of costs of issuing the 2022B Bonds, 2022C Bonds, 2022D Bonds and 2022E Bonds (see "PLAN OF FINANCE – Purpose of the Tax-Exempt Bonds" and "Purpose of the Taxable Bonds").

SEPARATE ISSUES . . . Each series of Bonds are separate and distinct offerings being issued and sold independently. While each series of Bonds share certain common attributes, each series is separate from the others and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

See pages ii and iii for Maturity Schedules, Interest Rates, Yields, CUSIP Numbers, and Redemption Provisions

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 Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel (see Appendix C-"Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through the services of DTC, on or about February 23, 2022.

RAMIREZ & Co., INC.

D.A. DAVIDSON & Co. FHN FINANCIAL CAPITAL MARKETS JEFFERIES PIPER SANDLER & Co. STIFEL

**TAX-EXEMPT BONDS MATURITY SCHEDULES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS,
AND CUSIP NUMBERS**

CUSIP⁽²⁾ Prefix: 052430

\$93,960,000 Unlimited Tax School Building Bonds, Series 2022A

Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix
2022	\$ 8,000,000	5.000%	0.500%	TU9	2032	\$ 630,000	5.000%	1.610%	UE3
2023	34,850,000	5.000%	0.590%	TV7	2033	665,000	4.000%	1.730%	UF0
2024	40,000,000	5.000%	0.810%	TW5	2034	690,000	4.000%	1.780%	UG8
2025	450,000	5.000%	0.970%	TX3	2035	720,000	4.000%	1.820%	UH6
2026	470,000	5.000%	1.110%	TY1	2036	745,000	2.375%	2.420%	UJ2
2027	495,000	5.000%	1.250%	TZ8	2037	765,000	2.375%	2.450%	UK9
2028	520,000	5.000%	1.350%	UA1	2038	780,000	2.500%	2.540%	UL7
2029	545,000	5.000%	1.470%	UB9	2039	800,000	2.500%	2.560%	UM5
2030	575,000	5.000%	1.540%	UC7	2040	820,000	2.500%	2.580%	UN3
2031	600,000	5.000%	1.590%	UD5	2041	840,000	2.500%	2.610%	UP8

\$101,670,000 Unlimited Tax Refunding Bonds, Series 2022B

Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix
2027	\$ 11,295,000	5.000%	1.250%	UQ6	2032	\$ 10,800,000	4.000%	1.680%	VG7
2028	11,865,000	5.000%	1.350%	UR4	2032	3,530,000	5.000%	1.610%	UV5
2029	8,300,000	5.000%	1.470%	US2	2033	14,940,000	4.000%	1.730%	UW3
2030	13,040,000	5.000%	1.540%	UT0	2034	10,330,000	4.000%	1.780%	UX1
2031	9,155,000	5.000%	1.590%	UU7	2035	4,125,000	4.000%	1.820%	UY9
					2036	4,290,000	2.375%	2.420%	UZ6

\$28,570,000 Unlimited Tax Refunding Bonds, Series 2022C (Non-PSF)

Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix
2028	\$ 4,260,000	5.000%	1.400%	VA0	2031	\$ 4,855,000	5.000%	1.630%	VD4
2029	4,455,000	5.000%	1.510%	VB8	2032	5,065,000	5.000%	1.650%	VE2
2030	4,650,000	5.000%	1.580%	VC6	2033	5,285,000	4.000%	1.770%	VF9

(Interest accrues from the Delivery Date)

OPTIONAL REDEMPTION OF THE TAX-EXEMPT BONDS . . . The District reserves the right, at its option, to redeem the Tax-Exempt Bonds having stated maturities on and after August 1, 2032, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption of the Tax-Exempt Bonds”).

- ⁽¹⁾ Initial yield represents the initial offering yield to the public which has been established by the Underwriters for the offers to the public by the Underwriters as their sole responsibility which may be subsequently changed.
- ⁽²⁾ CUSIP numbers are included solely for the convenience of the owners of the Tax-Exempt Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Co-Financial Advisors, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.
- ⁽³⁾ Yield calculated based on the assumption that the Tax-Exempt Bonds denoted and sold at a premium will be redeemed on August 1, 2031, the first optional call date for such Tax-Exempt Bonds, at a redemption price of par, plus accrued interest to the redemption date.

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TAXABLE BONDS MATURITY SCHEDULES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, AND CUSIP NUMBERS

CUSIP⁽²⁾ Prefix: 052430

\$50,520,000 Unlimited Tax Refunding Bonds, Taxable Series 2022D

Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix
2026	\$ 3,185,000	5.000%	1.718%	TB1	2031	\$ 4,065,000	5.000%	2.233%	TG0
2027	3,345,000	5.000%	1.818%	TC9	2032	7,825,000	4.000%	2.333%	TH8
2028	3,515,000	5.000%	1.976%	TD7	2033	8,140,000	2.433%	2.433%	TJ4
2029	3,685,000	5.000%	2.076%	TE5	2034	8,340,000	2.533%	2.533%	TK1
2030	3,875,000	5.000%	2.183%	TF2	2035	4,545,000	2.633%	2.633%	TL9

\$80,350,000 Unlimited Tax Refunding Bonds, Taxable Series 2022E (Non-PSF)

Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix
2025	\$ 4,365,000	5.000%	1.526%	TM7	2029	\$ 13,980,000	5.000%	2.176%	TR6
2026	8,875,000	5.000%	1.818%	TN5	2030	14,630,000	3.000%	2.283%	TS4
2027	17,225,000	5.000%	1.968%	TP0	2031	8,540,000	2.333%	2.333%	TT2
2028	12,735,000	5.000%	2.076%	TQ8					

(Interest accrues from the Delivery Date)

REDEMPTION OF THE TAXABLE BONDS . . . The District reserves the right, at its option, to redeem the Series 2022D Bonds having stated maturities on and after August 1, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2032, or any date thereafter, at par value thereof plus accrued interest to the date of redemption. The 2022E Bonds are not subject to optional redemption (see “THE BONDS – Optional Redemption of the Taxable Bonds”).

⁽¹⁾ Initial yield represents the initial offering yield to the public which has been established by the Underwriters for the offers to the public by the Underwriters as their sole responsibility which may be subsequently changed.

⁽²⁾ CUSIP numbers are included solely for the convenience of the owners of the Taxable Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Co-Financial Advisors, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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This Official Statement, which includes the cover page, schedule, 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 representation must not be relied upon as having been authorized by the District or the Underwriters.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Co-Financial Advisors or the Underwriters. 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 matters of opinion, 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 will, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein.

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 THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

Neither the District, the Co-Financial Advisors, nor the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (the "DTC") or its Book-Entry-Only System or the affairs of the Texas Education Agency ("TEA") described under "THE BONDS-Book-Entry-Only System" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," as such information has been 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.

The Underwriters have provided the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their 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.

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

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

References to web site addresses presented herein are for informational purposes only and may be in 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 any purposes.

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The cover page hereof, this page, schedules and 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 Austin Independent School District (the “District”) is a political subdivision of the State of Texas located in Travis County. The District is approximately 230 square miles. The District is governed by a nine-member Board of Trustees (the “Board”) who serve staggered four-year terms with elections being held in November of each even-numbered year. 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. For more information regarding the District, see “Appendix A – General Information Regarding the District” and “Appendix B – Excerpts from the Austin Independent School District Annual Financial and Compliance Report”.
THE BONDS	The District is issuing its \$93,960,000 Unlimited Tax School Building Bonds, Series 2022A (the “2022A Bonds”), \$101,670,000 Unlimited Tax Refunding Bonds, Series 2022B (the “2022B Bonds”), \$28,570,000 Unlimited Tax Refunding Bonds, Series 2022C (Non-PSF) (the “2022C Bonds”), (collectively the 2022A Bonds, 2022B Bonds and 2022C Bonds are referred to herein as the “Tax-Exempt Bonds”) and its \$50,520,000 Unlimited Tax Refunding Bonds, Taxable Series 2022D (the “2022D Bonds”) and \$80,350,000 Unlimited Tax Refunding Bonds, Taxable Series 2022E (Non-PSF) (the “2022E Bonds”), (collectively the 2022D Bonds and 2022E Bonds are referred to herein as the “Taxable Bonds” and together with the Tax-Exempt Bonds, the “Bonds”), pursuant to the authority and for the purposes hereinafter specified (see “INTRODUCTION”, “PLAN OF FINANCE” and “THE BONDS”).
PAYMENT OF INTEREST	Interest on the Bonds accrues from February 23, 2022, the date of initial delivery (the “Delivery Date”) thereof to the Underwriters and is payable on August 1, 2022 and on each August 1 and February 1 thereafter, until stated maturity or prior redemption and is payable as described herein (see “THE BONDS – Description of the Bonds”).
AUTHORITY FOR ISSUANCE	<p>The 2022A Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including Chapter 45 Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held within the District on November 7, 2017 and an order (the “Bond Order”) adopted by the Board on December 16, 2021.</p> <p>The 2022B Bonds, 2022C Bonds, 2022D Bonds and 2022E Bonds are issued pursuant to the Constitution and general laws of the State, including Chapters 1207 and 1371, Texas Government Code, as amended, and the Bond Order.</p> <p>The Board, in the Bond Order, delegated the authority to certain District officials to execute a pricing certificate establishing pricing and other terms for each series of the Bonds, which was executed by an authorized official on January 26, 2022 (the “Pricing Certificate”). The Bond Order and the Pricing Certificate are collectively referred to herein as the “Order” (see “THE BONDS – Authority for Issuance”).</p>
SECURITY FOR THE BONDS	The Bonds are direct obligations of the District, payable from a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. Additionally, the District has made applications to the Texas Education Agency and has received conditional approval for the payment of the principal of and interest on the 2022A Bonds, 2022B Bonds, and the 2022D Bonds, to be guaranteed by the Permanent School Fund Guarantee Program which will automatically become effective when the Attorney General of Texas approves the 2022A Bonds, 2022B Bonds, and 2022D Bonds (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). The 2022C Bonds and 2022E Bonds will not be guaranteed by the Permanent School Fund.
PERMANENT SCHOOL FUND GUARANTEE	The District has made applications to the Texas Education Agency and has received conditional approval for the payment of the principal of and interest on the 2022A Bonds, 2022B Bonds, and 2022D Bonds to be guaranteed by the Permanent School Fund Guarantee Program which will automatically become effective when the Attorney General of Texas approves the 2022A Bonds, 2022B Bonds, and 2022D Bonds (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). The 2022C Bonds and 2022E Bonds will not be guaranteed by the Permanent School Fund.

OPTIONAL REDEMPTION FOR THE TAX-EXEMPT BONDS.....	The District reserves the right, at its option, to redeem the Tax-Exempt Bonds having stated maturities on and after August 1, 2032, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption Provisions of the Tax-Exempt Bonds”).
OPTIONAL REDEMPTION FOR THE TAXABLE BONDS	The District reserves the right, at its option, to redeem the Series 2022D Bonds having stated maturities on and after August 1, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The 2022E Bonds are not subject to redemption prior to stated maturity (see “THE BONDS ” – Optional Redemption Provisions of the Taxable Bonds”).
TAX EXEMPTION TAX-EXEMPT BONDS	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Tax-Exempt Bonds (see “TAX MATTERS”).
NO TAX EXEMPTION TAXABLE BONDS.....	Interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Taxable Bonds (see “TAX MATTERS”).
USE OF PROCEEDS.....	<p>Proceeds from the sale of the 2022A Bonds will be used (i) for construction, acquisition and equipment of school buildings and to purchase the necessary sites therefor and (ii) for the payment of costs of issuance related to the 2022A Bonds (see “PLAN OF FINANCE – Purpose of the Tax-Exempt Bonds”).</p> <p>Proceeds from the sale of the 2022B Bonds, 2022C Bonds, 2022D Bonds and 2022E Bonds will be used (i) to refund certain maturities of the District’s currently outstanding bonds for debt service savings, as shown on SCHEDULE I hereto (the “Refunded Bonds”) and (ii) for the payment of costs of issuing the 2022B Bonds, 2022C Bonds, 2022D Bonds and 2022E Bonds (see “PLAN OF FINANCE – Purpose of the Tax-Exempt Bonds” and “- Purpose of the Taxable Bonds”).</p>
RATINGS	The Bonds have been rated “Aaa” (unenhanced) by Moody’s Investors Services, Inc. (“Moody’s”). The 2022A Bonds, 2022B Bonds, and 2022D Bonds have also been rated “Aaa” (enhanced) by Moody’s by virtue of the guarantee of the Permanent School Fund. The currently outstanding unenhanced, tax supported debt of the District has an underlying rating of “Aaa” by Moody’s, “AA+” by S&P Global Ratings (“S&P”) and/or “AA+” by Fitch. The District’s currently outstanding bonds that are guaranteed by virtue of the Permanent School Fund are also rated “Aaa” by Moody’s, “AAA” by Fitch and/or “AAA” by S&P by virtue of the guarantee of the Permanent School Fund (see “OTHER INFORMATION – Ratings”). 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 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”).
PAYMENT RECORD	The District has never defaulted in payment of its bonded indebtedness.
DELIVERY DATE	Anticipated to occur on or about February 23, 2022.

SELECTED FINANCIAL INFORMATION

Year Ended 12/31 ⁽¹⁾	Estimated District Population ⁽²⁾	Taxable Assessed Valuation ⁽³⁾	Per Capita Taxable Assessed Valuation	Tax Supported Debt ⁽⁵⁾	Per Capita Tax Supported Debt	Ratio Debt to Taxable Assessed Valuation	% of Total Tax Collections
2018	1,273,741	\$ 103,221,367,551	\$ 81,038	\$ 982,756,549	\$ 772	0.95%	98.66%
2019	1,304,311	113,907,520,539	87,332	1,112,957,692	853	0.98%	98.69%
2020	1,334,310	124,516,925,487 ⁽⁴⁾	93,319	1,287,246,060	965	1.03%	98.50%
2021	1,364,332	134,816,691,395	98,815	1,480,278,890	1,085	1.10%	98.72%
2022	1,395,029	143,388,452,420	102,785	1,467,038,924 ⁽⁶⁾	1,052	1.02%	43.50% ⁽⁷⁾

⁽¹⁾ The District's fiscal year ends on June 30. Due to timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31, therefore, debt information is provided on a calendar year basis.

⁽²⁾ Source: City of Austin Planning & Zoning Department.

⁽³⁾ Source: As reported by the Travis Central Appraisal District on the District's annual State Property Tax Reports. Such values are subject to change during the ensuing year.

⁽⁴⁾ Source: Travis Central Appraisal District. The total values are dated as of August 21, 2019. On February 12, 2020, Travis Central Appraisal District announced that it would not be reappraising residential properties for the 2020 tax year.

⁽⁵⁾ Excludes the District's Commercial Paper Notes, Series A. See "Table 9 – Authorized But Unissued Unlimited Tax Bonds."

⁽⁶⁾ Includes the Bonds and excludes the Refunded Bonds.

⁽⁷⁾ As of December 31, 2021.

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DISTRICT ADMINISTRATION

ELECTED OFFICIALS

	<u>Length of Service</u>	<u>Term Expires</u>	<u>District</u>
Geronimo M. Rodriguez Jr. President	4 Years	Nov. 2022	District 6
Yasmin Wagner Vice President	1 Year	Nov. 2022	District 7
Arati Singh Secretary	2 Years, 6 Months	Nov. 2022	At-Large District 9
LaTisha Anderson Member	1 Year, 6 Months	Nov. 2022	District 1
Ofelia Zapata Member	1 Year	Nov. 2024	District 2
Kevin Foster Member	1 Year	Nov. 2024	District 3
Kristin Ashy Member	1 Year, 6 Months	Nov. 2022	District 4
Lynn Boswell Member	1 Year	Nov. 2024	District 5
Noelita Lugo Member	1 Year	Nov. 2024	At-Large District 8

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>
Dr. Stephanie Elizalde	Superintendent
Eduardo Ramos	Chief Financial Officer
Patrick Krishock	Treasurer

CONSULTANTS AND ADVISORS

Auditors RSM US LLP
Austin, Texas

Co-Financial Advisors Estrada Hinojosa & Company, Inc.
Dallas and Austin, Texas

RBC Capital Markets, LLC
Houston, Texas

Bond Counsel Orrick, Herrington and Sutcliffe LLP
Austin, Texas

For additional information regarding the District, please contact:

Patrick Krishock Treasurer Austin Independent School District 4000 S. I.H. 35 Frontage Road Austin, Texas 78704 (512) 414-2211 – Telephone	or	Rudy Mejia Estrada Hinojosa & Company, Inc. 3103 Bee Caves Road, Suite 133 Austin, Texas 78746 (512) 605-2442 – Telephone (512) 597-0803 – Fax	or	Chris Allen RBC Capital Markets, LLC 609 Main Street, 36 th Floor Houston, Texas 77002 (713) 651-3338 – Telephone (713) 651-3347 – Fax
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**OFFICIAL STATEMENT
RELATING TO**

**AUSTIN INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas located in Travis County)**

\$93,960,000
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2022A

\$101,670,000
UNLIMITED TAX REFUNDING BONDS,
SERIES 2022B

\$28,570,000
UNLIMITED TAX REFUNDING BONDS,
SERIES 2022C (NON-PSF)

\$50,520,000
UNLIMITED TAX REFUNDING BONDS,
TAXABLE SERIES 2022D

\$80,350,000
UNLIMITED TAX REFUNDING BONDS,
TAXABLE SERIES 2022E (NON-PSF)

INTRODUCTION

This Official Statement, which includes Schedule I and Appendices hereto, provides certain information regarding the issuance of the Austin Independent School District’s (The “District”) \$93,960,000 Unlimited Tax School Building Bonds, Series 2022A (the “2022A Bonds”), the \$101,670,000 Unlimited Tax Refunding Bonds, Series 2022B, the \$28,570,000 Unlimited Tax Refunding Bonds, Series 2022C (Non-PSF) (the “2022C Bonds”, and, collectively with the 2022A Bonds and the 2022B Bonds, the “Tax-Exempt Bonds”), the \$50,520,000 Unlimited Tax Refunding Bonds, Taxable Series 2022D (the “2022D Bonds”) and the \$80,350,000 Unlimited Tax Refunding Bonds, Taxable Series 2022E (Non-PSF) (the “2022E Bonds”, and collectively with the 2022D Bonds, the “Taxable Bonds”). The Tax-Exempt Bonds and the Taxable Bonds are collectively referred to herein as the “Bonds”. Except as otherwise indicated herein, capitalized terms used in this Official Statement not otherwise defined herein have the same meanings assigned to such terms in the order (the “Bond Order”) adopted by the Board of Trustees (the “Board”) of the District on December 16, 2021, which authorized the issuance of the Bonds. As permitted by Chapter 1371, Texas Government Code, as amended, and for the Series 2022B Bonds, Series 2022C Bonds, Series 2022D Bonds, and Series 2022E Bonds, Chapter 1207, Texas Government Code, as amended, the Board, in the Bond Order, delegated to certain authorized officials of the District the authority to execute one or more pricing certificates evidencing final sales terms of the Bonds (collectively, the “Pricing Certificate” and together with the Bond Order, the “Order”). The Pricing Certificate was executed by an authorized District official on January 26, 2022.

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

There follows in this Official Statement descriptions of the Bonds and certain information regarding 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 Co-Financial Advisors, Estrada Hinojosa & Company, Inc., Austin, Texas and RBC Capital Markets, Houston, Texas at the addresses appearing on page ix hereof, in an electronic format or upon request and 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 and the Escrow Agreement (defined herein) will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. See “OTHER INFORMATION – Continuing Disclosure of Information” herein for a description of the District’s undertaking to provide certain information on a continuing basis.

PLAN OF FINANCE

PURPOSE OF THE TAX-EXEMPT BONDS . . . Proceeds from the sale of the 2022A Bonds will be used (i) for construction, acquisition and equipment of school buildings and to purchase the necessary sites therefor and (ii) for the payment of costs of issuance related to the 2022A Bonds.

Proceeds from the sale of the 2022B Bonds and 2022C Bonds will be used (i) to refund certain maturities of the District’s currently outstanding bonds for debt service savings, as shown on SCHEDULE I hereto (“SCHEDULE OF REFUNDED BONDS – “Tax-Exempt Refunded Bonds”) and (ii) for the payment of costs of issuing the 2022B Bonds and 2022C Bonds.

PURPOSE OF THE TAXABLE BONDS . . . Proceeds from the sale of the Taxable Bonds will be used (i) to refund certain maturities of the District’s currently outstanding bonds for debt service savings, as shown on SCHEDULE I hereto (“SCHEDULE OF REFUNDED BONDS – “Taxable Refunded Bonds”) and (ii) for the payment of costs of issuing the Taxable Bonds.

REFUNDED BONDS . . . The principal and interest due on the Tax-Exempt Refunded Bonds and Taxable Refunded Bonds (collectively, the “Refunded Bonds”) are to be paid on the scheduled interest payment dates and respective redemptions dates of such Refunded Bonds from funds to be deposited pursuant to one or more escrow agreements (collectively, the “Escrow Agreement”) between the District and BOKF, NA, Dallas, Texas, (the “Escrow Agent”). The Order provides that from a portion of the proceeds of the sale of each of the Series 2022B Bonds, Series 2022C Bonds, Series 2022D Bonds, and Series 2022E Bonds (collectively, the “Refunding Bonds”) received from the

Underwriters listed on the cover page hereof (the “Underwriters”) and other available District funds, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Such funds will be held by the Escrow Agent in one or more special accounts pursuant to the Escrow Agreement (collectively, the “Escrow Fund”) and held in cash or used to purchase direct noncallable obligation of the United States of America or other permitted defeasance securities (the “Escrow Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Public Finance Partners LLC, Minneapolis, Minnesota (the “Verification Agent”) will verify at the time of delivery of the Refunding Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrated the Escrow Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, (a) principal and accrued interest on the Refunded Bonds on their scheduled interest payment dates and on their respective redemption dates and (b) the Make Whole Redemption Price of the Series 2016B and Series 2016C Bonds, as verified in the report of the Verification Agent (the “Report”). Such maturing principal of and interest on the Escrow Securities will not be available to pay the Refunding Bonds (see “OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations”).

By the deposit of the Escrow Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds in accordance with Texas law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Report, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Securities and any cash held for the payment of the Refunded Bonds by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes for the purposes of applying any limitation on the issuance of debt. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund Guarantee Program.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are being issued by the District in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will accrue from the Delivery Date, as defined on the front cover of this Official Statement, and will be payable on August 1, 2022 and each August 1 and February 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will mature on the dates, in the principal amounts, will be subject to redemption, and will bear interest at the rates set forth in pages ii and iii of this Official Statement.

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 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”).

If the date for any payment due on any Bond is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city in which the designated corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not such a day. The payment on such date has the same force and effect as if made on the original date payment was due.

AUTHORITY FOR ISSUANCE. . . The 2022A Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held within the District on November 7, 2017, and an order (the “Bond Order”) adopted by the Board of Trustees of the District (the “Board”) on December 16, 2021.

The 2022B Bonds, 2022C Bonds, 2022D Bonds and 2022E Bonds are issued pursuant to the Constitution and general laws of the State, including Chapters 1207 and 1371, Texas Government Code, as amended, and the Bond Order.

In the Bond Order, the Board delegated the authority to certain District officials to execute a pricing certificate establishing pricing and other terms for each series of the Bonds which was executed by an authorized official on January 26, 2022 (the “Pricing Certificate”). The Bond Order and the Pricing Certificate are collectively referred to herein as the “Order.”

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are direct obligations of the District, payable from a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. Additionally, the District has made applications to the Texas Education Agency and has received conditional approval for the payment of the principal of and interest on the 2022A Bonds, 2022B Bonds, and the 2022D Bonds, to be guaranteed by the Permanent School Fund Guarantee Program which will automatically become effective when the Attorney General of Texas approves the 2022A Bonds, 2022B Bonds and 2022D Bonds (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). **The 2022C Bonds and 2022E Bonds will not be guaranteed by the Permanent School Fund.**

PERMANENT SCHOOL FUND GUARANTEE . . . The District has made applications to the Texas Education Agency and has received conditional approval for the payment of the principal of and interest on the 2022A Bonds, 2022B Bonds, and 2022D Bonds to be guaranteed by the Permanent School Fund Guarantee Program which will automatically become effective when the Attorney General of Texas approves the

2022A Bonds, 2022B Bonds and 2022D Bonds (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). **The 2022C Bonds and 2022E Bonds will not be guaranteed by the Permanent School Fund.**

OPTIONAL REDEMPTION OF THE TAX-EXEMPT BONDS . . . The District reserves the right, at its option, to redeem the Tax-Exempt Bonds having stated maturities on and after August 1, 2032, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

OPTIONAL REDEMPTION OF THE TAXABLE BONDS . . . The District reserves the right, at its option, to redeem the Series 2022D Bonds having stated maturities on and after August 1, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2032, or any date thereafter, at par value thereof plus accrued interest to the date of redemption.

NO OPTIONAL REDEMPTION. . . The 2022E Bonds are not subject to redemption prior to stated maturity.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Bonds, a notice of redemption shall be sent by United States mail, first-class, postage prepaid, in the name of the District and at the District's expense, by the Paying Agent/Registrar to each registered owner of a Bond to be redeemed in whole or in part at the address of the registered owner appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED WILL 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 WILL 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 WILL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and moneys sufficient to pay the redemption price of the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and/or sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each series of the Bonds, in the aggregate principal amount of such issue, 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"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds, 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 date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, security certificates for each maturity of the Bonds are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates for each maturity of the Bonds will be printed and delivered to DTC and the Bonds will be subject to the transfer, exchange and registration provisions as set forth in the Order and summarized under "- Transfer, Exchange and Registration" below.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Co-Financial Advisors, and the Underwriters believe to be reliable, but neither of the District, the Co-Financial Advisors, nor the Underwriters take responsibility for the accuracy thereof.

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar must be a legally qualified bank, trust company, financial institution or other agency duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice must 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, with respect to the Bonds, upon prior redemption, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, payments of principal and interest on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System," above.

SUCCESSOR PAYING AGENT / REGISTRAR . . . In the Order, the District reserved the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor paying Agent/Registrar selected by the District must be a legally qualified bank, a trust company, financial institution, or other agency duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds.

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 will 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 his 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 seventy-two (72) hours 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 will 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 will 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 will not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The date for determining the person to whom the interest is payable on the Bonds on any interest payment date means the close of business on the fifteenth day of the month preceding the interest payment date ("Record 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 must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each owner of a Bond appearing on the 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.

MUTILATED, LOST, OR STOLEN BONDS . . . The District has agreed to replace mutilated, lost, or stolen Bonds upon surrender of the mutilated, lost Bonds to the Paying Agent, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and Paying Agent of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

DEFEASANCE OF BONDS . . . The Order provides for the defeasance of the Bonds by either depositing: (a) cash in an amount sufficient to make such payment or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct non-callable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; and (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; which, in the case of (i), or (ii), may be in book-entry form, the principal and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other money, if any, held in such escrow, will be sufficient to provide for the timely payment of

the principal of and interest on such Bonds to their due date. Authorized District officials are permitted to limit the foregoing securities in connection with the sale of the Bonds. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation.

Under the Order, upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Bonds have been made as described above, all rights of the District to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the respective 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.

After defeasance, the Permanent School Fund Guarantee will cease to apply to the 2022A Bonds, 2022B Bonds, and 2022D Bonds.

AMENDMENTS . . . The District may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of 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; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of principal of or any installment of interest on any Bond, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium on 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 for consent to any amendment, addition, or waiver.

BONDHOLDERS' REMEDIES . . . The Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due or the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, or the District defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed, as well as to enforce the rights of payment under the Permanent School Fund Guarantee. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia* 197 S.W. 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 proceeding 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 U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "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 opinions 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.

USE OF PROCEEDS . . . Proceeds from the sale of the Tax-Exempt Bonds are expected to be expended as follows:

	<u>2022A Bonds</u>	<u>2022B Bonds</u>	<u>2022C Bonds</u>	<u>Total</u>
Sources:				
Par Amount of the Bonds	\$ 93,960,000.00	\$ 101,670,000.00	\$ 28,570,000.00	\$ 224,200,000.00
Premium	7,758,868.10	22,124,500.00	7,206,450.00	37,089,818.10
Total Sources of Funds	<u>\$ 101,718,868.10</u>	<u>\$ 123,794,500.00</u>	<u>\$ 35,776,450.00</u>	<u>\$ 261,289,818.10</u>
Uses:				
Project Fund Deposits	\$ 101,137,000.00			\$ 101,137,000.00
Refunding Escrow Deposits	-	\$ 122,996,165.83	\$ 35,542,727.55	158,538,893.38
Costs of Issuance	309,866.75	333,050.22	101,097.20	744,014.17
Underwriters' Discount	272,001.35	465,283.95	132,625.25	869,910.55
Total Uses of Funds	<u>\$ 101,718,868.10</u>	<u>\$ 123,794,500.00</u>	<u>\$ 35,776,450.00</u>	<u>\$ 261,289,818.10</u>

Proceeds from the sale of the Taxable Bonds are expected to be expended as follows:

	<u>2022D Bonds</u>	<u>2022E Bonds</u>	<u>Total</u>
Sources:			
Par Amount of the Bonds	\$ 50,520,000.00	\$ 80,350,000.00	\$ 130,870,000.00
Premium	5,364,054.00	10,117,849.50	15,481,903.50
Other Sources of Funds:			
Debt Service Fund	129,581.53	246,094.44	375,675.97
Total Sources of Funds	<u>\$ 56,013,635.53</u>	<u>\$ 90,713,943.94</u>	<u>\$ 146,727,579.47</u>
Uses:			
Refunding Escrow Deposits	\$ 55,610,616.26	\$ 90,122,976.95	\$ 145,733,593.21
Costs of Issuance	170,822.30	263,486.05	434,308.35
Underwriters' Discount	232,196.97	327,480.94	559,677.91
Total Uses of Funds	<u>\$ 56,013,635.53</u>	<u>\$ 90,713,943.94</u>	<u>\$ 146,727,579.47</u>

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency (including the Texas Education Agency (“TEA”)) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities.

Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The TEA advised districts that for the 2020-2021 school year district funding was to return to being based on Average Daily Attendance (“ADA”) calculations requiring attendance to be taken. However, the TEA crafted an approach for determining ADA that provides districts with several options for determining daily attendance. These included remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network. To stabilize funding expectations, districts were initially provided an ADA grace period for the first two six-week reporting periods of the 2020-2021 school year. If a district’s first two six-week average ADA was less than the ADA hold harmless projections (described below), the first two six-week attendance reporting periods for 2020-2021 would

be excluded from the calculation of annual ADA and student full-time equivalents (“FTE”) for Foundation School Program (“FSP”) funding purposes and would be replaced with the ADA and FTE hold harmless projections that were derived using a three-year average trend of final numbers from the 2017-2018 through 2019-2020 school years, unless this projection was both (i) 15% higher and (ii) 100 ADA higher than the 2020-2021 legislative planning estimate (“LPE”) projections provided by the TEA to the State legislature pursuant to Section 48.269 of the Texas Education Code, in which case the 2020-2021 LPE ADA and FTE would be used as the hold harmless projections.

An ADA hold harmless protection was also available for the third six-week attendance reporting period, but only for those districts that allowed on-campus instruction throughout the entire third six-week period or met certain on-campus participation rates during the sixth six-week attendance reporting period, as further described in the paragraph below. The ADA hold harmless methodology 3 would be identical to the methodology used for the first two six-week attendance reporting periods, except that the third six-week period will be examined independent of the first two six-week attendance reporting periods.

The ADA hold harmless protection was extended for the remainder of the 2020-21 school year (the fourth, fifth, and sixth six-week attendance reporting periods). In order to qualify, a district must meet certain criteria established by the TEA related to on-campus participation rates during the sixth six-week attendance reporting period. A district would be eligible for the ADA hold harmless protection for the fourth, fifth, and sixth six-weeks if (1) the average on-campus attendance participation rate during the sixth six-weeks attendance reporting period was equal to or greater than 80% of all students educated during the sixth six-weeks; or (2) the average on-campus attendance participation rate during the sixth six-weeks attendance reporting period was equal to or greater than the on-campus attendance participation rate reported by the district on the October 2020 Public Education Information Management System (“PEIMS”) Fall Snapshot, available on the TEA Coronavirus website. This recent extension also potentially provided ADA hold harmless protection to districts that were not previously eligible for the ADA hold harmless protection during third six-weeks attendance reporting period as previously discussed. If applicable, a district can now be eligible if (1) the average on-campus participation rate during the sixth six-weeks reporting period was equal to or greater than 90% of all students educated during the sixth six-weeks; or (2) for districts with a 2020 PEIMS Fall Snapshot on-campus attendance participation rate of less than 50%, the average on-campus attendance participation rate during the sixth six-weeks attendance reporting period had to increase by at least 20 percentage points from the on-campus attendance participation rate reported on the district’s October 2020 PEIMS Fall Snapshot, or for districts with a 2020 PEIMS Fall Snapshot on-campus attendance participation rate equal to or greater than 50%, the average on-campus attendance participation rate during the sixth six-weeks reporting period had to be equal to or greater than the on-campus percentage of all students educated during the sixth six-weeks that results from adding 45 percentage points to half of the on-campus attendance participation rate reported on the district’s October 2020 PEIMS Fall Snapshot.

The TEA provided the highest level of funding that resulted from either the hold harmless attendance counts (as a group, inclusive of all settings) or the district’s actual attendance counts (as a group, inclusive of all settings) for the entire 2020-2021 school year, encompassing all portions of the school year for which a district would have been eligible for a hold harmless adjustment. As a result, it is not expected that a district’s funding would be negatively impacted by the hold harmless adjustment.

For the 2020-2021 school year, the District offered two instructional models: on campus face-to-face instruction and remote online learning. Remote online learning utilizes both synchronous instruction and asynchronous instruction, depending on the grade level and course. Students could elect to change instructional models at the end of each grading period. During the final six-week grading period, approximately 88% of the students chose on campus instruction and 12% of the students chose remote online learning. For the 2021-2022 school year, the District offered remote instruction for elementary grades K-6 only. Only on-campus instruction has been offered for Pre-K and 7-12th grade.

During the 87th legislative session, the Texas Legislature failed to pass legislation that would include virtual learning in ADA calculations. As a result, the 2021-2022 school year began with funding based on in-person attendance. During the second called special session, the Texas Legislature adopted Senate Bill 15, which allows virtual instruction attendance to be used for ADA funding purposes under certain circumstances. The District does not currently expect that all virtual instruction attendance will qualify for ADA funding.

The Texas Education Agency announced on August 5, 2021 that a school district has the authority to provide remote instruction to a student if the school district meets certain state and federal requirements. Students receiving remote instruction are considered enrolled, but do not meet the requirements for ADA funding. The District commenced instruction for the 2021-2022 school year with approximately 537 students enrolled in temporary virtual instruction for the first nine-week grading period. There were 173 students enrolled at the end of the virtual instruction on October 15, 2021.

In 2020 and 2021, Congress passed three stimulus bills that provided nearly \$190.5 billion to the Elementary and Secondary Emergency Education Relief (ESSER) Fund. Relief funding provided pursuant to the Elementary and Secondary School Emergency Relief (ESSER II) Fund (“ESSER II”) and the American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER or ESSER III) Fund (“ESSER III”) focused on school districts reopening and operating safely, as well as, addressing the impact of the coronavirus pandemic on students. The District received ESSER II funding in the amount of \$69.3 million and ESSER III funding in the amount of \$155.6 million and anticipates utilizing \$33 million in ESSER II funding and \$24 million in ESSER III funding to supplement its budget for Fiscal Year 2022 to maintain a fund balance position equal to or greater than 20 percent of the combined budgeted expenditures of the District’s general fund in accordance with District policies. The District anticipates using the remaining ESSER II and ESSER III funding over the next few years to maintain its fund balance equal to or greater than 20 percent as mentioned in the preceding sentence. See “FINANCIAL POLICIES – Fund Balance Position.”

As of the date hereof, the omicron variant of SARS-CoV-2 is spreading globally. It is unknown at this time to what extent this variant will negatively impact the economy at the global, federal, state and local levels. The District can make no representation or give any assurance regarding the short or long-term impact that the omicron variant may have on the District or its finances.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition or its ratings (see "OTHER INFORMATION – Ratings").

The Pandemic negatively affected travel, commerce, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency (see "APPENDIX B –EXCERPTS FROM THE AUSTIN INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL AND COMPLIANCE REPORT"). The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

For a discussion of the impact of the Pandemic on the PSF, see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Infectious Disease Outbreak."

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM⁽¹⁾

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.

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

⁽¹⁾ The information in this section only applies to the 2022A Bonds, 2022B Bonds and 2022D Bonds. The 2022C Bonds and 2022E Bonds will not be guaranteed by the Permanent School Fund.

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 SBOE (as defined herein) financial portfolios of the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). The State School Land Board’s (“SLB”) land and real assets investment operations, which are part of the PSF as described below, are included in the annual financial report of the Texas General Land Office (the “GLO”) that is included in the comprehensive annual report of the State of Texas. The Annual Report includes the Message of the Executive Administrator of the Fund (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2020, filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the federal Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2020 is derived from the audited financial statements of the PSF, which are included in the Annual Report when and 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, 2020 and for a description of the financial results of the PSF for the year ended August 31, 2020, the most recent year for which audited financial information regarding the Fund is available. The 2020 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2020 Annual Report or any other Annual Report. The TEA posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the “Investment Policy”), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the “Web Site Materials”) on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund’s holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund’s equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund’s securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes. See “2021 Legislation – SB 1232” for proposed changes in the management of the Fund that may result in changes to the annual audit prepared with respect to the Fund.

MANAGEMENT AND ADMINISTRATION OF THE FUND ... The Texas Constitution and applicable statutes delegate to the State Board of Education (the “SBOE”) 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. See “2021 Legislation – SB 1232” for proposed changes affecting the management of the Fund.

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”). The SBOE has adopted a “Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund,” which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment, and the Fund is managed as an endowment fund with a long-term investment horizon. Under the total-return investment objective, the Investment Policy provides that the PSF shall be managed consistently with respect to the following: generating income for the benefit of the public free schools of Texas, the real growth of the corpus of the PSF, protecting capital, and balancing the needs of present and future generations of Texas school children. As described

below, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to both (i) 6% of the average of the market value of the Fund, excluding real property (the 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 Executive Administrator of the Fund is hired by and reports to the Education Commissioner. Moreover, although the Fund's Executive Administrator and the PSF staff at TEA implement the decisions of and provide information to the School Finance/PSF Committee of the SBOE and the full SBOE, the SBOE can neither select nor dismiss the Executive Administrator. TEA's General Counsel provides legal advice to the Executive Administrator and to the SBOE. The SBOE has also engaged outside counsel to advise it as to its duties over 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. See "2021 Legislation – SB 1232" for proposed changes in the management of the Fund.

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 SBOE/PSF investment staff and the SBOE's investment consultant for the Fund are tasked with advising the SBOE with respect to the implementation of the Fund's asset allocation policy, including the timing and manner of the selection of any external managers and other consultants. See "2021 Legislation – SB 1232" for a discussion of proposed changes to the management of the Fund.

The SBOE contracts with a financial institution for custodial and securities lending services in addition to the performance measurement of the total return of the Fund's financial assets managed by the SBOE. A consultant is typically retained for the purpose of providing consultation with respect to strategic asset allocation decisions and to assist the SBOE in selecting external fund management advisors. Like other State agencies and instrumentalities that manage large investment portfolios, the PSF has an incentive compensation plan that may provide additional compensation for investment personnel, depending upon the criteria relating to the investment performance of the Fund. See "2021 Legislation – SB 1232" for proposed changes in the management of the Fund that may result in changes to the employment and compensation options available to the management of the Fund.

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. See "2021 Legislation – SB 1232" for proposed changes in the management of the Fund that may result in changes to the annual audit prepared with respect to the Fund.

Texas law assigns to the SLB the ability to control of the Fund's land and mineral rights and make investments in real assets. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the elected commissioner of the GLO (the "Land Commissioner"). See "2021 Legislation – SB 1232" for proposed changes in the management of Fund assets by the SLB. The SLB manages the proceeds of the land and mineral rights that are administered by the GLO on behalf of the Fund. The SLB is governed by a five member board, the membership of which consists of the Land Commissioner, who sits as the chairman of the board, and four citizen members appointed by the Governor. The SLB and is generally authorized to invest in the following asset classes:

- Discretionary real assets investments consisting of externally managed real estate, infrastructure, and energy/minerals investment funds, separate accounts, and co-investment vehicles; internally managed direct real estate investments, and associated cash;
- Sovereign and other lands, being the lands set aside for the Fund when it was created, and other various lands not considered discretionary real asset investments; and,
- Mineral interests associated with Fund lands.

See "2021 Legislation – SB 1232" for changes in State law that pertain to the SLB's future authority to manage the land and mineral rights. At August 31, 2020, the SLB managed approximately 15% of the PSF, as reflected in the fund balance of the PSF at that date.

In 2019, the Texas Legislature enacted legislation that required an annual joint meeting of the SLB and the SBOE for the purpose of discussing the allocation of the assets of the PSF and the investment of money in the PSF. The inaugural joint meeting was held in September 2020. Other legislation enacted in 2019 included a bill that created a "permanent school fund liquid account" (the "Liquid Account") in the PSF for the purpose of receiving funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter for investment by the SBOE. That legislation also provided for the SBOE to administer and invest the Liquid Account and required the TEA, in consultation with the GLO, to conduct a study regarding distributions to the ASF from the PSF. That study (the "PSF Distribution Study"), dated August 31, 2020, is available at <https://tea.texas.gov/sites/default/files/TEA-Distribution-Study.pdf>.

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

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

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

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

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

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

ANNUAL DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND¹

Fiscal Year Ending	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PSF(SBOE) Distribution	\$1,093	\$1,021	\$1,021	\$839	\$839	\$1,056	\$1,056	\$1,236	\$1,236	\$1,102
PSF(SLB) Distribution	\$0	\$0	\$300	\$0	\$0	\$0	\$0	\$0	\$300	\$600 ²
Per Student Distribution	\$246	\$221	\$281	\$175	\$173	\$215	\$212	\$247	\$306	\$347

¹ In millions of dollars. Source: PSF Annual Report for year ended August 31, 2020.

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

In November 2020, the SBOE approved a projected \$3.4 billion distribution to the ASF for State fiscal biennium 2022-2023. In making its determination of the 2022-2023 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of \$875 million for the biennium.

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

<u>State Fiscal Biennium</u>	<u>2008-09</u>	<u>2010-11</u>	<u>2012-13</u>	<u>2014-15</u>	<u>2016-17</u>	<u>2018-19</u>	<u>2020-21</u>	<u>2022-23</u>
<u>SBOE Distribution Rate¹</u>	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%

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.

See “2021 Legislation – SB 1232” for a discussion of proposed changes in the management of the Fund that may impact distributions to the ASF.

2021 LEGISLATION - SENATE BILL 1232 ... During the 87th Regular Session of the Texas Legislature, which concluded on May 31, 2021 Senate Bill 1232 (“SB 1232” or “the bill”) was enacted, which relates to the management and investment of the Fund. Among other provisions of SB 1232 are provisions authorizing the creation of the Texas Permanent School Fund Corporation (the “PSF Corporation”) by the SBOE. If the PSF Corporation is created, the SBOE would delegate to the PSF Corporation the SBOE’s authority to manage and invest the Fund. Also, the bill would limit the authority of the SLB to manage and invest the Fund if the PSF Corporation is created. The SBOE is not required to create the PSF Corporation, but if it does not do so by December 31, 2022, then the statutory changes related to the SLB do not take effect. While the creation of the PSF Corporation is not mandatory, it is expected that the SBOE will create the PSF Corporation.

As required by State law, the Legislative Budget Board (“LBB”) issued a fiscal note on SB 1232. The fiscal notes stated that uncertainty exists regarding the nature of future returns and the effect of the bill on distributions from all components of the PSF to the ASF, such that the financial impact of the bill cannot be determined at this time. However, the fiscal note states that TEA and the GLO project that the changes effected by the bill will have a positive fiscal impact in terms of growth of the Fund and future Fund distributions. SB 1232 provides for various transition dates relating to implementation of the bill, with the latest dates generally in calendar year 2023. As a result, the planning and implementation of the creation and operation of the PSF Corporation by the SBOE and future PSF Corporation board members will necessarily evolve over time with much of the detail relating to those matters yet to be determined.

Among other provisions, of the bill, it provides that the PSF Corporation, the SBOE and TEA shall coordinate to determine the PSF Corporation’s role in the operation and management of the Guarantee Program to ensure the proper and efficient operation of the program.

The description of SB 1232 that follows summarizes some key provisions of the bill. The full text of the bill can be found at <https://capitol.texas.gov/BillLookup/Text.aspx?LegSess=87R&Bill=SB1232>.

If created, the PSF Corporation will be a special-purpose governmental corporation and instrumentality of the State and will be entitled to sovereign immunity. The PSF Corporation will be governed by nine-member board of directors (the “Board”), consisting of five members of the SBOE, the Land Commissioner, and three appointed members who have substantial background and expertise in investments and asset management; with one of the appointees being appointed by the Land Commissioner and the other two appointed by the Governor with confirmation by the Senate. The chief executive officer of the PSF Corporation will be employed by the Board and will have responsibility for engaging all employees, all of whom will be State employees. Among other powers, the PSF Corporation will be exempt from State laws regulating or limiting purchasing by State agencies and it will be authorized to engage in any activity necessary to manage the investments of the PSF, including contracting in connection with the investment of the PSF to the extent the activity complies with applicable fiduciary duties.

The bill grants the PSF Corporation discretion in determining the applicability to the corporation of certain State laws, including personnel and compensation, purchasing, information technology, and other support services.

SB 1232 authorizes the SBOE to delegate investment authority over the PSF and the Charter District Reserve Fund to the PSF Corporation. In addition, the bill provides for the dissolution of the Liquid Account (which held approximately \$4 billion at the close of fiscal year 2020) and the blending of amounts therein into the general investment portfolio of the PSF, subjecting such amounts to the general asset allocation of the PSF.

The PSF Corporation would be vested with the power to make distributions from the PSF to the ASF subject to the limitations of the Total Return Constitutional Amendment.

Not less than once each year, the Board would be required to submit an audit report to the 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 would not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with other State laws.

The bill amends provisions of the Texas Natural Resources Code (the "NRC") that pertain to the authority of the SLB to manage public school land by limiting investments by the SLB to "real property holdings," which are defined to mean direct or indirect interests in real property located in the State or any interest in a joint venture whose primary purpose is the acquisition, development, holding, and disposing of real property located in the State. The bill excludes from the definition of "real property holdings" any interest in an "investment vehicle," and requires SLB to transfer mineral revenues to the PSF Corporation monthly. The determination of whether to make a direct transfer to the ASF from the revenues of the land or other properties is presently made by SLB, and the decision as to whether to make a direct transfer to the ASF, and the amount of such transfer, is solely within the purview of the SLB. That authorization would continue after creation of the PSF Corporation and implementation of the proposed changes set forth in SB 1232.

ASSET ALLOCATION OF FUND PORTFOLIOS ... With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in July 2020. The Fund's Investment Policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The most recent asset allocation of the PSF(SBOE), approved by the SBOE in July 2020, is set forth below, along with the current asset allocations of the PSF(SLB) and the asset allocation of the Liquid Account. The next scheduled review of the PSF(SBOE) asset allocation is July 2022. See "2021 Legislation – SB 1232" for a discussion of proposed changes in the management of the Fund that could affect the responsibility for review of the asset allocation and the timing of asset allocation review, as well as elimination of the Liquid Account.

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PSF STRATEGIC ASSET ALLOCATIONS

	<u>PSF Total</u>	<u>PSF(SBOE)</u>	<u>PSF(SLB)</u>	<u>Liquid Account</u>
Equity Total	47%	52%	0%	40%
Public Equity Total	34%	37%	0%	40%
Large Cap US Equity	13%	14%	0%	20%
Small/Mid Cap US Equity	5%	6%	0%	5%
International Equities	13%	14%	0%	15%
Emerging Markets Equity	2%	3%	0%	0%
Private Equity	13%	15%	0%	0%
Fixed Income Total	27%	25%	0%	40%
Core Bonds	11%	12%	0%	10%
High Yield	2%	3%	0%	0%
Emerging Markets Debt	6%	7%	0%	0%
Treasuries	2%	3%	0%	0%
TIPS	3%	0%	0%	5%
Short Duration	2%	0%	0%	25%
Alternative Investments Total	25%	22%	100%	
Absolute Return	6%	7%	0%	0%
Real Estate	12%	11%	33%	0%
Real Return	1%	4%	0%	0%
Energy	3%	0%	35%	0%
Infrastructure	3%	0%	32%	0%
Emerging Manager Program	0%	1%	0%	0%
Cash	2%	0%	0%	20%

For a variety of reasons, each change in asset allocation for the Fund has been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified.

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The table below sets forth the comparative investments of the PSF(SBOE) for the years ending August 31, 2019 and 2020.

COMPARATIVE INVESTMENT SCHEDULE – PSF (SBOE)¹

Fair Value (in millions) August 31, 2020, and 2019				
ASSET CLASS	August 31, 2020	August 31, 2019	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	\$ 2,005.8	\$1,645.8	\$ 360.0	21.9%
Domestic Large Cap	5,106.3	4,643.7	462.6	10.0%
Total Domestic Equity	7,112.1	6,289.5	822.6	13.1%
International Equity	6,380.9	5,676.3	704.6	12.4%
TOTAL EQUITY	13,493.0	11,965.8	1,527.2	12.8%
FIXED INCOME				
Domestic Fixed Income	4,232.6	4,575.2	(342.6)	-7.5%
U.S. Treasuries	918.7	-	918.7	N/A
Emerging Market				
Debt	2,450.7	2,410.4	40.3	1.7%
TOTAL FIXED INCOME	7,602.0	6,985.6	616.4	8.8%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,517.2	3,622.6	(105.4)	-2.9%
Real Estate	3,102.1	2,983.5	118.6	4.0%
Private Equity	4,761.5	3,872.8	888.7	22.9%
Risk Parity	1,164.9	2,557.6	(1,392.7)	-54.5%
Real Return	2,047.4	2,109.3	(61.9)	-2.9%
TOTAL ALTERNATIVE INVESTMENTS	14,593.1	15,145.8	(552.7)	-3.6%
UNALLOCATED CASH	122.9	163.3	(40.4)	-24.7%
TOTAL PSF(SBOE) INVESTMENTS	\$ 35,811.0	\$ 34,260.5	\$ 1,550.5	4.5%

Source: PSF Annual Report for year ended August 31, 2020.

¹ The investments shown in the table above at August 31, 2020, do not fully reflect the changes made to the PSF Strategic Asset Allocation in 2020, as those changes were still being phased in at the end of the fiscal year.

In accordance with legislation enacted during 2019, the PSF has established the Liquid Account for purposes of investing cash received from the SLB to be invested in liquid assets and managed by the SBOE in the same manner it manages the PSF. That cash was previously included in the PSF valuation but was held and invested by the State Comptroller. In July 2020, the SBOE adopted an asset allocation policy for the Liquid Account (shown above), which, when adopted, was expected to be fully implemented in the first calendar quarter of fiscal year 2022. See “2021 Legislation – SB 1232” for a discussion of proposed changes in the management of the Fund that could result in the dissolution of the Liquid Account and a blending of assets held in the Liquidity Account into the general investment portfolio of the Fund.

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The table below sets forth the investments of the Liquid Account for the year ended August 31, 2020.

LIQUID ACCOUNT FAIR VALUE AT AUGUST 31, 2020¹

ASSET CLASS	
Fixed Income	
Short-Term Fixed Income	\$1,597.3
Unallocated Cash	\$2,453.3
Total Liquid Account Investments	<u>\$4,050.6</u>

¹ In millions of dollars.

Source: PSF Annual Report for year ended August 31, 2020.

The table below sets forth the comparative investments of the PSF(SLB) for the years ending August 31, 2019 and 2020.

COMPARATIVE INVESTMENT SCHEDULE - PSF(SLB)

Fair Value (in millions) August 31, 2020, and 2019

Asset Class	As of 8-31-20	As of 8-31-19	Increase (Decrease)	Percent Change
Discretionary Real Assets Investments				
Externally Managed				
Real Assets Investment Funds ¹				
Energy/Minerals	\$1,164.0	\$1,667.6	\$(503.6)	-30.2%
Infrastructure	1,485.4	1,226.3	259.1	21.1%
Real Estate	1,174.8	1,033.6	141.2	13.7%
Internally Managed Direct				
Real Estate Investments	219.5	247.3	(27.8)	-11.2%
Total Discretionary Real Assets Investments	4,043.7	4,174.8	(131.1)	-3.1%
Dom. Equity Rec'd as In-Kind Distribution	0.9	1.3	(0.4)	-30.8%
Sovereign and Other Lands	408.6	372.3	36.3	9.8%
Mineral Interests	2,115.4	3,198.2	(1,082.8)	-33.9%
Cash at State Treasury ²	333.8	4,457.3	(4,123.5)	-92.5%
Total PSF(SLB) Investments	\$6,902.4	\$12,203.9	\$(5,301.5)	-43.4%

¹ The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated using the most recent valuations available, adjusted for subsequent contributions and withdrawals.

² Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it is drawn for investment. After September 1, 2019, that cash was moved to the Liquid Account to be invested by the SBOE.

The asset allocation of the Fund's financial assets portfolio is subject to change by the SBOE from time to time based upon a number of factors, including recommendations to the SBOE 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 and the market impact of domestic and international climate change; 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. See "2021 Legislation – SB 1232" for a discussion of proposed changes in the management of the Fund that may affect these factors. The Guarantee Program could also be impacted by changes in State or federal law or regulations or the implementation of new accounting standards.

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

In the event of default, holders of guaranteed school district bonds will receive all payments due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Education Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Education Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld pursuant to this funding "intercept" feature will be deposited to the credit of the PSF. The Comptroller must hold such canceled bond or evidence of payment of the interest on behalf of the PSF. Following full reimbursement of such payment by the school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65 and are available at <http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.65>.

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"). The CDBGP Rules are codified at 19 TAC section 33.67 and are available at <http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.67>.

The Charter District Bond Guarantee Program has been authorized through the enactment of amendments to the Act, which provide that a charter holder may make application to the Education Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

As of March 2021 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 6.83%. At August 19, 2021, there were 191 active open-enrollment charter schools in the State and there were 888 charter school campuses active under such charters (though as of such date, 53 of such campuses are not currently serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Education Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 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.

The Act provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The CDBGP Rules provide that the PSF may be used to guarantee bonds issued for the acquisition, construction, repair, or renovation of an educational facility for an open-enrollment charter holder and equipping real property of an open-enrollment charter school and/or to refinance promissory notes executed by an open-enrollment charter school, each in an amount in excess of \$500,000 the proceeds of which loans were used for a purpose described above (so-called new money bonds) or for refinancing bonds previously issued for the charter school that were approved by the attorney general (so-called refunding bonds). Refunding bonds may not be guaranteed under the Charter District Bond Guarantee Program if they do not result in a present value savings to the charter holder.

The CDBGP Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the Charter District Bond Guarantee Program, the Education Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. Legislation enacted during the Legislature's 2017 regular session modified the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increased the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely makes available to the Charter District Bond Guarantee Program a greater share of capacity in the Guarantee Program. The CDBGP Capacity is made available from the capacity of the Guarantee Program, but is not reserved exclusively for the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

CAPACITY LIMITS FOR THE GUARANTEE PROGRAM ... The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the “State Capacity Limit”) and that imposed by regulations and a notice issued by the IRS (the “IRS Limit”, with the limit in effect at any given time being the “Capacity Limit”). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 on the basis of receipt of the IRS Notice.

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 (“SB 389”) was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Law Capacity to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner may reduce the multiplier to maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

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

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

Prior to the issuance of the IRS Notice (defined below), the capacity of the program under the IRS Limit was limited to two and one-half times the lower of cost or fair market value of the Fund’s assets adjusted by a factor that excluded additions to the Fund made since May 14, 1989. On December 16, 2009, the IRS published Notice 2010-5 (the “IRS Notice”) stating that the IRS would issue proposed regulations amending the existing regulations to raise the IRS limit to 500% of the total cost of the assets held by the PSF as of December 16, 2009. In accordance with the IRS Notice, the amount of any new bonds to be guaranteed by the PSF, together with the then outstanding amount of bonds previously guaranteed by the PSF, must not exceed the IRS limit on the sale date of the new bonds to be guaranteed. The IRS Notice further provided that the IRS Notice may be relied upon for bonds sold on or after December 16, 2009, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

On September 16, 2013, the IRS published proposed regulations (the “Proposed IRS Regulations”) that, among other things, would enact the IRS Notice. The preamble to the Proposed IRS Regulations provides that issuers may elect to apply the Proposed IRS Regulations, in whole or in part, to bonds sold on or after September 16, 2013, and before the date that final regulations became effective.

On July 18, 2016, the IRS issued final regulations enacting the IRS Notice (the “Final IRS Regulations”). The Final IRS Regulations are effective for bonds sold on or after October 17, 2016. The IRS Notice, the Proposed IRS Regulations and the Final IRS Regulations establish a static capacity for the Guarantee Program based upon the cost value of Fund assets on December 16, 2009, multiplied by five. On December 16, 2009, the cost value of the Guarantee Program was \$23,463,730,608 (estimated and unaudited), thereby producing an IRS Limit of approximately \$117.3 billion.

In September 2015, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The State Law Capacity increased from \$123,509,204,770 on August 31, 2019 to \$128,247,002,583 on August 31, 2020 (but at such date the IRS Limit (\$117,318,653,038) remained the lower of the two, so it is the current Capacity Limit for the Fund).

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table “Permanent School Fund Guaranteed Bonds” below. Effective September 1, 2009, the Act provides that the SBOE may annually establish a percentage of the cost value of the Fund to be reserved from use in guaranteeing bonds (the “Capacity Reserve”). The SDBGP Rules provide for a minimum Capacity Reserve for the overall Guarantee Program of no less than 5% and provide that the amount of the Capacity Reserve may be increased by a majority vote of the SBOE. The CDBGP Rules provide for an additional 5% reserve of CDBGP Capacity. The Education Commissioner is authorized to change the Capacity Reserve, which decision must be ratified or rejected by the SBOE at its next meeting following any change made by the Education Commissioner. The current Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program. As the amount of guaranteed bonds approaches the IRS Limit, the SBOE is seeking changes to the existing IRS guidance regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit, but no assurances can be given that the IRS will issue guidance that would increase the IRS Limit. The implementation of the Charter School Bond Guarantee Program has also increased the total amount of guaranteed bonds.

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. SB 1480 provided for the implementation of the new method of calculating the CDBGP Capacity to begin with the State fiscal year that commences September 1, 2021 (the State’s fiscal year 2022) but authorized the SBOE discretion to increase the CDBGP Capacity incrementally in the intervening four fiscal years, beginning with fiscal year 2018 by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017, which it has done.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 6.83% in March 2021. 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 previously required the Education Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

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 July 31, 2021, the Charter District Reserve Fund contained \$63,249,051, which represented approximately 2.02% of the guaranteed charter district bonds. In 2018, the management of the Reserve Fund was transferred from the Texas Comptroller to the PSF division of TEA, where it is held and invested as a non-commingled fund under the administration of the PSF 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, which could in the future be a significant 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.

Results of the PSF operations through the fiscal year ended August 31, 2020 and at other periodic points in time are set forth herein or incorporated herein by reference. Fund management is of the view that since the onset of the pandemic the Fund has performed generally in accordance with its portfolio benchmarks and with returns generally seen in the national and international investment markets in which the Fund is invested (see “Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2020”).

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/22exas-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 July 2021, 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.

For information on the September 2020 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, that was made in light of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas, see “The Total Return Constitutional Amendment.”

RATINGS OF BONDS GUARANTEED UNDER THE GUARANTEE PROGRAM ... Moody’s Investors Service, S&P Global Ratings and Fitch Ratings rate bonds guaranteed by the PSF “Aaa,” “AAA” and “AAA,” respectively. Not all districts apply for multiple ratings on their bonds, however. See “Ratings” herein.

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VALUATION OF THE PSF AND GUARANTEED BONDS

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value ⁽¹⁾	Market Value ⁽¹⁾
2016	\$30,128,037,903	\$37,279,799,335
2017	31,870,581,428	41,438,672,573
2018	33,860,358,647	44,074,197,940
2019	35,288,344,219	46,464,447,981
2020 ⁽²⁾	36,642,000,738	46,764,059,745

⁽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 TEA uses current, unaudited values for TEA managed investment portfolios and cash held by the SLB. 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 by the SLB. The SLB reports that information to the PSF 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, 2020, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately \$13.4 million, \$200.4 million, \$4,255.4 million, \$7.5 million, and \$333.8 million, respectively, and market values of approximately \$2,115.4 million, \$628.1 million, \$3,824.2 million, \$0.9 million, and \$333.8 million, respectively. At July 31, 2021, the PSF had a book value of \$38,340,467,590 and a market value of \$53,232,714,384. July 31, 2021, values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount ⁽¹⁾
2016	\$68,303,328,445
2017	74,266,090,023
2018	79,080,901,069
2019	84,397,900,203
2020	90,336,680,245 ⁽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, 2020 (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 \$139,992,934,246, of which \$49,656,254,001 represents interest to be paid. As shown in the table above, at August 31, 2020, there were \$90,336,680,245 in principal amount of bonds guaranteed under the Guarantee Program. Using the IRS Limit of \$117,318,653,038 (the IRS Limit is currently the Capacity Limit), net of the Capacity Reserve, as of July 31, 2021, 5.66% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of August 31, 2020 and July 31, 2021, the amount of outstanding bond guarantees represented 77.00% and 81.07%, respectively, of the Capacity Limit (which is currently the IRS Limit). July 31, 2021 data is unaudited and is subject to adjustment.

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Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

Fiscal Year Ended 8/31	School District Bonds		Charter District Bonds		Totals	
	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2016	3,244	\$67,342,303,445	35	\$ 961,025,000	3,279	\$68,303,328,445
2017	3,253	72,884,480,023	40	1,381,610,000	3,293	74,266,090,023
2018	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020 ⁽²⁾	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245

⁽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 July 31, 2021 (based on unaudited data, which is subject to adjustment), there were \$95,115,492,855 of bonds guaranteed under the Guarantee Program, representing 3,390 school district issues, aggregating \$91,990,680,855 in principal amount and 76 charter district issues, aggregating \$3,124,812,000 in principal amount. At July 31, 2021, the CDBGP Capacity was \$6,309,019,662 (based on unaudited data, which is subject to adjustment).

DISCUSSION AND ANALYSIS PERTAINING TO FISCAL YEAR ENDED AUGUST 31, 2020

The following discussion is derived from the Annual Report for the year ended August 31, 2020, including the Message of the Executive Administrator of the Fund and the Management’s Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the Liquid Account, Liquid(SBOE) assets. As of August 31, 2020, the Fund’s land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2020, the Fund balance was \$46.7 billion, an increase of \$0.2 billion from the prior year. This increase is primarily due to overall increases in value of all asset classes in which the Fund has invested and restatements of fund balance. During the year, the SBOE updated the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund, and initiated the strategic asset allocation for the Liquid(SBOE). The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2020, net of fees, were 7.50%, 7.55% and 8.19%, respectively, and the Liquid(SBOE) annual rate of return for the one-year period ending August 31, 2020, net of fees, was 2.35% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund’s investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were -12.27%, 2.49%, and 5.15%, respectively.

The market value of the Fund’s assets is directly impacted by the performance of the various financial markets in which the assets are invested. The most important factors affecting investment performance are the asset allocation decisions made by the SBOE and SLB. The current SBOE long term asset allocation policy allows for diversification of the PSF(SBOE) portfolio into alternative asset classes whose returns are not as positively correlated as traditional asset classes. The implementation of the long term asset allocation will occur over several fiscal years and is expected to provide incremental total return at reduced risk. See “Comparative Investment Schedule - PSF(SBOE)” for the PSF(SBOE) holdings as of August 31, 2020.

As of August 31, 2020, the SBOE has approved, and the Fund made capital commitments to, externally managed real estate investment funds in a total amount of \$5.7 billion and capital commitments to private equity limited partnerships for a total of \$7.5 billion. Unfunded commitments at August 31, 2020, totaled \$2.0 billion in real estate investments and \$2.4 billion in private equity investments.

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PSF Returns Fiscal Year Ended 8-31-2020¹

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return²</u>
Total PSF(SBOE) Portfolio	7.50%	8.54%
Domestic Large Cap Equities(SBOE)	22.37	21.94
Domestic Small/Mid Cap Equities(SBOE)	3.44	2.83
International Equities(SBOE)	8.80	8.31
Emerging Market Equity(SBOE)	15.84	14.49
Fixed Income(SBOE)	5.50	6.47
Absolute Return(SBOE)	4.43	7.19
Real Estate(SBOE)	2.93	1.26
Private Equity(SBOE)	4.63	4.85
Risk Parity(SBOE)	2.41	16.20
Real Return(SBOE)	3.33	2.85
Emerging Market Debt(SBOE)	1.67	1.55
Liquid Short-Term Fixed Income(SBOE)	2.78	3.40
Liquid Transition Cash Reserves(SBOE)	1.62	1.26
Liquid Combined(SBOE)	2.35	2.04
PSF(SLB)	-12.27	N/A

¹ Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2020.

² Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2020.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2020, the remaining commitments totaled approximately \$2.73 billion.

For fiscal year 2020, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled \$2.0 billion, a decrease of \$1.7 billion from fiscal year 2019 earnings of \$3.7 billion. This decrease reflects the performance of the securities markets in which the Fund was invested in fiscal year 2020. In fiscal year 2020, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, decreased 5.6% for the fiscal year ending August 31, 2020. This decrease is primarily attributable to a decrease in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2019 and 2020, the distribution from the SBOE to the ASF totaled \$1.2 billion and \$1.1 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2019 and 2020 totaled \$300 and \$600 million, respectively.

At the end of the 2020 fiscal year, PSF assets guaranteed \$90.3 billion in bonds issued by 872 local school districts and charter districts, the latter of which entered into the Guarantee Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 7,789 school district and charter district bond issues totaling \$202.1 billion in principal amount. During the 2020 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,360. The dollar amount of guaranteed school and charter bond issues outstanding increased by \$5.9 billion or 7.0%. The State Capacity Limit increased by \$4.7 billion, or 3.8%, during fiscal year 2020 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Guarantee Program did not increase during fiscal year 2020 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two State and federal capacity limits for the Guarantee Program.

OTHER EVENTS AND DISCLOSURES ... The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in April 2018. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing,

investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq. and is available on the TEA web site at <http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.5>.

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

The TEA received an appropriation of \$30.2 million for the administration of the PSF for fiscal years 2016 and 2017, respectively, and \$30.4 million for each of the fiscal years 2018 and 2019.

As of August 31, 2020, 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 SBOE has adopted an investment policy rule (the "TEA Rule") pertaining to the PSF and the Guarantee Program. The TEA Rule is codified in Section I of the TEA Investment Procedure Manual, which relates to the Guarantee Program and is posted to the TEA web site at http://tea.texas.gov/Finance_and_Grants/Texas_Permanent_School_Fund/Texas_Permanent_School_Fund_Disclosure_Statement_-_Bond_Guarantee_Program/. The most recent amendment to the TEA Rule was adopted by the SBOE on February 1, 2019, and is summarized below. Through the adoption of the TEA Rule and its commitment to guarantee bonds, the SBOE 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 Rule obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Rule 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 agreement, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

ANNUAL REPORTS... The TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this Official Statement under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.". The information also includes the Annual Report. The TEA will update and provide this information within six months after the end of each fiscal year.

The TEA may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund were prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is reported by the State of Texas as a permanent fund and accounted for on a current financial resources measurement focus and the modified accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the modified accrual basis of accounting, all revenues reported are recognized based on the criteria of availability and measurability. Assets are defined as available if they are in the form of cash or can be converted into cash within 60 days to be usable for payment of current liabilities. Amounts are defined as measurable if they can be estimated or otherwise determined. Expenditures are recognized when the related fund liability is incurred.

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

EVENT NOTICES... The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on

credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION... The TEA has agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at www.emma.msrb.org.

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

The continuing disclosure agreement of the TEA is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial and operating data concerning such entity and notices of material events relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in the Official Statement.

This continuing disclosure agreement may be amended by the TEA from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA, but only if (1) the provisions, as so amended, would have permitted an Underwriters to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Underwriters from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

COMPLIANCE WITH PRIOR UNDERTAKINGS... During the last five years, the TEA has not failed to substantially comply with its previous continuing disclosure agreements in accordance with Rule 15c2-12.

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.

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 2022A Bonds, 2022B Bonds, or 2022D Bonds, would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

During the 2019 Legislative Session, the State Legislature made numerous changes to the current public school finance system, the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 ("HB 3") and Senate Bill 2 ("SB 2"). In some instances, the provisions of HB 3 and SB 2 will require further interpretation in connection with their implementation in order to resolve ambiguities contained in the bills. The District is still in the process of (a) analyzing the provisions of HB 3 and SB 2, and (b) monitoring the on-going guidance provided by TEA. The information contained herein under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding of HB 3 and SB 2 based on information available to the District as of the date of this Official Statement. Prospective investors are encouraged to review HB 3, SB 2, and the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current public school finance system. Additionally, the Texas Legislature convened on January 12, 2021 and adjourned on May 31, 2021 for the State's 87th Legislative Regular Session, and the Governor has called three special sessions of the (collectively, the "2021 Legislative Session"). The third special session adjourned on October 19, 2021, and the Governor may call additional special sessions that could affect the District and/or its finances.

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 those bonds unlimited as to rate or amount (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district’s M&O tax rate.

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

2021 LEGISLATIVE SESSION . . . The 2021 Legislative Session convened on January 12, 2021 and adjourned on May 31, 2021. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas 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 called a special session of the 87th Texas Legislature, which convened on July 8, 2021 and concluded on August 6, 2021. The Governor called a second special session of the 87th Texas Legislature, which convened on August 7, 2021 and adjourned on September 2, 2021, and the Governor called a third session which convened on September 20, 2021 and adjourned on October 19, 2021. Action could be taken in any such special session that could affect the District and/or its finances.

During the 2021 Legislative Session, the Legislature approved a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures, among other legislation affecting school districts and the administrative agencies that oversee school districts. Of note, House Bill 1525 contained a number of technical modifications to the Finance System as established under HB 3 during the 2019 Legislative Session. During the second called special session, the Legislature approved bills addressing virtual learning, taxation of the elderly and disabled and residence homesteads and related hold harmless provisions for school districts, and other matters that may impact the District. During the third called special session, the Legislature passed Senate Joint Resolution No. 2 (“SJR 2”), which proposes a constitutional amendment to increase the residential homestead exemption from ad valorem taxation for public schools from \$25,000 to \$40,000, and its enabling legislation Senate Bill 1. The constitutional amendment proposed by SJR 2 will be presented to the voters in May 2022. The District is in the process of evaluating the legislation that passed during the 2021 Legislative Session and the called special sessions and how such laws may impact the District. The District can make no representations or predictions regarding the impact of the legislation passed at this time.

Reductions in state revenues due to the Pandemic and declines in oil and gas prices may impact the Finance System. At this time, the District cannot predict the level of State funding that will be provided by the Legislature for the upcoming biennium. The District can make no representations or predictions regarding any actions the Legislature took during the 2021 Legislative Session concerning the substance or the effect of any legislation that was passed during this session or a future session of the Legislature.

LOCAL FUNDING FOR SCHOOL DISTRICTS . . . During the 2019 Legislative Session, the State Legislature made several significant changes to the funding methodology for school districts (the “2019 Legislation”). The 2019 Legislation orders a school district’s M&O tax rate into two distinct parts: the “Tier One Tax Rate”, which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as “Tier One”) under the Foundation School Program, as further described below, and the “Enrichment Tax Rate”, which is any local M&O tax effort in excess of its Tier One Tax Rate. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption “Local Funding For School Districts” is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts’ funding entitlements, as further discussed under the subcaption “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement” herein.

State Compression Percentage. The “State Compression Percentage” is set at 93% per \$100 of taxable value. 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 State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%.

Maximum Compressed Tax Rate. Pursuant to the 2019 Legislation, beginning with the State fiscal year ending in 2021 (the 2020-2021 school year) the Maximum Compressed Tax Rate (the “MCR”) is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district’s prior year State Compression Percentage (as noted above) multiplied by \$1.00 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 they 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 school district’s prior year MCR until TEA determines that the difference between the school district’s MCR and any other school district’s MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Texas Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2021-2022 school year. It established \$0.9134 as the maximum rate and \$0.8220 as the floor.

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate”; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to \$0.93 for the 2019-2020 school year, or equal to the school district’s MCR for the 2020-2021 and subsequent years. 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 increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district’s own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations”), Tier Two funding may not be used for the payment of debt service or capital outlay.

The current public school finance system also provides an Existing Debt Allotment (“EDA”) to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment (“IFA”) to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment (“NIFA”) to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of \$1,323,444,300 for the EDA, IFA, and NIFA.

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

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

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

For the 2021-2022 school year, the fast growth allotment weight is 0.45 for districts in the top 40% of school districts for growth, 0.30 for districts in the middle 30% of school districts for growth and 0.15 for districts in the bottom 30% of school districts for growth. After the 2021-2022 school year, the fast growth allotment weights change to 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$270 million for the 2021-2022 school year, \$310 million for the 2022-2023 school year and \$315 million for the 2023-2024 school year.

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

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

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

Since future-year IFA awards were not funded by the State Legislature for the 2022-2023 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2022-2023 State fiscal biennium

on new bonds issued by school districts in the 2022-2023 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes.

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

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

Furthermore, "property-wealthy" school districts that received additional State funds under the Finance System prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year. Notwithstanding the foregoing, beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds \$400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

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

Whereas prior to the 2019 Legislation, the recapture process had been based on the proportion of a school district's assessed property value per student in ADA, recapture is now measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately \$3.6 billion during the 2020-2021 State fiscal biennium.

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 AUSTIN INDEPENDENT SCHOOL DISTRICT

For 2020-2021, the District was designated as an “excess local revenue” district. Accordingly, the District has been required to exercise one of the permitted wealth equalization options.

The District's wealth per student for the 2020 -21 school year is in excess of the equalized wealth level. Accordingly, the District has been required to exercise one of the permitted wealth equalization options. Pursuant to an agreement with the Texas Education Agency, the District has reduced its wealth per student for the 2020 -21 school year by purchasing attendance credits pursuant to the equalization provisions of the State system of public school finance. In the 2019-20 school year, the District paid \$636 million to purchase attendance credits, and the District expects to pay \$710 million for the 2020-21 school year for the purchase of attendance credits. The District estimates it will pay approximately \$755 million to purchase attendance credits in the 2021-22 school year. The Texas Education Agency has approved the District's election of this option to achieve the equalized wealth level.

As long as the District's wealth per student continues to exceed the maximum permitted level in future school years, the District will be required each year to exercise one or more 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 ratios 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.

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 October 17, 1959 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The 2019 Legislation established the following maximum M&O tax rate per \$100 of taxable value that may be adopted by school districts, such as the District, for the 2019 and subsequent tax years:

For the 2020 and subsequent tax years, 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.

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, “exempt bonds”), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the “50-cent Test”). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The 2022A Bonds are issued as new money bonds and are subject to the 50-cent Test. The 2022B Bonds, the 2022C Bonds, the 2022D Bonds and the 2022E Bonds are issued as refunding bonds and are not subject to the 50-cent Test.

PUBLIC HEARING AND VOTER-APPROVAL TAX RATE . . . A school district’s total tax rate is the combination of the M&O tax rate and the I&S tax rate. Generally, the highest rate at which a school district may levy taxes for any given year without holding an election to approve the tax rate is the “Voter-Approval Tax Rate”, as described below.

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district’s MCR; (ii) the greater of (a) the school district’s Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of \$0.05 per \$100 of taxable value; and (iii) the school district’s current I&S tax rate. However, for only the 2020 tax year, if the governing body of the school district did not adopt by unanimous vote an M&O tax rate at least equal to the sum of the school district’s MCR plus \$0.05, then \$0.04 was substituted for \$0.05 in the calculation for such school district’s Voter-Approval Tax Rate for the 2020 tax year. 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 levy an I&S tax rate in each year sufficient to pay annual debt service on all of the District’s tax-supported debt obligations, including the Bonds.

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

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

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 Travis County

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

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

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 \$25,000 exemption of the appraised value of all homesteads, (2) a \$10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See “AD VALOREM PROPERTY TAXATION – Table 1” for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

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. See “AD VALOREM PROPERTY TAXATION – Table 1” for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

STATE MANDATED FREEZE ON SCHOOL DISTRICT TAXES . . . Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled. See “AD VALOREM PROPERTY TAXATION – Table 1” for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

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

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

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

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

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

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

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 count toward a school district’s Tier One entitlement (reducing Tier One State funds for eligible school districts) and may not be considered in calculating any school district’s Tier Two entitlement (see “CURRENT 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 SCHOOL FINANCE SYSTEM – State Funding for School Districts”). The State Legislature did not take action during the 2021 Legislative Session to extend this program, which is now scheduled to expire by its terms effective December 31, 2022.

For a discussion of how the various exemptions described above are applied by the District, see “CURRENT SCHOOL FINANCE SYSTEM – The School Finance System as Applied to the Austin Independent School District” herein.

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

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

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

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The

Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “TAX INFORMATION – 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.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT . . . The District grants disabled persons, disabled veterans, homestead and over age 65 exemptions as mandated by State Law. The District also grants an additional \$15,000 local option exemption to disabled persons and an additional \$25,000 local option exemption to persons over age 65 (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2019 Legislation”).

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.

The District does not tax nonbusiness personal property; and Travis County Tax Office collects taxes for the District.

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

The District does tax Freeport Property and Goods-in-Transit.

The District currently has adopted a tax abatement policy.

TABLE 1 – VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

2022 Market Valuation Established by Travis Central Appraisal District ⁽¹⁾		\$ 193,913,021,032
Less Exemptions/Reductions at 100% Market Value:		
Transfer Adjustment	\$ 20,972,070	
Homestead Cap	5,641,124,524	
Productivity Loss	383,172,112	
Homestead Exemption (State)	2,915,639,699	
Over 65 Exemption (State and Local)	1,236,996,902	
Disabled Persons & Veterans	455,811,643	
Disaster Exemption	8,789,337	
Exempt Property	24,115,754,602	
Freeze Loss	15,292,541,234	
Freeport Exemption	5,020,888	
Historical	314,935,653	
Low Income Housing	83,070,150	
Pollution Control	23,386,648	
Leased Vehicles	1,356,340	
Solar	25,996,810	<u>50,524,568,612</u>
2022 Taxable Assessed Valuation		\$ 143,388,452,420
Debt Payable from Ad Valorem Taxes (as of February 23, 2022) ⁽²⁾⁽³⁾⁽⁴⁾		
Outstanding Unlimited Tax Bonds		\$1,211,863,890
The 2022A Bonds		93,960,000
The 2022B Bonds		101,670,000
The 2022C Bonds		28,570,000
The 2022D Bonds		50,520,000
The 2022E Bonds		<u>80,350,000</u>
Total Ad Valorem Tax Obligations		\$ 1,566,933,890 ⁽²⁾⁽³⁾⁽⁴⁾
Interest and Sinking Fund Balance (as of 6-30-2021)		\$ 144,009,480
Ratio Funded Tax Supported Net Debt to Taxable Assessed Valuation (after freeze)		1.09%
Austin ISD 2021-2022 Enrollment	77,351	
2022 Estimated Population	1,395,029	
Per Capita Taxable Assessed Valuation	\$102,785	
Per Capita Net Funded Debt	\$1,123	
Land Area	230 Square Miles	

(1) Certified values are subject to change throughout the year as contested values are resolved and the Travis Central Appraisal District updates records.

(2) Includes the Bonds and excludes the Refunded Bonds.

(3) Includes Qualified Zone Academy Bonds (“QZAB”) Series 2008.

(4) Excludes the District’s Commercial Paper Notes, Series A, which may be issued from time to time up to an aggregate principal amount of \$150 million.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY ⁽¹⁾

Category	Taxable Assessed Value for Year Ended					
	2022		2021		2020 ⁽²⁾	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 87,767,994,051	45.26%	\$ 74,586,768,397	41.66%	\$ 72,593,570,668	43.66%
Real, Residential, Multi-Family	29,274,735,487	15.10%	27,627,791,223	15.43%	24,991,411,632	15.03%
Real, Vacant Lots/Tracts	2,201,515,703	1.14%	1,785,529,354	1.00%	1,660,988,201	1.00%
Real, Acreage (Land Only)	312,458,046	0.16%	609,275,278	0.34%	608,342,135	0.37%
Real, Commercial/Industrial	43,645,682,880	22.51%	43,637,124,476	24.38%	38,624,233,972	23.23%
Real and Tangible Personal, Utilities	617,598,552	0.32%	574,418,783	0.32%	543,706,301	0.33%
Tangible Personal, Commercial/Industrial	5,154,778,838	2.66%	5,386,707,732	3.01%	5,298,080,282	3.19%
Tangible Other Personal (Mobile Homes)/Intangible Inventory	52,601,004	0.03%	51,467,443	0.03%	50,960,912	0.03%
Inventory	682,386,600	0.35%	813,505,553	0.45%	929,983,878	0.56%
Totally Exempt Property	24,203,269,871	12.48%	23,950,428,166	13.38%	20,962,369,504	12.61%
Total Appraised Value Before Exemptions	\$ 193,913,021,032	100.00%	\$ 179,023,016,405	100.00%	\$ 166,263,647,484	100.00%
Less: Total Exemptions/Reductions	(50,524,568,612)		(44,206,325,010)		(41,746,721,996)	
Less: Adjustments	-		-		-	
Total Appraised Value After Exemptions	\$ 143,388,452,420		\$ 134,816,691,395		\$ 124,516,925,487	

Category	Taxable Assessed Value For Year Ended			
	2019		2018	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 67,988,627,270	44.63%	\$ 62,207,172,475	44.72%
Real, Residential, Multi-Family	22,568,199,349	14.82%	20,325,657,882	14.61%
Real, Vacant Lots/Tracts	1,438,318,569	0.94%	1,270,028,625	0.91%
Real, Acreage (Land Only)	597,313,419	0.39%	617,861,269	0.44%
Real, Commercial/Industrial	35,111,150,907	23.05%	30,981,316,670	22.27%
Real and Tangible Personal, Utilities	547,316,440	0.36%	733,796,051	0.53%
Tangible Personal, Commercial/Industrial	5,097,457,068	3.35%	4,831,395,736	3.47%
Mobile Homes	48,897,056	0.03%	50,815,645	0.04%
Inventory	537,635,797	0.35%	501,737,145	0.36%
Totally Exempt Property	18,391,636,435	12.07%	17,585,801,712	12.64%
Total Appraised Value Before Exemptions	\$ 152,326,552,309	100.00%	\$ 139,105,583,210	100.00%
Less: Total Exemptions/Reductions	(38,418,833,363)		(35,883,940,598)	
Less: Adjustments	(198,407)		(275,061)	
Total Appraised Value After Exemptions	\$ 113,907,520,539		\$ 103,221,367,551	

⁽¹⁾ Source: As reported by the Travis Central Appraisal District on the District's annual State property tax reports. The appraised values shown are calculated at the beginning of each tax year (i.e. calendar year) and are subject to appeal and therefore may change.

⁽²⁾ Source: Travis Central Appraisal District. The total values were dated as of July 31, 2020. On February 12, 2020, Travis Central Appraisal District announced that it would not be reappraising residential properties for the 2020 tax year.

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TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Year Ended 12/31 ⁽¹⁾	Estimated Population ⁽²⁾	Taxable Assessed Valuation ⁽³⁾	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year ⁽⁵⁾	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2018	1,273,741	\$ 103,221,367,551	\$ 81,038	\$ 982,756,549	0.95%	\$ 772
2019	1,304,311	113,907,520,539	87,332	1,112,957,692	0.98%	853
2020	1,334,310	124,516,925,487 ⁽⁴⁾	93,319	1,287,246,060	1.03%	965
2021	1,364,332	134,816,691,395	98,815	1,480,278,890	1.10%	1,085
2022	1,395,029	143,388,452,420	102,785	1,467,038,924 ⁽⁶⁾	1.02%	1,052

⁽¹⁾ The District's fiscal year ends on June 30. Due to timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31, therefore, debt information is provided on a calendar year basis.

⁽²⁾ Source: City of Austin Planning & Zoning Department.

⁽³⁾ Source: As reported by the Travis Central Appraisal District on the District's annual State Property Tax Reports. Such values are subject to change during the ensuing year.

⁽⁴⁾ Source: Travis Central Appraisal District. The total value is dated as of July 31, 2020. On February 12, 2020, Travis Central Appraisal District announced that it would not be reappraising residential properties for the 2020 tax year.

⁽⁵⁾ Excludes the District's Commercial Paper Notes, Series A, which may be issued from time to time up to an aggregate principal amount of \$150 million.

⁽⁶⁾ Includes the Bonds and excludes the Refunded Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Year Ending 12/31 ⁽¹⁾	Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
2018	\$ 1.19200	\$ 1.07900	\$ 0.11300	\$ 1,312,556,016	98.53%	98.66%
2019	1.19200	1.07900	0.11300	1,448,894,898	98.59%	98.69%
2020	1.12200	1.00900	0.11300	1,499,978,185	97.01%	98.50%
2021	1.10270	0.98970	0.11300	1,569,931,903	98.40%	98.72%
2022	1.06170	0.94870	0.11300	1,620,307,719 ⁽²⁾	⁽³⁾	43.50% ⁽⁴⁾

Source: Austin Independent School District.

⁽¹⁾ The District's fiscal year ends on June 30. Due to timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31, therefore, debt information is provided on a calendar year basis.

⁽²⁾ Estimated.

⁽³⁾ In process of collection.

⁽⁴⁾ As of December 31, 2021.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2022 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Columbia/St. David's Health Care	Health Care	\$ 531,200,470	0.37%
Oracle America Inc	Technology	518,389,475	0.36%
CSHV-401 Congress LLC	Office Buildings	409,788,700	0.29%
Finley Company	Hotel/Motel	395,033,239	0.28%
GW Block 23 Office LLC	Office Buildings	381,722,000	0.27%
CSHV-300 West 6th Street LLC	Office Buildings	353,026,500	0.25%
Domain Retail Property Owner LP	Shopping Center/Mall	339,664,851	0.24%
Cousins-One Congress Plaza Inc.	Office Buildings	313,795,528	0.22%
Capital Metropolitan	Transit	312,759,243	0.22%
100 Congress Owner LLC	Office Buildings	295,728,157	0.21%
		<u>\$ 3,851,108,163</u>	<u>2.69%</u>

Source: The Travis Central Appraisal District.

TABLE 6 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing bodies 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	Tax Debt as of 2/23/2022	Estimated %	District's Overlapping Funded Debt
Austin ISD	\$ 1,566,933,890 ⁽¹⁾	100.00%	\$ 1,566,933,890 ⁽¹⁾
Austin CCD	436,260,000	51.36%	224,063,136
City of Austin	1,625,830,000	74.89%	1,217,584,087
Sunfield MUD #1	33,015,000	0.00%	-
Travis County	1,054,720,000	62.14%	655,403,008
Travis County ESD# 3	820,000	97.76%	801,632
Travis County Healthcare District	82,490,000	62.14%	51,259,286
Travis County MUD# 3	40,027,925	100.00%	40,027,925
Travis County MUD# 4	8,381,776	100.00%	8,381,776
Travis County MUD# 5	22,427,334	100.00%	22,427,334
Travis County MUD# 6	7,971,675	100.00%	7,971,675
Travis County MUD# 8	9,369,121	100.00%	9,369,121
Total Direct and Overlapping Tax Debt			\$ 3,804,222,870
Ratio of Direct Overlapping Tax Debt to Taxable Assessed Valuation			2.65%
Per Capita Overlapping Debt			\$ 2,726.98

Source: The Municipal Advisory Council of Texas.

⁽¹⁾ Includes the Bonds and excludes the Refunded Bonds.

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DEBT INFORMATION

TABLE 7 – TAX SUPPORTED DEBT SERVICE REQUIREMENTS⁽²⁾

Year Ended 12/31	Outstanding Debt ⁽¹⁾			The Series 2022A Bonds			The Series 2022B Bonds			The Series 2022C Bonds			The Series 2022D Bonds			The Series 2022E Bonds			Total Debt Service Requirements ⁽¹⁾	% of Principal Retired	Year Ended 12/31
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total			
2022	\$91,894,965	\$57,868,014	\$149,762,980	\$ 8,000,000	\$ 1,999,847	\$ 9,999,847	\$ -	\$ 2,005,256	\$ 2,005,256	\$ 603,758	\$ 603,758	\$ -	\$ 845,067	\$ 845,067	\$ 1,534,855	\$ -	\$ 1,534,855	\$ 1,534,855	\$ 164,751,762		2022
2023	70,004,965	47,060,427	117,065,393	34,850,000	4,156,613	39,006,613	-	4,568,938	4,568,938	1,375,650	1,375,650	-	1,925,468	1,925,468	3,497,138	-	3,497,138	3,497,138	167,439,199		2023
2024	73,259,965	43,700,709	116,960,675	40,000,000	2,414,113	42,414,113	-	4,568,938	4,568,938	1,375,650	1,375,650	-	1,925,468	1,925,468	3,497,138	-	3,497,138	3,497,138	170,741,981		2024
2025	70,477,332	40,167,347	110,644,679	450,000	414,113	864,113	-	4,568,938	4,568,938	1,375,650	1,375,650	-	1,925,468	1,925,468	3,497,138	-	3,497,138	3,497,138	127,240,986		2025
2026	66,102,332	36,758,235	102,860,567	470,000	391,613	861,613	-	4,568,938	4,568,938	1,375,650	1,375,650	-	1,925,468	1,925,468	3,497,138	-	3,497,138	3,497,138	126,931,124	30.12%	2026
2027	50,532,332	33,549,202	84,081,535	495,000	368,113	863,113	11,295,000	4,568,938	15,863,938	1,375,650	1,375,650	3,185,000	1,766,218	1,766,218	2,835,138	20,000,138	20,000,138	20,000,138	127,355,591		2027
2028	52,892,332	31,119,815	84,012,147	520,000	343,363	863,363	11,865,000	4,004,188	15,869,188	1,375,650	1,375,650	3,515,000	1,598,968	1,513,968	1,973,888	14,708,888	14,708,888	14,708,888	126,203,204		2028
2029	59,532,332	28,573,522	88,105,854	545,000	317,363	862,363	8,300,000	3,410,938	11,710,938	1,162,650	1,162,650	3,685,000	1,423,218	1,423,218	1,337,138	13,980,000	13,980,000	13,980,000	126,722,161		2029
2030	57,982,332	25,738,010	83,720,342	575,000	290,113	865,113	13,040,000	2,995,938	16,035,938	4,650,000	4,650,000	3,875,000	1,238,968	5,113,968	638,138	14,630,000	14,630,000	14,630,000	126,593,399		2030
2031	63,865,000	22,939,629	86,804,629	600,000	261,363	861,363	9,155,000	2,345,938	11,498,938	4,855,000	4,855,000	4,065,000	1,045,218	5,110,218	8,540,000	8,540,000	8,540,000	8,739,238	118,576,786	58.52%	2031
2032	58,560,000	20,092,262	78,652,262	630,000	231,363	861,363	14,330,000	1,886,188	16,216,188	5,065,000	4,645,650	7,825,000	841,968	8,666,968	-	-	-	-	109,726,430		2032
2033	60,935,000	17,440,074	78,375,074	665,000	199,863	864,863	14,940,000	1,277,688	16,217,688	5,285,000	211,400	8,140,000	528,968	8,668,968	-	-	-	-	109,622,992		2033
2034	68,550,000	14,956,354	83,506,354	690,000	173,263	863,263	10,330,000	680,088	11,010,088	-	-	8,340,000	330,922	8,670,922	-	-	-	-	104,050,527		2034
2035	71,270,000	12,168,154	83,438,154	720,000	145,663	865,663	4,125,000	266,888	4,391,888	-	-	4,545,000	119,670	4,664,670	-	-	-	-	93,360,373		2035
2036	69,560,000	9,263,905	78,823,905	745,000	116,863	861,863	4,290,000	101,888	4,391,888	-	-	-	-	-	-	-	-	-	84,077,655	85.28%	2036
2037	66,980,000	6,476,500	73,456,500	765,000	99,169	864,169	-	-	-	-	-	-	-	-	-	-	-	-	74,320,669		2037
2038	57,095,000	4,106,872	61,201,872	780,000	81,000	861,000	-	-	-	-	-	-	-	-	-	-	-	-	62,062,872		2038
2039	52,580,000	2,578,250	55,158,250	800,000	61,500	861,500	-	-	-	-	-	-	-	-	-	-	-	-	56,019,750		2039
2040	32,690,000	1,116,050	33,806,050	820,000	41,500	861,500	-	-	-	-	-	-	-	-	-	-	-	-	34,667,350		2040
2041	17,300,000	462,250	17,762,250	840,000	21,000	861,000	-	-	-	-	-	-	-	-	-	-	-	-	18,623,250	100.00%	2041
	\$1,211,863,890	\$456,135,483	\$1,667,999,372	\$ 93,960,000	\$ 12,127,790	\$ 106,087,790	\$ 101,670,000	\$ 41,817,681	\$ 143,487,681	\$ 28,570,000	\$ 12,345,658	\$ 40,913,658	\$ 17,441,059	\$ 67,961,059	\$ 80,350,000	\$ 22,288,699	\$ 102,638,699	\$ 102,638,699	\$21,129,088,259		

(1) Excludes the Refunded Bonds and the District's Commercial Paper Notes, Series A, which may be issued from time to time up to an aggregate principal amount of \$150 million outstanding at any time. No commercial paper is currently outstanding.
(2) Information in this table has been rounded to the nearest dollar. The resulting total amounts may not foot because of such rounding.

TABLE 8 - ESTIMATED INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated Tax Supported Debt Service Requirements, Fiscal Year Ending 6/30/2022 ⁽¹⁾		\$ 164,751,762 ⁽²⁾
Interest and Sinking Fund Balance at 6/30/21	\$ 144,009,480	
Estimated Interest and Sinking Fund Tax Levy	<u>162,129,935</u>	<u>306,139,415</u>
Estimated Balance as of 6/30/22		<u>\$ 141,387,653</u>

Source: The District’s Audited Financial Statement.

- ⁽¹⁾ The District's fiscal year ends on June 30. Due to timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31, therefore, debt information is provided on a calendar year basis.
- ⁽²⁾ Includes the Bonds and excludes the Refunded Bonds. Also includes August 1, 2022 payments which have been budgeted for Fiscal Year 2022.

NOTE: Does not include the District’s Commercial Paper Notes, Series A.

TABLE 9 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Following the issuance of the Bonds, the District has no remaining authorized but unissued unlimited tax bonds. Subject to voter approval of the issuance of additional unlimited tax bonds at elections to be held in the future, the District is authorized to issue its Commercial Paper Notes, Series A, up to an aggregate principal amount of \$150 million outstanding at any time to provide interim financing for projects authorized by such elections. No commercial paper is currently outstanding, and the Board has not taken action to call an election to authorize the issuance of additional unlimited tax bonds.

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT AND OTHER OBLIGATIONS . . . The District does not expect to issue unlimited tax bonds within the next six months. See “Table 9 – Authorized but Unissued Unlimited Tax Bonds.” The District may incur debt and other financial obligations payable from and secured by a pledge of its collection of ad valorem taxes and other sources of revenue, including (i) unlimited tax refunding bonds, (ii) obligations payable from its collection of maintenance taxes, including maintenance tax notes and public property finance contractual obligations, (iii) obligations payable from delinquent taxes, and (iv) leases for various purposes payable from state appropriations and surplus maintenance taxes.

OTHER OBLIGATIONS . . . See "Notes to the Financial Statements" in APPENDIX B, “Excerpts from the - AUSTIN INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL AND COMPLIANCE REPORT.”

PENSION FUND . . . Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the “System”). The individual employees contribute a fixed amount of their salary to the System, currently 6.4% of gross earnings, and the State of Texas contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by Federally funded programs. (For more detailed information concerning the retirement plan, see Note 11 in APPENDIX B, “Excerpts from the AUSTIN INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL AND COMPLIANCE REPORT”).

Other than its participation in TRS-CARE, (see Note 12 in APPENDIX B, “Excerpts from the AUSTIN INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL AND COMPLIANCE REPORT”), the District generally does not offer any post-employment retirement benefits and has no liabilities for “Other Post Employment Retirement Benefits” as defined in GASB Statement No. 45.

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FINANCIAL INFORMATION

TABLE 10- GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ended June 30,				
	2021 ⁽¹⁾	2020	2019	2018	2017
<u>General Revenues:</u>					
Local and Intermediate Sources	\$ 1,403,228,155	\$ 1,341,437,239	\$ 1,322,753,737	\$ 1,200,563,957	\$ 1,082,629,084
State Revenues	71,452,865	58,076,608	77,598,882	63,602,481	78,582,376
Federal Program Revenues	43,525,781	22,666,235	38,893,404	30,011,373	28,152,045
Total Revenues	<u>\$ 1,518,206,801</u>	<u>\$ 1,422,180,082</u>	<u>\$ 1,439,246,023</u>	<u>\$ 1,294,177,811</u>	<u>\$ 1,189,363,505</u>
<u>Expenditures</u>					
Instruction & Instructional Related Services	\$ 477,048,434	\$ 460,192,597	\$ 421,437,140	\$ 426,632,434	\$ 426,328,039
Instructional & School Leadership	68,763,734	80,397,456	88,946,750	91,503,488	93,434,892
Pupil Services	96,797,042	91,104,706	92,209,198	92,694,929	81,760,557
Administration	29,148,485	27,414,977	22,177,532	22,586,230	20,820,960
Support Services	149,046,589	118,971,997	117,383,842	117,469,776	123,970,865
Ancillary Services	8,587,611	7,885,008	7,633,198	8,077,798	6,152,649
Debt Service	460,263	460,264	476,890	496,029	481,862
Capital Outlay	2,539,420	3,021,634	1,806,470	1,485,313	7,254,841
Intergovernmental Charges	715,965,907	648,513,579	678,301,729	550,509,759	411,884,181
Total Expenditures	<u>\$ 1,548,357,485</u>	<u>\$ 1,437,962,218</u>	<u>\$ 1,430,372,749</u>	<u>\$ 1,311,455,756</u>	<u>\$ 1,172,088,846</u>
Increase (Decrease) in net assets before transfers and special items	\$ (30,150,684)	\$ (15,782,136)	\$ 8,873,274	\$ (17,277,945)	\$ 17,274,659
<u>Other Financing Sources:</u>					
Other Resources	\$ -	\$ -	\$ -	\$ 137,448	\$ 54,642
Transfers In	-	-	-	-	-
Transfers Out	(2,000,000)	(3,723,607)	(5,000,000)	-	(8,000,000)
Other (Uses)	(311,946)	(340,720)	-	-	(6,898)
Total Other Financing Sources	<u>(2,311,946)</u>	<u>(4,064,327)</u>	<u>(5,000,000)</u>	<u>137,448</u>	<u>(7,952,256)</u>
Net Change in Fund Balances	\$ (32,462,630)	\$ (19,846,463)	\$ 3,873,274	\$ (17,140,497)	\$ 9,322,403
Fund Balance - Beginning	268,475,735	288,322,198	284,448,924	301,589,421	292,267,018
Prior Period Adjustment	-	-	-	-	-
Fund Balance - Ending ⁽²⁾	<u>\$ 236,013,105</u>	<u>\$ 268,475,735</u>	<u>\$ 288,322,198</u>	<u>\$ 284,448,924</u>	<u>\$ 301,589,421</u>

Source: The District's Financial Statements.

⁽¹⁾ In 2020 and 2021, Congress passed three stimulus bills that provided nearly \$190.5 billion to the Elementary and Secondary Emergency Education Relief (ESSER) Fund. Relief funding provided pursuant to the Elementary and Secondary School Emergency Relief (ESSER II) Fund ("ESSER II") and the American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER or ESSER III) Fund ("ESSER III") focused on school districts reopening and operating safely, as well as, addressing the impact of the coronavirus pandemic on students. The District received ESSER II funding in the amount of \$69.3 million and ESSER III funding in the amount of \$155.6 million and anticipates utilizing \$33 million in ESSER II funding and \$24 million in ESSER III funding to supplement its budget for Fiscal Year 2022 to maintain a fund balance position equal to or greater than 20 percent of the combined budgeted expenditures of the District's general fund in accordance with District policies. The District anticipates using the remaining ESSER II and ESSER III funding over the next few years to maintain its fund balance equal to or greater than 20 percent as mentioned in the preceding sentence. See "FINANCIAL POLICIES – Fund Balance Position."

⁽²⁾ The District estimates that its Fund Balance at the end of the current fiscal year to be approximately \$160,818,266.

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FINANCIAL POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements . . . The governmental-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation . . . The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 50 days of the end of the current fiscal period, with the exception of intergovernmental revenues, which have a one-year period of availability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closure/post closure costs, are recorded only when the liability has matured.

Property taxes, sales taxes, franchise fees and licenses, intergovernmental revenues, certain charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives the cash as the resulting receivables are deemed immaterial.

District Budget Process . . . In 1994, the District began developing the annual budget using a program budget process. The basic premise of the process is to allow the District’s budget to be driven by the instructional programs and the services needed to support the instructional needs of the students.

Four basic objectives guide this process:

- Engagement of teachers, principals, central staff, and community in the budget development process;
- Focus of resources on those programs of the District that are essential to ensure that all students are learning at high levels;
- Prudence in using resources of the District to achieve maximum efficiency and effectiveness; and
- Alignment of resources to meet the needs of the students.

The process includes the establishment of a budget council made up of a cross-section of representatives from teachers, administrators, other employees, PTAs, parents, and others from the community. It is the charge of the budget council to review each program, the related expenditures, the proposed plan for the program, and the resources recommended to successfully achieve the goals of the program. Based on the review, the budget council makes recommendations for programmatic changes that result in additions and reductions to the budget.

The recommendations of the budget council are presented to the Superintendent’s Cabinet. The Cabinet analyzes the recommendations of the budget council, the needs of the students of the District, and develops recommendations that best utilize available resources to achieve the District’s goals.

The Budget is presented to the Board for final revision and adoption.

The budget process and adoption continue to meet the requirements of applicable State laws and District policies.

Fund Balance Position . . . The District’s Board has adopted policy that the District shall maintain an unassigned fund balance sufficiently adequate for fiscal cash liquidity purposes (i.e., fiscal reserve) that will provide for sufficient cash flow to minimize the potential of short-term tax anticipation borrowing. This amount shall be equal to not less than 20 percent of the combined budgeted expenditures of the District’s general fund. (See “Table 10 – General Fund Revenue and Expenditures, footnote 1”)

INVESTMENTS

The District may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the District or obligations under a lease, installment sale, or other agreement of the District) in investments authorized by State law in accordance with investment policies approved by the governing body of the District. Both State law and the District’s investment policies are subject to change. See Table 11 – “Current Investments” for a description of the District’s investments as of November 30, 2021.

AUTHORIZED INVESTMENTS . . . Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body of the District or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District’s account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District’s custodian of the banking deposits issued for the District’s account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the “Public Funds Investment Act”), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District’s name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District’s name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers’ acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully-secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and

the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service, if the governing body of the District authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The District may also contract with an investment management firm (x) registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order or resolution.

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

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

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

ADDITIONAL PROVISIONS . . . Under State law the District is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission; (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (5) provide specific investment training for the treasurer, chief financial officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 11 – CURRENT INVESTMENTS

As of December 31, 2021, the District’s funds were invested as follows:

Description	Percent of		
	Total	Market Value	Book Value
Lone Star	28.17%	\$ 172,955,820	\$ 172,955,820
Tex Pool	17.56%	107,827,068	107,827,068
Texas CLASS	20.96%	128,667,755	128,667,755
Texas Daily	0.81%	5,001,102	5,001,102
TexStar	0.00%	4,180	4,180
Texas FIT	2.96%	18,159,259	18,159,259
QZAB Investments	1.43%	8,763,435	8,763,435
Corporate Commercial Paper	1.63%	10,000,000	9,989,586
State and Local Government Paper	16.80%	103,163,895	103,178,019
US Treasuries	9.36%	57,487,635	57,507,758
Bank Deposits	0.31%	1,901,153	1,901,153
Total	100.0%	\$ 613,931,303	\$ 613,955,136

Source: Austin Independent School District.

TexPool is a local government investment pool in the State of Texas. The State Comptroller of Public Accounts oversees TexPool. There is also a TexPool Advisory Board, composed of participants, which advises on TexPool’s investment policy and approves fee increases. The Lone Star Investment Pool is a member owned, member-governed public funds investment pool. It is managed by an eleven member Board of Trustees and the Board is authorized to adopt and maintain bylaws. There is also an Advisory Board composed of participants that gathers and exchanges information from participants relating to the operation of the Pool. TexStar and LOGIC are investment pools created under the Inter-local Cooperation Act and are administered by First Southwest and JP Morgan Asset Management. Texas Class (Texas Cooperative Liquid Assets Securities System Trust) is a pooled investment program administered by the Public Trust Advisors, LLC. Texas Class is governed by the Board of Trustees which has appointed an Advisory Board composed of Participants and other persons who are qualified to advise the Trust. TexasTERM was created by and for Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. TexasTERM portfolios seek to provide these investors with safety, flexibility and competitive yields. TexasDAILY, a portfolio offered by TexasTERM, is a money market portfolio with daily liquidity. For those pools measured at amortized cost, management is not aware of the presence of any limitations or restrictions on withdrawals such as redemption notice periods, maximum transactions amounts, or the investment pool’s authority to impose liquidity fees or redemption gates.

TAX MATTERS

TAX MATTERS RELATING TO THE TAX-EXEMPT BONDS . . . In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial Owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt Bonds is sold to the public.

Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“ Tax-Exempt Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Tax-Exempt Premium Bonds, the interest on

which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Tax-Exempt Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Tax-Exempt Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Tax-Exempt Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

FEDERAL INCOME TAX TREATMENT OF THE TAXABLE BONDS... Interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Taxable Bonds.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to holders of the Taxable Bonds that acquire their Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Taxable Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Taxable Bonds pursuant to this offering for the issue price that is applicable to such Taxable Bonds (i.e., the price at which a substantial amount of the Taxable Bonds are sold to the public) and who will hold their Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Taxable Bonds in light of their particular circumstances.

U.S. HOLDERS... Interest. Interest on the Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Taxable Bonds is less than the amount to be paid at maturity of such Taxable Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Taxable Bonds) by more than a de minimis amount, the difference may constitute original issue discount (“OID”). U.S. Holders of Taxable Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Taxable Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Taxable Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Taxable Bond.

Sale or Other Taxable Disposition of the Taxable Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Taxable Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Taxable Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder’s holding period for the Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Taxable Bonds. If the District defeases any Taxable Bond, the Taxable Bond may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder’s adjusted U.S. federal income tax basis in the Taxable Bond.

Information Reporting and Backup Withholding. Payments on the Taxable Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Bonds may be subject to backup withholding at the current rate of 24% with respect to “reportable payments,” which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

NON-U.S. HOLDERS... Interest. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act (“FATCA”)—U.S. Holders and Non-U.S. Holders,” payments of principal of, and interest on, any Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation described in Section 881(c)(3)(C) of the Code, and (2) a bank which acquires such Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Taxable Bond

provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the Taxable Bonds. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act (“FATCA,”)—U.S. Holders and Non-U.S. Holders,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Taxable Bond) or other disposition of a Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading “Foreign Account Tax Compliance Act (“FATCA,”)—U.S. Holders and Non-U.S. Holders,” under current U.S. Treasury Regulations, payments of principal and interest on any Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Taxable Bond or a financial institution holding the Taxable Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

FOREIGN ACCOUNT TAX COMPLIANCE ACT (“FATCA”)—U.S. HOLDERS AND NON-U.S. HOLDERS... Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Taxable Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Taxable Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

OTHER INFORMATION

RATINGS. . . The Bonds have been rated “Aaa” (unenhanced) by Moody’s Investors Services, Inc. (“Moody’s”). The 2022A Bonds, 2022B Bonds, and 2022D Bonds have also been rated “Aaa” (enhanced) by Moody’s by virtue of the guarantee of the Permanent School Fund. The currently outstanding unenhanced, tax supported debt of the District has an underlying rating of “Aaa” by Moody’s, “AA+” by S&P Global Ratings (“S&P”) and/or “AA+” by Fitch. The District’s currently outstanding bonds that are guaranteed by the Permanent School Fund are also rated “Aaa” by Moody’s, “AAA” by Fitch and/or “AAA” by S&P by virtue of the guarantee of the Permanent School Fund. An explanation of such ratings may be obtained from Moody’s, S&P and Fitch. The ratings will reflect only the view of such organization at the time such rating is given, and the District will make no representation as to the appropriateness of the ratings. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating company if, in the judgment of such rating company, circumstances so warrant. Any such downward revision or withdrawal of the rating 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. . . On the date of delivery of the Bonds to the Underwriters, the District will execute and deliver to the Underwriters a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

The District is not a party to any litigation or other 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.

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) thereof; 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS. . . Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code), provides that the Bonds constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. 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 at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to sure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

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 opinions 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 the Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel has been retained by and only represents the District. Forms of Bond Counsel's opinions appear in Appendix C attached hereto.

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 reviewed the information in this Official Statement appearing under the captions and subcaptions "PLAN OF FINANCE", "THE BONDS" (except for the information contained in the subcaptions "Permanent School Fund Guarantee", "Book-Entry — Only System", "Bondholders' Remedies", and "Use of Proceeds" as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS", "TAX MATTERS RELATING TO THE TAX-EXEMPT BONDS", "FEDERAL INCOME TAX TREATMENT OF THE TAXABLE BONDS", "OTHER INFORMATION - Registration and Qualification of Bonds for Sale," "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas "OTHER INFORMATION - Legal Matters" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings" as to which no opinion is expressed), and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate 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 McCall, Parkhurst & Horton LLP, Austin, Texas, Counsel to the Underwriters.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION. . . The financial data and other information contained hereunder 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.

EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS . . . Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending include a reduction to refundable credits under section 6431 of the Internal Revenue Code (the "Code") applicable to certain qualified bonds. The sequester reduction is applied to amounts claimed by an issuer of such qualified bonds which result in a payment to such issuer on or after March 1, 2013. Under the Budget Control Act of 2011, the Federal subsidies in 2013 were reduced by 8.7%. The Bipartisan Budget Act of 2013, signed by the President on December 26, 2013, extended cuts in those payments to issuers due to sequester of federal expenditures. According to the Bipartisan Budget Act of 2013, sequester for the above interest subsidy payments and other mandatory programs will continue for fiscal years 2014 through 2023. The sequester reduction percentage applied to the payments made to issuers of direct pay bonds in fiscal year 2020 is 5.9%. This percentage applies to all direct credit subsidy payments scheduled to be made on or after October 1, 2019 through and including September 30, 2020 at which point the sequester of such payments is again subject to change. These reductions apply to Build America Bonds, Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds for which an issuer elected to receive a direct credit subsidy pursuant to section 6431 of the Code. The District has previously issued its Unlimited Tax Refunding Bonds, Taxable Series 2010B (Direct Subsidy-Build America Bonds) (the "Affected Bonds"). It is anticipated that federal payments to the District for such Affected Bonds will be reduced

as described above. Pursuant to the order authorizing the issuance of the Affected Bonds, the District is required to make interest and principal payments on the Affected Bonds regardless of whether any federal funding is received. If the sequestration continues, the District may be required to increase ad valorem tax rates in order to pay additional debt service expenses on the Affected Bonds resulting from decreased federal funding. The District can make no prediction as to the length or long-term effects of the sequestration.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events to the MSRB via the EMMA system at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to certain information vendors annually. 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 5 and 7 through 11 and in Appendix B (the "Annual Financial Information"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which the Financial Statements must be provided. The District will provide the Annual Financial Information within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2022. The District may provide the Financial Statements earlier, including at the time it provides its Annual Financial Information, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12 month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available. The District will provide the updated information to the MSRB through the Electronic Municipal Market Access ("EMMA") information system in accordance with the Rule.

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 Internet website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule.

The District's current fiscal year end is June 30. Accordingly, it must provide the Annual Financial Information by December 31 in each year and the Financial Statements by June 30 the following year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The District will also provide notices of certain events to the MSRB. The District will provide notice in a timely manner not in excess of ten business days after the occurrence of any of the following events, as required by the Rule: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with its agreement described above under "Annual Reports".

AVAILABILITY OF INFORMATION . . . The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update information and to provide notices of material 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.

MISCELLANEOUS

CO-FINANCIAL ADVISORS . . . Estrada Hinojosa & Company, Inc. and RBC Capital Markets, LLC are employed as Co-Financial Advisors to the District in connection with the issuance of the Bonds. The Co-Financial Advisors' fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. Estrada Hinojosa & Company, Inc. and RBC Capital Markets, LLC, in their capacity as Co-Financial Advisors, have relied on the opinion of Bond Counsel and have not verified and do 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 Co-Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the 2022A Bonds from the District at a price equal to the initial offering price to the public as shown on inside cover page of the official statement less an underwriting discount of \$272,001.35. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the 2022A Bonds if any 2022A Bonds are purchased. The 2022A Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the 2022B Bonds from the District at a price equal to the initial offering price to the public as shown on inside cover page of the official statement less an underwriting discount of \$465,283.95. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the 2022B Bonds if any 2022B Bonds are purchased. The 2022B Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the 2022C Bonds from the District at a price equal to the initial offering price to the public as shown on inside cover page of the official statement less an underwriting discount of \$132,625.25. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the 2022C Bonds if any 2022C Bonds are purchased. The 2022C Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the 2022D Bonds from the District at a price equal to the initial offering price to the public as shown on inside cover page of the official statement less an underwriting discount of \$232,196.97. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the 2022D Bonds if any 2022D Bonds are purchased. The 2022D Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the 2022E Bonds from the District at a price equal to the initial offering price to the public as shown on inside cover page of the official statement less an underwriting discount of \$327,480.94. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the 2022E Bonds if any 2022E Bonds are purchased. The 2022E Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public 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 in accordance with, and as part of, their 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.

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 its own account and for the accounts of its 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.

Jefferies LLC ("Jefferies") has entered into a distribution agreement with InspereX LLC ("InspereX") for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells the Bonds to InspereX, it will share a portion of its selling concession compensation with InspereX.

Piper Sandler & Co., one of the underwriters 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.

Stifel, Nicolaus & Company, Incorporated (Stifel), as underwriter of the Bonds, has entered into an agreement with its affiliate, Vining-Sparks IBG, LLC for the distribution of certain municipal securities offerings at the original issue price. Pursuant to that distribution agreement, Vining-Sparks may purchase Bonds from Stifel at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that Vining-Sparks sells.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS . . . The arithmetical accuracy of certain computations included in the schedules provided by Estrada Hinojosa & Company, Inc. and RBC Capital Markets, LLC on behalf of the District relating to (a) computation of forecasted receipts of principal and interest on the Escrow Securities, the forecasted payments of principal and interest to redeem the Refunded Bonds, and the verification of the make whole redemption price of the Series 2016B and Series 2016C Bonds, and (b) computation of the yields of the Bonds and the restricted Escrow Securities were verified by Public Finance Partners LLC, Minneapolis, Minnesota. Such verification will be relied upon by Bond Counsel in rendering its opinions with respect to defeasance of the Refunded Bonds. Such computations were based solely on assumptions and information supplied by Estrada Hinojosa & Company, Inc. and RBC Capital Markets, LLC on behalf of the District. Public Finance Partners LLC, Minneapolis, Minnesota has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based, and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

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

The forward-looking statements 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 orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such statutes, documents and orders for further information. Reference is made to original documents in all respects.

In the Bond Order, the Board authorized the Pricing Officer to approve, and in the Pricing Certificate the Pricing Officer will approve, for and on behalf of the District, (i) the form and content of this Official Statement, and any addenda, supplement, or amendment thereto and (ii) the Underwriters' use of this Official Statement in connection with the public offering and sale of the Bonds in accordance with the provisions of the Rule.

/s/ Eduardo Ramos
Pricing Officer
Austin Independent School District

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Tax-Exempt Refunded Bonds ⁽¹⁾

Issue	Maturity Date	Interest Rates	Original Principal Amount	Call Date	CUSIP ⁽²⁾
Unlimited Tax Refunding Bonds, Series 2016B					
Serials	8/1/2027	5.000%	\$ 11,685,000	3/1/2022	052430ML6
	8/1/2028	5.000%	12,275,000	3/1/2022	052430MM4
	8/1/2029	5.000%	8,730,000	3/1/2022	052430MN2
	8/1/2030	5.000%	13,490,000	3/1/2022	052430MP7
	8/1/2031	5.000%	9,630,000	3/1/2022	052430MQ5
	8/1/2032	4.000%	14,830,000	3/1/2022	052430MR3
	8/1/2033	4.000%	15,425,000	3/1/2022	052430MS1
	8/1/2034	4.000%	10,835,000	3/1/2022	052430MT9
	8/1/2035	4.000%	4,650,000	3/1/2022	052430MU6
	8/1/2036	4.000%	4,835,000	3/1/2022	052430MV4
	Bonds to be Refunded by the Series 2022B Bonds		\$ 106,385,000		
Issue	Maturity Date	Interest Rates	Original Principal Amount	Call Date	CUSIP ⁽²⁾
Unlimited Tax Refunding Bonds, Series 2016C					
Serials	8/1/2028	5.000%	\$ 4,565,000	3/1/2022	052430MY8
	8/1/2029	5.000%	4,780,000	3/1/2022	052430MZ5
	8/1/2030	5.000%	4,990,000	3/1/2022	052430NA9
	8/1/2031	5.000%	5,210,000	3/1/2022	052430NB7
	8/1/2032	4.000%	5,440,000	3/1/2022	052430NC5
	8/1/2033	4.000%	5,625,000	3/1/2022	052430ND3
	Bonds to be Refunded by the Series 2022C Bonds		\$ 30,610,000		
	Total Bonds to be Refunded by the Tax-Exempt Bonds		\$ 136,995,000		

⁽¹⁾ The call prices are equal to the Make Whole Redemption Price as described in the Official Statement related to the Series 2016B&C Bonds. Please see "Optional Redemption" on page 12 of that Official Statement.

⁽²⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Co-Financial Advisors, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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Taxable Refunded Bonds

Issue	Maturity Date	Interest Rates	Original Principal Amount	Call Date	Call Price	CUSIP ⁽¹⁾
Unlimited Tax Refunding Bonds, Series 2014A						
Serials	8/1/2032	4.000%	\$ 3,560,000	8/1/2024	100%	052430JG1
	8/1/2033	4.000%	3,700,000	8/1/2024	100%	052430JH9
	8/1/2034	4.000%	3,850,000	8/1/2024	100%	052430JJ5
			<u>\$ 11,110,000</u>			
Issue	Maturity Date	Interest Rates	Original Principal Amount	Call Date	Call Price	CUSIP ⁽¹⁾
Unlimited Tax Refunding Bonds, Series 2015A						
Serials	8/1/2026	4.000%	\$ 3,280,000	8/1/2025	100%	052430KG9
	8/1/2027	4.000%	3,410,000	8/1/2025	100%	052430KH7
	8/1/2028	3.150%	3,550,000	8/1/2025	100%	052430KJ3
	8/1/2029	5.000%	3,660,000	8/1/2025	100%	052430KK0
	8/1/2030	5.000%	3,845,000	8/1/2025	100%	052430KL8
	8/1/2031	5.000%	4,035,000	8/1/2025	100%	052430KM6
	8/1/2032	4.000%	4,235,000	8/1/2025	100%	052430KN4
	8/1/2033	4.000%	4,405,000	8/1/2025	100%	052430KP9
	8/1/2034	4.000%	4,585,000	8/1/2025	100%	052430KQ7
	8/1/2035	4.000%	4,765,000	8/1/2025	100%	052430KR5
			<u>\$ 39,770,000</u>			
Total Bonds to be Refunded by the Series 2022D Bonds			<u>\$ 50,880,000</u>			
Issue	Maturity Date	Interest Rates	Original Principal Amount	Call Date	Call Price	CUSIP ⁽¹⁾
Unlimited Tax Refunding Bonds, Series 2014B						
Serials	8/1/2025	5.000%	\$ 4,350,000	8/1/2024	100%	052430JT3
	8/1/2026	5.000%	4,560,000	8/1/2024	100%	052430JU0
	8/1/2027	5.000%	4,795,000	8/1/2024	100%	052430JV8
	8/1/2028	5.000%	5,035,000	8/1/2024	100%	052430JW6
			<u>\$ 18,740,000</u>			
Issue	Maturity Date	Interest Rates	Original Principal Amount	Call Date	Call Price	CUSIP ⁽¹⁾
Unlimited Tax Refunding Bonds, Series 2015B						
Serials	8/1/2026	5.000%	\$ 4,300,000	8/1/2025	100%	052430KX2
	8/1/2027	5.000%	12,415,000	8/1/2025	100%	052430KY0
	8/1/2028	5.000%	7,685,000	8/1/2025	100%	052430KZ7
	8/1/2029	5.000%	13,965,000	8/1/2025	100%	052430LA1
	8/1/2030	5.000%	14,615,000	8/1/2025	100%	052430LB9
	8/1/2031	5.000%	8,820,000	8/1/2025	100%	052430LC7
			<u>\$ 61,800,000</u>			
Total Bonds to be Refunded by the Series 2022E Bonds			<u>\$ 80,540,000</u>			
Total Bonds to be Refunded by the Taxable Bonds			<u>\$ 131,420,000</u>			
Total Bonds to be Refunded by the Tax-Exempt and Taxable Bonds			<u><u>\$ 268,415,000</u></u>			

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Co-Financial Advisors, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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THE AUSTIN INDEPENDENT SCHOOL DISTRICT

The District was created in 1955, when all properties and operations of the City of Austin public free school system were transferred from the control of the City’s governing body to the District, and all outstanding bonds previously issued by the City of Austin for public free school purposes were assumed by the District.

During a period of several years following the incorporation of the District, several adjoining independent and common school districts were annexed into the District. The outstanding bonds of these school districts were likewise assumed by, and consolidated into the bonded indebtedness of the District.

LOCATION . . . At the present time, the District comprises an area of approximately 230 square miles located entirely within Travis County, Texas. Its boundaries extend several miles beyond the corporate limits of Austin to the north and south, but there are small areas to the east and west where the city limits extend beyond the District boundaries. Because the District is surrounded by other suburban districts, it is likely to remain approximately the same size and configuration for the foreseeable future.

ADMINISTRATION . . . The District operates under policies established by a nine-member Board of Trustees. Seven members of the Board are elected from single member districts and two members are elected at large. All members of the Board are elected for four-year staggered terms. The staff of the District includes 5,508 teachers, 1,569 professional support personnel, and administrators, 3,866 educational aides, and auxiliary staff.

STATE ACCOUNTABILITY STANDARDS - UNDERPERFORMING SCHOOL . . . On December 16, 2021, the Board voted to terminate its contract with the T-STEM Coalition, the non-profit organization managing Mendez Middle School (“Mendez”) which has been designated as underperforming by the TEA since 2013. The District anticipates entering into a subsequent contract to form an outside partnership with a different non-profit organization to run Mendez, subject to approval by the Commissioner, which would maintain Mendez as an in-district charter school and qualify the campus for an exemption from certain State interventions per TEA rules governing schools designated as underperforming. If the District is unable to form a new outside partnership to manage Mendez and Mendez receives another failing academic rating from the TEA in the 2022-23 school year, the TEA could close the school or replace the Board with an appointed board of managers selected by the TEA. Under State law, the board of managers would perform the duties and obligations of the current Board, including the obligation to annually levy and collect sufficient ad valorem taxes to pay debt service on all tax-supported debt, including the Bonds.

ENROLLMENT AND FACILITIES . . .

NUMBER AND TYPES OF SCHOOLS

Elementary (Grades PreK-K)	1
Elementary (Grades PreK-5)	66
Elementary (Grades PreK-6)	1
Elementary (Grades K-5)	8
Elementary (Grades K-6)	2
Elementary (Grades 1-5)	1
Middle Schools (Grades 6-8)	19
Ann Richards School for Young Women (Grades 6-12)	1
International High Schools (Grades 9-12)	1
Senior High Schools (Grades 9-12)	15
Special Campuses	6
Alternative Learning Center	1
Clifton Career Development Center	1
Rosedale School	1
Austin State Hospital	1
Homebound	1
Total	126

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ENROLLMENT

Fiscal Year	Peak Enrollment
2012 - 2013	86,233
2013 - 2014	85,014
2014 - 2015	84,191
2015 - 2016	83,270
2016 - 2017	82,766
2017 - 2018	81,346
2018 - 2019	79,985
2019 - 2020	79,729
2020 - 2021	74,713
2021 - 2022	77,351

Source: Austin Independent School District.

AVERAGE DAILY ATTENDANCE . . . Historical average daily attendance for the District is as follows:

School Year	Average Daily Attendance
2011 - 2012	78,914
2012 - 2013	78,964
2013 - 2014	77,974
2014 - 2015	77,359
2015 - 2016	76,455
2016 - 2017	75,397
2017 - 2018	73,906
2018 - 2019	72,688
2019 - 2020	74,109
2020 - 2021	64,055

Source: Austin Independent School District.

EMPLOYMENT STATISTICS

	Travis County			State of Texas		
	November 2021	November 2020	November 2019	November 2021	November 2020	November 2019
Civilian Labor Force	793,540	747,189	749,853	14,430,417	14,050,100	14,200,410
Total Employment	768,754	708,272	731,554	13,775,262	13,076,638	13,723,153
Total Unemployment	24,786	38,917	18,299	655,155	973,462	477,257
Percentage Unemployment	3.1%	5.2%	2.4%	4.5%	6.9%	3.4%

Source: Texas Workforce Commission.

APPENDIX B

AUSTIN INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL AND COMPLIANCE REPORT

For the Fiscal Year Ended June 30, 2021

The information contained in this Appendix consists of excerpts from the Austin Independent School District Annual Financial and Compliance Report for the Fiscal Year Ended June 30, 2021 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.

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Independent Auditor's Report

Board of Trustees
Austin Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Austin Independent School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2021, 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.

Emphasis of Matter

As described in Note 3, the District adopted Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The adoption of the standard resulted in an adjustment to increase the District's previously reported net position of the governmental activities and the fund balance of the aggregate remaining fund information. The District's previously reported agency funds that did not meet the requirements to be restated to special revenue funds, continue to be reported in the statement of fiduciary net position as custodial funds as a result of the adoption. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule—General Fund, Note to Budgetary Comparison Schedule—General Fund, Schedules of the District's Proportionate Share of the Net Pension Liability and Net OPEB Liability, Schedules of District Contributions for the Pension and OPEB plans, and Notes to Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other 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 Introductory and Statistical Sections, and Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary 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. Such 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

RSM US LLP

Austin, Texas
November 17, 2021

Austin Independent School District

Management's Discussion and Analysis June 30, 2021

This section of Austin Independent School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

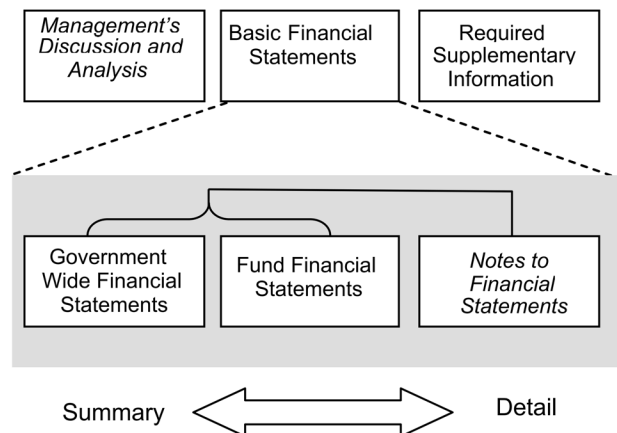
- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the year ended June 30, 2021. Net position was \$131.9 million. Net investment in capital assets was \$184.6 million. The District's restricted net position was \$137.2 million. Unrestricted net position was \$(189.9) million.
- During the year, the District's expenses were \$25.1 million more than the \$1,775.2 million generated in taxes and other revenues for governmental activities. Expenditures totaled \$1,628.9 million after charges for services and operating grants and contributions (revenue). Total revenue from property taxes, state aid, unrestricted grants and contributions, investment income and miscellaneous revenues is \$1,603.8 million.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$229.1 million, or 15% of the total General Fund expenditures.
- The District issued \$255.2 million of Unlimited Tax School Building Bonds during the fiscal year 2020-2021, and ended the year with \$25 million of outstanding commercial paper.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services were financed in the short term, as well as what remains for future spending.
- The Proprietary Fund statements provide information about the District's internal service funds, which are used to accumulate expenses to be charged to the governmental funds.

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



Austin Independent School District

**Management’s Discussion and Analysis
June 30, 2021**

- 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 financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section explains the structure and contents of each of the statements.

Figure A-2 Major Features of the District’s Government-Wide and Fund Financial Statements

Type of Statement	Government-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District’s government (except fiduciary funds)	The activities of the District that are not propriety or fiduciary	Instances in which the District is the trustee or agent for someone else’s resources
<i>Required Financial Statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position
<i>Accounting Basis and Measurement Focus</i>	Accrual accounting and economic resources	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of Asset/Liability Information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets
<i>Type of Inflow/Outflow Information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year-end, expenditures when goods or services have been received and payment is due during the year or soon thereafter	Agency funds do not report revenue and expenditures

Government-wide statements: The government-wide statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all the government’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. All the current year’s revenues and expenses are accounted for in the statement of activities on the accrual basis, regardless of when cash is received or paid.

Austin Independent School District

Management's Discussion and Analysis June 30, 2021

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, are one way to measure the District's financial position.

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

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

Fund financial statements: The fund financial statements provide more detailed information about the District's major funds, rather than the District as a whole. Funds are a governmental accounting tool the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage resources for specific purposes or to delineate the use of certain taxes and grants.

The District has three kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) on the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps determine the availability of financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the Governmental Funds statement, or on the subsequent page, that explains the relationship (or differences) between them. These include debt financing and capital projects.
- **Proprietary Funds:** Services for which the District charges internal departments a fee are generally reported in Proprietary Funds. Proprietary Funds, like the government-wide statements, provide both long and short-term financial information. In the District, internal service funds are used to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self Insurance Fund.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Austin Independent School District

**Management’s Discussion and Analysis
June 30, 2021**

Required supplementary information: The basic financial statements are followed by a section of required supplementary information. This section includes a Budgetary Comparison Schedule—General Fund, Schedules of the District’s Proportionate Share of the Net Pension Liability and Net OPEB Liability, and Schedules of District Contributions for the Pension and OPEB plans. The Budgetary Comparison Schedule—General Fund provides detailed comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget and actual costs for the year. The Schedules of the District’s Proportionate Share of the Net Pension Liability and Net OPEB Liability, and Schedules of District Contributions for the Pension and OPEB plans disclose covered payroll and related comparison information as of June 30, 2021.

Financial Analysis of the District as a Whole

Net position: The District’s combined net position was approximately \$131.9 million at June 30, 2021. The following is a schedule of the District’s net position:

**Table A-1
The District’s Net Position
(In Millions of Dollars)**

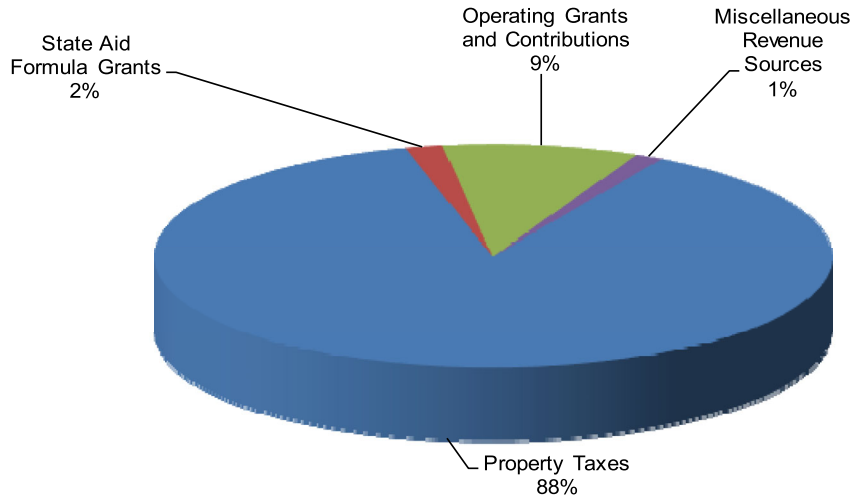
	Governmental Activities		Percentage Change
	2021	2020	
Current and other assets	\$ 1,301.5	\$ 1,264.5	3%
Capital assets	1,676.5	1,453.8	15%
Total assets	2,978.0	2,718.3	10%
Deferred loss on refunding	20.3	22.0	(8%)
Deferred outflow for TRS pension liability	163.5	56.0	192%
Deferred outflow for TRS OPEB liability	52.7	36.0	46%
Total deferred outflows of resources	236.4	114.0	107%
Current liabilities	952.2	897.6	6%
Long-term liabilities	1,880.9	1,600.4	18%
Total liabilities	2,833.2	2,498.0	13%
Deferred inflow for TRS pension liability	46.6	42.9	9%
Deferred inflow for TRS OPEB liability	202.8	148.3	37%
Total deferred inflows of resources	249.4	191.2	30%
Net position:			
Net investment in capital assets	184.6	184.0	0%
Restricted	137.2	124.1	11%
Unrestricted (deficit)	(189.9)	(164.4)	16%
Total net position	\$ 131.9	\$ 143.7	(8%)

Changes in net position: The District’s total revenues were \$1,775.2 million. A significant portion, 88%, of the District’s revenue comes from taxes; 2% comes from state aid formula grants, while 9% is related to other operating grants and contributions; the remaining 1% comes from miscellaneous revenue sources.

Austin Independent School District

**Management's Discussion and Analysis
June 30, 2021**

**Figure A-3
Sources of Revenues for Fiscal Year 2021**



The total cost of all programs was \$1,800.3 million and \$1,673.0 million for the year ended June 30, 2021, and for the year ended June 30, 2020, respectively. When adjusted for the \$706.7 million in expenses in 2021 and \$639.6 million in expenses in 2020 related to Chapter 49 and other pass-through costs, 76% and 69.7%, respectively, of these costs are for instructional and student services.

The total of all program and service costs for school leadership was 3.6% in 2021 and 3.8% in 2020, and 6.1% and 6.2% in 2021 and 2020, respectively, for plant maintenance and operations (including security services).

Austin Independent School District

Management's Discussion and Analysis
June 30, 2021

Table A-2
Changes in the District's Net Position
(In Millions of Dollars)

	Governmental Activities		Percentage Change
	2021	2020	
Revenues			
Program revenues:			
Charges for services	\$ 4.8	\$ 12.4	(62%)
Operating grants and contributions	166.7	194.3	(14%)
General revenues:			
Property taxes	1,553.2	1,474.3	5%
State aid—formula	32.1	20.8	54%
Investment earnings	1.8	13.0	(86%)
Other	16.6	43.2	(62%)
Total revenues	1,775.2	1,758.0	1%
Expenses			
Instruction and instructional related	530.2	530.9	(0%)
Instructional resources and media related	11.9	11.8	1%
Curriculum and staff development	40.5	26.5	53%
Instructional leadership	18.8	17.6	7%
School leadership	64.4	63.8	1%
Guidance, counseling and evaluation services	36.1	32.4	11%
Social work services	8.5	7.8	9%
Health services	10.9	13.6	(20%)
Student transportation	41.3	38.1	8%
Food services	35.1	40.5	(13%)
Extracurricular activities	30.1	19.0	58%
General administration	33.8	31.1	9%
Plant maintenance and operations	93.4	87.8	6%
Security and monitoring services	14.8	15.6	(5%)
Data processing services	50.4	24.6	105%
Community services	20.5	21.2	(3%)
Debt service	44.0	42.1	4%
Payments to fiscal agent/member districts—shared service	706.7	639.6	10%
Other governmental charges	9.3	8.9	4%
Total expenses	1,800.3	1,672.9	8%
Change in net position	(25.1)	85.1	(129%)
Net position at beginning of period, as restated	157.0	58.7	167%
Net position at end of period	\$ 131.9	\$ 143.8	(8%)

Austin Independent School District

Management's Discussion and Analysis June 30, 2021

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

- The cost of all governmental activities in 2021 was \$1,800.3 million and, in 2020, was \$1,673.0 million.
- However, the amount the District's taxpayers paid for these activities through property taxes was only \$1,553.2 million in 2021 and \$1,474.3 million in 2020.
- Those who directly benefited paid some costs of the programs (\$4.8 million in 2021 and \$12.4 million in 2020), with grants and contributions (\$166.7 million in 2021 and \$194.3 million in 2020) sharing the load.

Table A-3
Net Cost of Selected District Functions
(In Millions of Dollars)

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>
Instruction	\$ 582.4	\$ 569.2	2%	\$ 513.2	\$ 482.7	6%
School leadership	83.1	81.4	2%	73.5	68.4	8%
Plant maintenance and operations	93.4	87.8	6%	90.8	80.7	13%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants and segregation for particular purposes.

Governmental Funds: The focus of the District's Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the District's Governmental Funds reported combined ending fund balances of \$395.2 million. Approximately 57% of this total amount (\$224.1 million) is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate it is not available for new spending because it has already been committed for various purposes, including capital projects, repayment of debt, food service, wastewater plant and investment in inventories.

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, the fund balance of the General Fund was \$236.0 million. Of this amount, \$6.6 million is assigned for various projects and \$0.2 million is nonspendable for investment in inventories. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total General Fund balance represents approximately 15% of total fund expenditures. The fund balance decreased by \$32.5 million during the current fiscal year period.

Austin Independent School District

Management's Discussion and Analysis June 30, 2021

The Debt Service Fund had an increase in fund balance of \$5.7 million during the current year to bring the year-end fund balance to \$144.0 million. The increase is primarily the result of current-year commercial paper issuances that were outstanding at year end and not redeemed during fiscal year 2020-2021.

The Capital Projects Fund accounts for the construction of school buildings and improvements. At the end of the current fiscal year, the fund balance was \$3.8 million. In addition to \$293.6 million related to construction costs, the District issued \$40 million in commercial paper to fund capital projects. \$15 million of the commercial paper notes were redeemed prior to June 30, 2021.

General Fund Budgetary Highlights (See Exhibit G-1)

Over the course of the year, the District revised the General Fund annual revenue budget for changes in student counts, property tax assessed valuations adjustments, revised state formula funding amounts and federal program revenues. The total change was \$81.3 million. The expenditure budget was revised during the year to refine estimates after the year had started. Significant changes occurred to the following functional areas of spending: Transportation, Curricular/Extracurricular Activities, Capital Outlay and Contracted Instructional Services between Schools (Recapture). The total change was \$105.2 million, or 7% of total expenditures.

Revenues

An unfavorable variance in revenue was primarily due to the following:

- Local revenues were approximately \$1.7 million less than anticipated projections.
- State revenues were approximately \$13.6 million less than anticipated projections.
- Federal revenues were approximately \$22.2 million higher than anticipated projections.

Expenditures

A favorable variance in expenditures was primarily due to the following:

- Employee payroll-related expenditures, including the related Texas Retirement System on behalf payments, were \$39.6 million less than budgeted amounts primarily due to conservative budgeting practices where an allocated full-time employee is budgeted for the entire year and not reduced for vacancies in the position.
- The District spent \$3.4 million less for other operating costs, related to Instruction and Community Services.
- The District spent \$14.6 million less for other contracted services than budgeted.
- The District spent \$9.8 million less for supplies and materials than budgeted.
- The District spent \$0.9 million less for capital outlay than budgeted.
- The District spent \$32.8 million more Contracted Instructional Services between Schools (Recapture).

Austin Independent School District

**Management's Discussion and Analysis
June 30, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: At June 30, 2021, the District had invested \$1,676.5 million in a broad range of capital assets, including land, equipment, buildings, vehicles and capital lease assets. (See Table A-4 below.)

Table A-4
District's Capital Assets
(In Millions of Dollars)

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2021</u>	<u>2020</u>	
Land	\$ 86.2	\$ 86.0	0%
Buildings and improvements	1,559.5	1,336.0	17%
Furniture fixtures and equipment	30.8	31.8	(3%)
	<u>\$ 1,676.4</u>	<u>\$ 1,453.8</u>	15%

During the District's fiscal year 2020-2021, capital spending totaled \$296.7 million in building and improvements and capital equipment. At June 30, 2021, the District is committed under contracts in the amount of approximately \$232.9 million. The commitments are for remaining work on various construction projects. These commitments are payable from the Capital Projects Fund. For more detailed information on capital assets, refer to Note 8 of the notes to the basic financial statements.

Debt administration: At June 30, 2021, the District had \$1,460.9 million in long-term debt outstanding, as shown in Table A-5 (below). Additionally, the District is approved for the issuance of Austin Independent School District Commercial Paper Notes, Series A (Commercial Paper) in an aggregate principal amount not to exceed \$150,000,000 for the purpose of funding new construction and rehabilitation and renovation of existing facilities. The Commercial Paper notes mature in not more than 270 days from issuance and are supported by a revolving credit agreement with Sumitomo Mitsui Banking Corporation, acting through its New York Branch. The Commercial Paper is secured by a pledge of the proceeds of future general obligation bonds or loans issued by the District to pay the principal of the Commercial Paper or proceeds from ad valorem property taxes.

Table A-5
District's Long-Term Debt
(In Millions of Dollars)

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2021</u>	<u>2020</u>	
Bonds payable	\$ 1,459.6	\$ 1,259.8	16%
Notes and leases payable	1.3	1.7	(24%)
	<u>\$ 1,460.9</u>	<u>\$ 1,261.5</u>	16%

For more information on long-term debt, refer to Note 9 of the notes to the basic financial statements.

Austin Independent School District

Management's Discussion and Analysis June 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2021-2022 budget. Among them:

- Property tax assessed values increased by an estimated 7.72%
- Fiscal year 2020-2021 fund balance carry forward (\$239.9 million)
- District student enrollment (estimated 77,351)
- Compensation-related increases (\$12.6 million)
- Chapter 49 Payments (\$103.1 million increase)

Expanded and new programs consist of the following:

- Additional CALT Allocations
- Full Implementation of Dual Language Through Mixed Language Classroom Relief
- Read-By-Three (Reading Academies)

Also considered in the development of the budget is the impact of local economy and inflation in the surrounding area.

Budgeted expenditures in the General Fund decreased by 0.1% to \$1.1 million in fiscal year 2021-2022 net of Chapter 49 payments. Property taxes are expected to be the primary funding sources. The District's maintenance and operation tax rate is \$0.9897 per hundred dollars of assessed value for 2020-2021 and is proposed as \$0.9897 for the 2021-2022 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Austin Independent School District

**Exhibit A-1 Statement of Net Position
June 30, 2021**

Data Control Codes		Governmental Activities
Assets		
1110	Cash and cash equivalents	\$ 16,018,110
1120	Investments, including restricted amounts of \$7,843,475	1,199,485,422
1225	Property taxes receivable, net	18,410,756
1240	Due from other governments	53,798,762
1250	Accrued interest	420,857
1290	Other receivables, net	8,063,679
1310	Inventories	4,536,580
1410	Prepays and other assets	750,694
	Capital assets:	
1510	Land	86,224,364
1520	Buildings and improvements, net	1,188,668,234
1530	Furniture and equipment, net	30,757,993
1580	Construction in progress	370,878,522
1000	Total assets	2,978,013,973
Deferred Outflows of Resources		
1701	Deferred loss on refunding	20,282,159
1705	Deferred outflow for TRS pension liability	163,457,080
1705	Deferred outflow for TRS OPEB liability	52,708,436
	Total deferred outflows of resources	236,447,675
Liabilities		
2110	Accounts payable	29,505,240
2120	Commercial paper	25,000,000
2150	Payroll deductions and withholdings	13,074,577
2160	Accrued wages payable	43,327,807
2180	Due to other governments	719,828,732
2200	Accrued expenses	23,663,323
2300	Unearned revenues	1,989,196
	Noncurrent liabilities:	
2501	Due within one year	95,825,696
2502	Due in more than one year	1,377,688,652
2540	Net pension liability—District's share	246,709,201
2545	Net OPEB liability—District's share	256,544,236
2000	Total liabilities	2,833,156,660
Deferred Inflows of Resources		
2605	Deferred inflow for TRS pension liability	46,624,581
2605	Deferred inflow for TRS OPEB liability	202,755,680
	Total deferred inflows of resources	249,380,261
Net Position		
3200	Net investment in capital assets	184,644,240
3800	Restricted for:	
3850	Debt service	121,983,613
	Capital projects	3,096,729
3820	Federal and state programs	12,134,889
3900	Unrestricted deficit	(189,934,744)
3000	Total net position	\$ 131,924,727

See notes to basic financial statements.

Austin Independent School District

Exhibit B-1 Statement of Activities
Year Ended June 30, 2021

Data Control Codes	Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	
	Government activities:				
11	Instruction	\$ 530,146,461	\$ 2,898,597	\$ 50,790,036	\$ (476,457,828)
12	Instructional resources and media services	11,762,875	-	763,047	(10,999,828)
13	Curriculum and instructional staff development	40,457,618	-	14,692,540	(25,765,078)
21	Instructional leadership	18,776,674	-	3,515,630	(15,261,044)
23	School leadership	64,360,645	-	6,086,328	(58,274,317)
31	Guidance, counseling and evaluation services	36,102,227	-	6,502,290	(29,599,937)
32	Social work services	8,488,394	-	2,404,017	(6,084,377)
33	Health services	10,878,879	-	15,572,582	4,693,703
34	Student (pupil) transportation	41,285,988	-	1,833,436	(39,452,552)
35	Food services	35,131,237	-	26,608,107	(8,523,130)
36	Curricular/extracurricular activities	30,061,935	284,597	15,221,823	(14,555,515)
41	General administration	33,824,123	341,280	1,831,919	(31,650,924)
51	Plant maintenance and operations	93,375,180	-	2,529,265	(90,845,915)
52	Security and monitoring services	14,837,062	-	788,702	(14,048,360)
53	Data processing services	50,355,792	-	7,192,485	(43,163,307)
61	Community services	20,512,645	1,229,823	10,362,230	(8,920,592)
71	Interest on long-term debt	43,990,298	-	-	(43,990,298)
91	Contracted instructional services between schools	706,687,156	-	-	(706,687,156)
99	Other intergovernmental charges	9,278,751	-	-	(9,278,751)
TG	Total governmental activities	<u>1,800,313,940</u>	<u>4,754,297</u>	<u>166,694,437</u>	<u>(1,628,865,206)</u>
TP	Total primary government	<u>\$ 1,800,313,940</u>	<u>\$ 4,754,297</u>	<u>\$ 166,694,437</u>	<u>(1,628,865,206)</u>
	General revenues:				
MT	Property taxes—levied for general purposes				1,394,165,034
DT	Property taxes—levied for debt service				159,064,841
SF	State aid—formula grants				32,066,948
GC	Grants and contributions not restricted to specific programs				2,930,114
IE	Investment earnings				1,846,815
MI	Miscellaneous				13,690,979
TG	Total general revenues				<u>1,603,764,731</u>
CN	Change in net position				(25,100,475)
NB	Net position at beginning of period, as restated				<u>157,025,202</u>
NE	Net position at end of period				<u>\$ 131,924,727</u>

See notes to basic financial statements.

Austin Independent School District

Exhibit C-1 Balance Sheet—Governmental Funds
June 30, 2021

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
1110	Cash and cash equivalents	\$ 5,352,286	\$ -	\$ -	\$ 10,642,082	\$ 15,994,368
1120	Investments	954,957,439	143,745,109	46,355,969	6,115,414	1,151,173,931
1210	Property taxes—current	14,456,561	1,650,593	-	-	16,107,154
1220	Property taxes—delinquent	34,367,481	4,668,184	-	-	39,035,665
1230	Allowance for uncollectible taxes	(32,279,853)	(4,452,210)	-	-	(36,732,063)
1240	Due from other governments	24,950,710	48,329	-	28,799,723	53,798,762
1250	Accrued interest	420,857	-	-	-	420,857
1260	Due from other funds	26,157,369	-	493,456	85,848	26,736,673
1290	Other receivables	-	-	100	919,080	919,180
1300	Inventories	238,929	-	-	4,247,128	4,486,057
1410	Prepays and other assets	694	-	750,000	-	750,694
1000	Total assets	\$ 1,028,622,473	\$ 145,660,005	\$ 47,599,525	\$ 50,809,275	\$ 1,272,691,278
Liabilities						
2110	Accounts payable	\$ 11,956,979	\$ -	\$ 17,499,414	\$ 48,847	\$ 29,505,240
2120	Commercial paper	-	-	25,000,000	-	25,000,000
2150	Payroll deductions and withholdings	13,074,577	-	-	-	13,074,577
2160	Accrued wages payable	36,802,234	-	10,162	4,251,303	41,063,699
2170	Due to other funds	-	-	1,243,220	23,764,202	25,007,422
2180	Due to other governments	715,457,700	13,070	-	4,058,980	719,529,750
2300	Unearned revenues	76,139	-	-	1,913,057	1,989,196
2000	Total liabilities	777,367,629	13,070	43,752,796	34,036,389	855,169,884
Deferred Inflows of Resources						
2600	Unavailable revenue—property taxes	15,241,739	1,637,455	-	-	16,879,194
2600	Unavailable revenue—grants	-	-	-	5,425,810	5,425,810
	Total deferred inflows of resources	15,241,739	1,637,455	-	5,425,810	22,305,004
Fund Balances						
3400	Nonspendable	239,623	-	750,000	4,247,128	5,236,751
3400	Restricted	-	144,009,480	3,096,729	12,134,889	159,241,098
3500	Assigned	6,590,481	-	-	-	6,590,481
3600	Unassigned	229,183,001	-	-	(5,034,941)	224,148,060
3000	Total fund balances	236,013,105	144,009,480	3,846,729	11,347,076	395,216,390
4000	Total liabilities, deferred inflows of resources and fund balances	\$ 1,028,622,473	\$ 145,660,005	\$ 47,599,525	\$ 50,809,275	\$ 1,272,691,278

See notes to basic financial statements.

Austin Independent School District

**Exhibit C-2 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021**

**Data
Control
Codes**

	Total fund balances—Governmental Funds balance sheet	\$ 395,216,390
	Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:	
1	Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,676,529,113
2	Amount of interest on debt payable in August is required to be recognized in the statement of net position.	(23,663,322)
3	Revenue in governmental activities is recognized in the period earned.	22,305,004
4	Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the statement of net position.	40,890,934
5	Bonds and loans payable are not due and payable in the current period, and therefore, are not reported in the funds.	(1,460,921,006)
6	The accrual of vacation leave is not due and payable in the current period and, therefore, is not reported as expenditures in the governmental funds.	(2,246,363)
7	Unamortized loss on bond refunding in governmental activities, not reported in the governmental funds	20,282,159
8	Recognition of the District's proportionate share of the net pension liability, a deferred inflow of resources, and a deferred outflow of resources.	(129,876,702)
9	Recognition of the District's proportionate share of the OPEB liability, a deferred inflow of resources, and a deferred outflow of resources.	<u>(406,591,480)</u>
19	Net position of governmental activities	<u>\$ 131,924,727</u>

See notes to basic financial statements.

Austin Independent School District

Exhibit C-3 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds
Year Ended June 30, 2021

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
5700	Local and intermediate sources	\$ 1,403,228,155	\$ 159,417,271	\$ -	\$ 21,762,597	\$ 1,584,408,023
5800	State program revenues	71,452,865	466,424	-	9,470,845	81,390,134
5900	Federal program revenues	43,525,781	-	-	79,473,777	122,999,558
5020	Total revenues	<u>1,518,206,801</u>	<u>159,883,695</u>	<u>-</u>	<u>110,707,219</u>	<u>1,788,797,715</u>
Expenditures						
Current:						
0011	Instruction	442,841,742	-	-	32,293,239	475,134,981
0012	Instructional resources and media services	10,264,787	-	-	353,778	10,618,565
0013	Curriculum and instructional staff development	23,941,905	-	-	12,573,687	36,515,592
0021	Instructional leadership	14,258,160	-	-	2,599,486	16,857,646
0023	School leadership	54,505,574	-	-	2,852,972	57,358,546
0031	Guidance, counseling and evaluation services	28,210,621	-	-	4,659,515	32,870,136
0032	Social work services	5,590,819	-	-	1,988,613	7,579,432
0033	Health services	8,812,310	-	-	1,915,359	10,727,669
0034	Student (pupil) transportation	37,265,281	-	-	-	37,265,281
0035	Food services	-	-	-	32,429,889	32,429,889
0036	Curricular/extracurricular activities	16,918,011	-	-	11,415,547	28,333,558
0041	General administration	29,148,485	-	-	794,376	29,942,861
0051	Plant maintenance and operations	87,747,098	-	1,137	71,700	87,819,935
0052	Security and monitoring services	13,158,761	-	-	195,928	13,354,689
0053	Data processing services	48,140,730	-	-	594,882	48,735,612
0061	Community services	8,587,611	-	-	10,250,139	18,837,750
Debt service						
0071	Principal on long-term debt	406,891	85,220,704	-	-	85,627,595
0072	Interest on long-term debt	53,372	53,506,265	-	-	53,559,637
0073	Bond issuance costs and fees	-	2,329,111	-	-	2,329,111
Capital outlay						
0081	Capital outlay	2,539,420	-	293,648,804	499,983	296,688,207
Intergovernmental						
0091	Contracted instructional services between schools	706,687,156	-	-	-	706,687,156
0099	Other intergovernmental charges	9,278,751	-	-	-	9,278,751
6030	Total expenditures	<u>1,548,357,485</u>	<u>141,056,080</u>	<u>293,649,941</u>	<u>115,489,093</u>	<u>2,098,552,599</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(30,150,684)</u>	<u>18,827,615</u>	<u>(293,649,941)</u>	<u>(4,781,874)</u>	<u>(309,754,884)</u>
Other Financing Sources and (Uses)						
7911	Bonds issued	-	255,215,000	-	-	255,215,000
7912	Proceeds from sale of capital assets	-	-	1,404,308	-	1,404,308
7915	Transfers in	-	-	315,000,000	2,000,000	317,000,000
7916	Premium on issuance of bonds	-	46,638,702	-	-	46,638,702
8911	Transfers out	(2,000,000)	(315,000,000)	-	-	(317,000,000)
8949	Other uses	(311,946)	-	-	-	(311,946)
7080	Total other financing sources and (uses)	<u>(2,311,946)</u>	<u>(13,146,298)</u>	<u>316,404,308</u>	<u>2,000,000</u>	<u>302,946,064</u>
1200	Net change in fund balances	<u>(32,462,630)</u>	<u>5,681,317</u>	<u>22,754,367</u>	<u>(2,781,874)</u>	<u>(6,808,820)</u>
0100	Fund balances at beginning of period, as restated	<u>268,475,735</u>	<u>138,328,163</u>	<u>(18,907,638)</u>	<u>14,128,950</u>	<u>402,025,210</u>
3000	Fund balances at end of period	<u>\$ 236,013,105</u>	<u>\$ 144,009,480</u>	<u>\$ 3,846,729</u>	<u>\$ 11,347,076</u>	<u>\$ 395,216,390</u>

See notes to basic financial statements.

Austin Independent School District

**Exhibit C-4 Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances—Governmental Funds to the Statement of Activities
Year Ended June 30, 2021**

Net change in fund balances—total Governmental Funds	\$ (6,808,820)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$296,688,207), exceeded depreciation expense (\$73,795,369), and asset removal (\$154,179)	222,738,659
Bond and noncurrent loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and noncurrent loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of principal and loan principal (\$85,627,595) was exceeded by debt proceeds (\$255,215,000).	(169,587,405)
Governmental funds report the effect of premiums when the debt is first issued whereas these amounts are deferred and amortized over the life of the bonds in the statement of activities. This is the amount by which amortization (\$16,809,852) was exceeded by current-year bond premium (\$46,638,702).	(29,828,850)
The amount of interest which is accrued, but not yet paid, for bond payments due in August is not recognized in the governmental funds. This is the net change in amount of interest payable.	(3,165,822)
Losses on refundings are not reported in the governmental funds, but are amortized over the life of the debt in the statement of activities. This is the amount of net change in the deferred loss on refunding between 2020 and 2021.	(1,745,580)
Delinquent property taxes and receivables not received within 60 days of year-end do not provide current financial resources in the funds, and as such, are recognized as deferred inflows in the governmental funds. This is the net change between 2020 and 2021.	(14,234,972)
The revenues and expenses of the Internal Service Fund are distributed in the statement of activities and are not considered a governmental fund. The difference is the amount of net loss (\$5,826,189), plus transfers in (\$0).	(5,826,189)
Costs associated with the accrual of vacation and sick leave are recognized as expenditures in the governmental funds when matured. This is the amount of net change in the vacation accrual between 2020 and 2021.	(222,479)
GASB Statement No. 68 requires that certain expenditures be recorded as deferred resources. This is the amount by which pension expense (\$45,530,851) and amortization of prior-year deferred inflows and outflows of resources (\$101,667,437) exceeded the prior-year contributions (\$19,006,118) and additional deferred items recognized in the current year (\$103,313,601).	(24,878,569)
GASB Statement No. 75 requires certain expenditures be recorded as deferred resources. This is the amount by which OPEB expense (\$16,391,711) and amortization of prior-year deferred inflows and outflows of resources (\$55,948,384) exceeded the prior-year contributions (\$4,329,598) and additional deferred items recognized in the current year (\$37,771,700).	8,459,552
Change in net position of governmental activities—statement of activities	<u>\$ (25,100,475)</u>

See notes to basic financial statements.

Austin Independent School District

Exhibit D-1 Statement of Net Position—Proprietary Funds
June 30, 2021

Data Control Codes		Governmental Activities— Internal Service Fund
	Assets	
	Current assets:	
	Cash and cash equivalents	\$ 23,742
	Investments	48,311,491
	Due from other funds	295,917
	Other receivables	7,144,499
	Inventories	50,523
	Total current assets	<u>55,826,172</u>
1000	Total assets	<u>55,826,172</u>
	Liabilities	
	Current liabilities:	
	Accrued wages payable	17,745
	Due to other funds	2,324,151
	Claims payable—due within one year	9,096,936
	Total current liabilities	<u>11,438,832</u>
	Noncurrent liabilities:	
	Claims payable—due in more than one year	<u>3,496,406</u>
2000	Total liabilities	<u>14,935,238</u>
	Unrestricted net position	<u>40,890,934</u>
3000	Total net position	<u>\$ 40,890,934</u>

See notes to basic financial statements.

Austin Independent School District

Exhibit D-2 Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds
Year Ended June 30, 2021

Data Control Codes		Governmental Activities— Internal Service Fund
	Operating Revenues	
5700	Charges for services	\$ 73,688,780
	Total operating revenues	<u>73,688,780</u>
	Operating Expenses	
6100	Payroll costs	1,457,898
6200	Professional and contracted services	5,979,420
6300	Supplies and materials	70,248
6400	Insurance claims and expenses	64,840,077
6400	Other operating expenses	<u>7,217,183</u>
6030	Total operating expenses	<u>79,564,826</u>
	Operating loss	<u>(5,876,046)</u>
	Nonoperating Revenues	
5742	Earnings from temporary deposits and investments	<u>49,857</u>
	Total nonoperating revenues	<u>49,857</u>
	Change in net position	(5,826,189)
0100	Net position at beginning of period	<u>46,717,123</u>
3300	Net position at end of period	<u>\$ 40,890,934</u>

See notes to basic financial statements.

Austin Independent School District

**Exhibit D-3 Statement of Cash Flows—Proprietary Funds
Year Ended June 30, 2021**

	Governmental Activities— Internal Service Fund
Cash flows from operating activities:	
Payments to suppliers	\$ (13,838,043)
Payments to employee salaries and benefits	(1,468,364)
Payments from other funds	75,832,188
Claims paid	<u>(63,292,068)</u>
Net cash used in operating activities	<u>(2,766,287)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	6,479,699
Outlays for purchase of investments	(3,739,530)
Interest income	<u>49,857</u>
Net cash provided by investing activities	<u>2,790,026</u>
Net increase in cash and cash equivalents	23,739
Cash and cash equivalents at beginning of period	<u>3</u>
Cash and cash equivalents at end of period	<u><u>\$ 23,742</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (5,876,046)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in:	
Increase in accounts receivable	166,670
Decrease in inventories	(18,321)
Increase in due to and due from other funds	2,324,356
Decrease in accounts payable and accrued wages payable	(893,982)
Increase in claims payable	<u>1,531,036</u>
Net cash used in operating activities	<u><u>\$ (2,766,287)</u></u>

See notes to basic financial statements.

Austin Independent School District

Exhibit E-1 Statement of Fiduciary Net Position—Fiduciary Funds
June 30, 2021

Data Control Codes		Custodial Funds
	Assets	
	Investments	\$ 3,028,722
	Due from other governments	<u>1,539,118</u>
1000	Total assets	<u>4,567,840</u>
	Liabilities	
	Accrued wages	35,497
	Due to other governments	<u>1,240,394</u>
2000	Total liabilities	<u>1,275,891</u>
	Net position	<u><u>\$ 3,291,949</u></u>

See notes to basic financial statements.

Austin Independent School District

**Exhibit E-2 Statement of Changes in Fiduciary Net Position—Fiduciary Funds
June 30, 2021**

Data Control Codes	Custodial Funds
Additions	
Contributions:	
5745 Other revenue from local sources	\$ 1,786,974
5744 Gift and bequests	<u>205,000</u>
Total contributions	<u>1,991,974</u>
1120 Earnings from investments	<u>4,405</u>
1290 Insurance recoveries	<u>170,191</u>
Total additions	<u>2,166,570</u>
Deductions	
0041 General administrative	223,428
0051 Plant maintenance and operations	1,989,160
0081 Payments to other entities	<u>1,913,400</u>
Total deductions	<u>4,125,988</u>
Net decrease in fiduciary net position	(1,959,418)
Net position, beginning, as restated	<u>5,251,367</u>
Net position, ending	<u><u>\$ 3,291,949</u></u>

See notes to basic financial statements.

APPENDIX C

FORM OF BOND COUNSEL'S OPINIONS

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Orrick, Herrington & Sutcliffe LLP
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February 23, 2022

WE HAVE ACTED as Bond Counsel for the Austin Independent School District (the "District") in connection with an issue of bonds (the "Bonds") described as follows:

AUSTIN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022A, dated February 23, 2022, in the aggregate principal amount of \$93,960,000, maturing on August 1 in each of the years 2022 through 2041, inclusive. The Bonds are issuable in fully-registered form only, in denominations of \$5,000 or integral multiples thereof, are subject to redemption prior to maturity, bear interest, and may be transferred and exchanged as set out in the Bonds, the order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on December 16, 2021 and the Pricing Certificate dated as of January 26, 2022 (the "Pricing Certificate" and, together with the Bond Order, the "Order") authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. T-1 of this issue.

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

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the

terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases, and the Bonds have been authorized and delivered in accordance with law; and

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

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. The opinion set forth in the first sentence of this paragraph is subject to the condition that the District comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Order to comply with each such requirement.

FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

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.



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February 23, 2022

WE HAVE ACTED as Bond Counsel for the Austin Independent School District (the "District") in connection with an issue of bonds (the "Bonds") described as follows:

AUSTIN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2022B, dated February 23, 2022, in the aggregate principal amount of \$101,670,000, maturing on August 1 in each of the years 2027 through 2036, inclusive. The Bonds are issuable in fully-registered form only, in denominations of \$5,000 or integral multiples thereof, are subject to redemption prior to maturity, bear interest, and may be transferred and exchanged as set out in the Bonds, the order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on December 16, 2021 and the Pricing Certificate dated as of January 26, 2022 (the "Pricing Certificate" and, together with the Bond Order, the "Order") authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the obligations that are being refunded (the "Refunded Obligations") with the proceeds of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District and BOKF, NA (the "Escrow Agent"); the report (the "Report") of Public Finance Partners LLC, which verifies the sufficiency of the deposit made with the Escrow Agent for the defeasance of the Refunded Obligations; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations. We have also examined executed Bond No. T-1 of this issue.

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

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases, and the Bonds have been authorized and delivered in accordance with law;
- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and
- (3) The escrow agreement between the District and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the orders authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Obligations may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Obligations only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Obligations are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. The opinion set forth in the first sentence of this paragraph is subject to the condition that the District comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Order to comply with each such requirement.

FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be

retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

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.



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February 23, 2022

WE HAVE ACTED as Bond Counsel for the Austin Independent School District (the "District") in connection with an issue of bonds (the "Bonds") described as follows:

AUSTIN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2022C, dated February 23, 2022, in the aggregate principal amount of \$28,570,000, maturing on August 1 in each of the years 2028 through 2033, inclusive. The Bonds are issuable in fully-registered form only, in denominations of \$5,000 or integral multiples thereof, are subject to redemption prior to maturity, bear interest, and may be transferred and exchanged as set out in the Bonds, the order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on December 16, 2021 and the Pricing Certificate dated as of January 26, 2022 (the "Pricing Certificate" and, together with the Bond Order, the "Order") authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the obligations that are being refunded (the "Refunded Obligations") with the proceeds of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District and BOKF, NA (the "Escrow Agent"); the report (the "Report") of Public Finance Partners LLC, which verifies the sufficiency of the deposit made with the Escrow Agent for the defeasance of the Refunded Obligations; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations. We have also examined executed Bond No. T-1 of this issue.

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

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases, and the Bonds have been authorized and delivered in accordance with law;
- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and
- (3) The escrow agreement between the District and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the orders authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Obligations may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Obligations only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Obligations are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. The opinion set forth in the first sentence of this paragraph is subject to the condition that the District comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Order to comply with each such requirement.

FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be

retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

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.



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February 23, 2022

WE HAVE ACTED as Bond Counsel for the Austin Independent School District (the "District") in connection with an issue of bonds (the "Bonds") described as follows:

AUSTIN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2022D, dated February 23, 2022, in the aggregate principal amount of \$50,520,000, maturing on August 1 in each of the years 2026 through 2035, inclusive. The Bonds are issuable in fully-registered form only, in denominations of \$5,000 or integral multiples thereof, are subject to redemption prior to maturity, bear interest, and may be transferred and exchanged as set out in the Bonds, the order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on December 16, 2021 and the Pricing Certificate dated as of January 26, 2022 (the "Pricing Certificate" and, together with the Bond Order, the "Order") authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the obligations that are being refunded (the "Refunded Obligations") with the proceeds of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District and BOKF, NA (the "Escrow Agent"); the report (the "Report") of Public Finance Partners LLC, which verifies the sufficiency of the deposit made with the Escrow Agent for the defeasance of the Refunded Obligations; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations. We have also examined executed Bond No. T-1 of this issue.

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

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases, and the Bonds have been authorized and delivered in accordance with law;
- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and
- (3) The escrow agreement between the District and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the orders authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Obligations may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Obligations only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Obligations are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

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; 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.



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February 23, 2022

WE HAVE ACTED as Bond Counsel for the Austin Independent School District (the "District") in connection with an issue of bonds (the "Bonds") described as follows:

AUSTIN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2022E, dated February 23, 2022, in the aggregate principal amount of \$80,350,000, maturing on August 1 in each of the years 2025 through 2031, inclusive. The Bonds are issuable in fully-registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, and may be transferred and exchanged as set out in the Bonds, the order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on December 16, 2021 and the Pricing Certificate dated as of January 26, 2022 (the "Pricing Certificate" and, together with the Bond Order, the "Order") authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the obligations that are being refunded (the "Refunded Obligations") with the proceeds of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District and BOKF, NA (the "Escrow Agent"); the report (the "Report") of Public Finance Partners LLC, which verifies the sufficiency of the deposit made with the Escrow Agent for the defeasance of the Refunded Obligations; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations. We have also examined executed Bond No. T-1 of this issue.

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

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases, and the Bonds have been authorized and delivered in accordance with law;
- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and
- (3) The escrow agreement between the District and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the orders authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Obligations may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Obligations only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Obligations are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

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; 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.

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