OFFERING MEMORANDUM
Dated May 7 2024

HTSContinuingDisclosureServices
A Division of Hilltop Securities.

NEW ISSUE - Book-Entry-Only

Enhanced/Unenhanced Ratings:
Moody's: "Aaa" / "Aa2"
PSF Guaranteed
(See "OTHER INFORMATION - Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and Appendix D herein)

In the opinion of Bond Counsel (defined below), interest on the Bonds (defined below) will be excluded from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, subject to matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

$54,970,000
BOERNE INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas Located in Kendall, Bexar and Comal Counties, Texas)
FIXED AND VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024

Dated: May 1, 2024 **Stated Maturity: February 1, 2054**
Interest to Accrue from the Closing Date (hereinafter defined)

The Boerne Independent School District (the "District") is issuing its $54,970,000 Fixed and Variable Rate Unlimited Tax School Building Bonds, Series 2024 (the "Bonds") pursuant to the Constitution and general laws of the State of Texas, including Chapter 45, as amended, Texas Education Code and Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), an election held in the District on May 7, 2022, and an order adopted by the District's Board of Trustees (the "Board") on February 26, 2024 (the "Order"). In the Order, and as permitted by Chapter 1371, the Board delegated to certain District officials the ability to execute an approval certificate (the "Approval Certificate") evidencing final sale terms of the Bonds. The Approval Certificate was executed by a designated District official on May 7, 2024, which completed the sale of the Bonds. Interest on the Bonds will be payable as described herein. 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. The Bonds will be issued in denominations of $5,000. **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 beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Tender Agent and Paying Agent/Registrar, respectively and as applicable, for the Bonds is BOKF, NA, Dallas, Texas (see "THE BONDS - General").

The Bonds are multimodal interest rate bonds, with a portion thereof initially issued as serial bonds bearing interest at fixed rates from their date of initial delivery to the initial purchaser thereof named below (the "Underwriter"), anticipated to occur on or about June 5, 2024 (the "Closing Date"), through stated maturity (such Bonds, the "Fixed Rate Bonds"), and the remainder initially issued as a single term bond bearing interest at the Initial Rate (defined herein) from the Closing Date through the January 31, 2028 conclusion of an initial interest rate period (the "Initial Rate Period") applicable thereto (such Bonds, the "Term Rate Bonds"). Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2025 and continuing through (i) stated maturity, with respect to the Fixed Rate Bonds, and (ii) the Conversion Date, with respect to the Term Rate Bonds. Interest on the Bonds, except as provided below, will be calculated on the basis of a 360-day year of twelve 30-day months. The tables on page 2 hereof identify the principal financial terms of the Bonds at their initial issuance.

The Fixed Rate Bonds are not subject to redemption prior to stated maturity (see "THE BONDS – Redemption Provisions"). During the Initial Rate Period, the Term Rate Bonds are not subject to optional tender or redemption by the owners thereof. The Term Rate Bonds are, by their terms, subject to mandatory tender on February 1, 2028, which is the day following the scheduled January 31, 2028 conclusion of the Initial Rate Period. At the conclusion of the Initial Rate Period, the District is required under the Order to cause the Term Rate Bonds to convert to a new interest rate mode or modes (during which such Term Rate Bonds may bear interest at a new Term Rate or at Fixed Rates) and remarket and sell such Term Rate Bonds, upon mandatory tender, to new holders (using the proceeds of such remarketing to pay the existing holders the Purchase Price of such tendered Term Rate Bonds). Notwithstanding this obligation, the Term Rate Bonds are not, during the Initial Rate Period, subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent (defined herein) to remarket the Term Rate Bonds will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such Term Rate Bonds on their scheduled date of interest rate mode conversion. The occurrence of the foregoing will not result in an event of default under the Order or the Term Rate Bonds. Until such time as the District redeems or remarkets Term Rate Bonds that have been unsuccessfully remarketed as described above, such Term Rate Bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 7.00% per annum, calculated on the basis of twelve 30-day months and the number of days actually elapsed. (see "THE BONDS – Provisions Applicable to Term Rate Bonds - Tender Provisions" herein.).

This Offering Memorandum describes the Fixed Rate Bonds through their Stated Maturity and the Term Rate Bonds only in their Initial Rate Period (and, after conclusion of such Initial Rate Period and, if at all, the period during which the Term Rate Bonds bear interest at the Stepped Rate) and not the Term Rate Bonds remarketed and sold into another interest rate period during which the Term Rate Bonds bear interest in another interest rate mode.

Proceeds from the sale of the Bonds will be used to (i) design, acquire, construct, renovate, improve, update, upgrade, and equip various school facilities (and any necessary or related removal of existing facilities), the purchase of necessary sites for school facilities, and the purchase of school buses (ii) acquire and update technology equipment for school facilities, and (iii) pay the costs of issuance of the Bonds (see "THE BONDS – Use of Bond Proceeds").

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Winstead PC, San Antonio, Texas, as Underwriter's Counsel. The Bonds are expected to be available for initial delivery through DTC on or about Wednesday, June 5, 2024.

JEFFERIES

CUSIP Prefix[(1)]: 097067

MATURITY SCHEDULE

$54,970,000
FIXED AND VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024

$13,890,000 Fixed Rate Bonds[(2)]

(Serial Bonds: Interest Rate Fixed to Stated Maturity)

Maturity Date (2/1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[(1)]
2025	$12,890,000	5.000%	3.420%	NN8
2026	1,000,000	5.000%	3.250%	NP3

(Interest to Accrue from Closing Date)

$41,080,000 Term Rate Bonds

(Term Bond: Term Interest Rate Applicable Through Conclusion of Initial Rate Period)

Maturity Date (2/1)	Scheduled Expiration of Initial Rate Period[(3)]	Mandatory Tender Date	Initial Rate Interest Rate[(4)]	Initial Rate Period Yield[(5)]	Stepped Rate	CUSIP Suffix[(1)]
2054	January 31, 2028	February 1, 2028	4.000%	3.370%	7.000%	NQ1

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) The Fixed Rate Bonds are not subject to redemption prior to stated maturity (See “THE BONDS – Redemption Provisions”).

(3) During the Initial Rate Period, the Term Rate Bonds are not subject to mandatory tender or redemption. After conclusion of the Initial Rate Period, the Term Rate Bonds are subject to redemption as described herein. The Term Rate Bonds are not subject to optional tender. On the Mandatory Tender Date (defined herein), the Term Rate Bonds are subject to mandatory tender without right of retention. If the scheduled Mandatory Tender Date is not a business day, actual mandatory tender and purchase shall occur on the next occurring business day thereafter (but interest on the Term Rate Bonds shall cease to accrue on the expiration of the Initial Rate Period, which shall be the day immediately preceding the Mandatory Tender Date). (See “THE BONDS – Redemption Provisions” and “THE BONDS – Provisions Applicable to Term Rate Bonds” herein.)

(4) Represents Initial Rate applicable to Term Rate Bonds during the Initial Interest Period.

(5) Initial Rate Period Yield is the yield on the Term Rate Bonds during the Initial Rate Period calculated to the scheduled expiration of the Initial Rate Period.

USE OF INFORMATION

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

No dealer, broker, salesperson or other person has been authorized by the District to give information or to make any representation other than those contained in this Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

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

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

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

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

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR OR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM REGARDING THE DEPOSITORY TRUST COMPANY (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY (“TEA”) DESCRIBED UNDER “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”, AND APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND TEA, RESPECTIVELY.

The Underwriter has provided the following sentence for inclusion in this Offering Memorandum. The Underwriter has reviewed the information in this Offering Memorandum in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Offering Memorandum 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.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFERING MEMORANDUM, INCLUDING THE COVER PAGE, AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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The cover page hereof, this page, the Appendices included herein and any addenda, supplement or amendment hereto, are part of the Offering Memorandum.

OFFERING MEMORANDUM SUMMARY

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

THE DISTRICT.............................. The Boerne Independent School District (the "District") is a political subdivision primarily located in Kendall County in south central Texas (the "State"), with smaller amounts of taxable property in Bexar and Comal Counties Texas. The District is approximately 308.80 square miles in area (see "INTRODUCTION - Description of the District").

THE BONDS................................. The Bonds are issued as $54,970,000 Fixed and Variable Rate Unlimited Tax School Building Bonds, Series 2024 (the "Bonds") (See "THE BONDS – Description of the Bonds").

PAYING AGENT/REGISTRAR AND TENDER AGENT.................. The initial Paying Agent/Registrar and Tender Agent is BOKF, NA, Dallas, Texas.

PAYMENT OF INTEREST............... The Bonds are multimodal interest rate bonds, with a portion thereof initially issued as serial bonds bearing interest at fixed rates from their date of initial delivery to the Underwriter, anticipated to occur on or about June 5, 2024 (the "Closing Date"), through stated maturity (such Bonds, the "Fixed Rate Bonds"), and the remainder initially issued as a single term bond bearing interest at the Initial Rate (defined herein) from the Closing Date through the January 31, 2028 conclusion of an initial interest rate period (the "Initial Rate Period") applicable thereto (such Bonds, the "Term Rate Bonds"). Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2025 and continuing through (i) stated maturity, with respect to the Fixed Rate Bonds, and (ii) the Conversion Date, with respect to the Term Rate Bonds. Interest on the Bonds, except as provided below, will be calculated on the basis of a 360-day year of twelve 30-day months. The tables on page 2 hereof identify the principal financial terms of the Bonds at their initial issuance.

AUTHORITY FOR ISSUANCE......... The Bonds are issued and the tax levied for their payment pursuant to authority conferred by the Constitution and the general laws of the State of Texas, including Chapter 45, as amended, Texas Education Code, Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), an election held in the District on May 7, 2022, and an order (the "Order") adopted by the District's Board of Trustees (the "Board") on February 26, 2024. In the Order, and as permitted by Chapter 1371, the Board delegated to certain District officials the ability to execute an approval certificate (the "Approval Certificate") evidencing final sale terms of the Bonds. The Approval Certificate was executed by a designated District official on May 7, 2024, which completed the sale of the Bonds.

SECURITY FOR THE BONDS.......... The Bonds constitute direct and voted 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 (see "THE BONDS - Security" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

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

OPTIONAL AND MANDATORY REDEMPTION............................... The Fixed Rate Bonds are not subject to redemption prior to stated maturity. After the Initial Rate Period and prior to conversion to a Fixed Rate, the Term Rate Bonds are subject to optional and mandatory redemption at par, on the dates and in the manner, as described herein (see "THE BONDS – Redemption Provisions").

During their Initial Rate Period the Term Rate Bonds are not subject to optional redemption.

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

USE OF PROCEEDS........................ Proceeds from the sale of the Bonds will be used to (i) design, acquire, construct, renovate, improve, update, upgrade and equip various school facilities (and any necessary or related removal of existing facilities), the purchase of necessary sites for school facilities, and the purchase of school buses (ii) acquire and update technology equipment for school facilities, and (iii) pay the costs of issuance of the Bonds (see "THE BONDS – Use of Bond Proceeds").

RATINGS .... The Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The Bonds and the presently outstanding unlimited tax-supported debt of the District is rated "Aa2" by Moody's without regard to credit enhancement. The District has 6 bond issues outstanding which are rated "Aaa" by Moody's, all by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "OTHER INFORMATION – Ratings"). The District has one issue that is secured and subject to the Permanent School Fund Guarantee, but not rated by any rating agency and has one maintenance tax note issue (the "Series 2015 Maintenance Tax Notes") that is neither further secured by nor subject to the Permanent School Fund Guarantee. The District has received conditional approval from the TEA for the Bonds to be guaranteed by the corpus of the Permanent School Fund. (see "THE BONDS – Permanent School Fund Guarantee").

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

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

LEGAL OPINION.......................... McCall, Parkhurst & Horton L.L.P., San Antonio, Texas.

DELIVERY..................................... When issued, anticipated on or about Wednesday, June 5, 2024.

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 6/30	Estimated District Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	Tax Supported Debt[3]	Per Capita Tax Supported Debt	Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2020	48,422	$ 7,550,239,262	$ 155,926	$ 309,264,647	$ 6,387	4.10%	99.65%
2021	51,038	8,046,678,089	157,661	302,078,910	5,919	3.75%	98.64%
2022	53,667	8,764,613,982	163,315	286,976,463	5,347	3.27%	99.75%
2023	55,353	10,964,833,457	198,089	377,605,232	6,822	3.44%	98.42%
2024	56,094	12,084,558,626	215,434	411,844,896 [4]	7,342 [4]	3.41% [4]	97.02%

(1) Source: The Municipal Advisory Council of Texas.
(2) Source: District Annual Comprehensive Financial Reports for years ending 2020 through 2023, and Bexar, Comal, and Kendall Appraisal Districts' Certified Totals for Tax Year 2023, subject to change during the ensuing year.
(3) Excludes the Series 2015 Maintenance Tax Notes.
(4) Includes the Bonds.
(5) As of March 31, 2024.

CHANGES IN NET POSITION CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Beginning Net Position	$ 10,436,251	$ (4,044,857)	$ (2,892,314) [1]	$ 847,072	$ (2,473,346)
Total Revenue	161,784,360	137,722,302	123,749,481	115,253,029	117,575,374
Total Expenses	(137,472,064)	(123,241,194)	(124,902,024)	(116,870,903)	(114,254,956)
Prior Period Adjustment	-	-	-	-	-
Ending Net Position	$ 34,748,547	$ 10,436,251	$ (4,044,857)	$ (770,802)	$ 847,072

Source: The District's Annual Comprehensive Financial Reports.
(1) In fiscal year 2021, corrections were made to provide for appropriate recognition of revenue, expenditure, premium amortization, and accreted interest items in the government-wide statements in accordance with GAAP. As a result, the beginning net position has been restated.

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General Fund Consolidated Statement Summary

	For Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Beginning Balance	$ 23,192,414	$ 19,522,450	$ 20,831,240 (1)	$ 19,360,756	$ 16,796,012
Total Revenue	105,040,015	90,572,752	87,118,917	80,633,869	85,077,587
Total Expenditures	100,732,514	86,902,788	88,511,879	81,502,278	81,776,698
Net Funds Available	4,307,501	3,669,964	(1,392,962)	(868,409)	3,300,889
Other Sources/Uses	622,632	-	84,172	1,254,285	(736,145)
Ending Balance	$ 28,122,547	$ 23,192,414	$ 19,522,450	$ 19,746,632	$ 19,360,756

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Source: The District's Annual Comprehensive Financial Reports.

(1) In fiscal year 2021, corrections were made to provide for appropriate recognition of revenue, expenditure, premium amortization, and accreted interest items in the fund level statements in accordance with GAAP. As a result, the beginning General Fund balance has been restated.

For additional information regarding the District, please contact:

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Chief Financial Officer, CPA, RTSBA
Boerne Independent School District
235 Johns Road
Boerne, Texas 78006
Telephone: 830-357-2028
Fax: 830-357-2039
wesley.scott@boerneisd.net

or

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

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

THE BOARD OF TRUSTEES

Board of Trustees	Length of Service	Term Expires	Occupation
Carlin Friar President, Place 1	8 Years	May 2024[(1)]	Banker
Garrett Wilson Vice President, Place 5	2 Years	May 2025	Banker
Joe Tidwell Secretary, Place 2	8 Years	May 2024[(1)]	Data Science Industry
Jessica Davila Trustee, Place 3	2 Years	May 2024[(1)]	Business Owner
Maritza Gonzalez-Cooper Trustee, Place 4	10 Years	May 2025	Business Owner
Kristi Schmidt Trustee, Place 6	4 Months	May 2026	Retired Educator
Richard Sena Trustee, Place 7	9 Years	May 2026	Insurance Broker

(1) Carlin Friar (Place 1), Dallas Pipes (Place 2), and Courtney Darter Bruce (Place 3) were elected at the May 4, 2024 trustee election. The District will canvass the election results at its regular meeting on May 13, 2024 with Friar, Pipes, and Darter-Bruce to be sworn in during the meeting.

APPOINTED OFFICIALS

ADMINISTRATIVE OFFICERS	POSITION
Kristin Craft, Ed.D.	Superintendent of Schools
Dr. John O'Hare	Chief Administrative Officer
Elaine Howard, Ed.D.[(1)]	Chief Human Resources Officer
Larissa Flores	Chief Instructional Officer
Wesley Scott	Chief Financial Officer
Sean Babcock	Chief Technology Officer
Mark Stahl	Chief Operations Officer
Rick Goodrich	Chief Security Officer

(1) Plans to assume an opportunity at another district at the conclusion of the school year.

CONSULTANTS AND ADVISORS

General Counsel........ Walsh, Gallegos, Trevino, Russo & Kyle, Inc.
San Antonio, Texas

Certified Public Accountants........ Weaver and Tidwell, L.L.P.
San Antonio, Texas

Bond Counsel........ McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

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

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OFFERING MEMORANDUM

RELATING TO
$54,970,000
BOERNE INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas Located in Kendall, Bexar and Comal Counties)
FIXED AND VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024

INTRODUCTION

This Offering Memorandum (the "Offering Memorandum"), which includes the cover page and Appendices hereto, provides certain information regarding the issuance of $54,970,000 Boerne Independent School District Fixed and Variable Rate Unlimited Tax School Building Bonds, Series 2024 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Offering Memorandum have the same meanings assigned to such terms in the Order (defined herein) adopted by the Board (defined herein) on February 26, 2024 authorizing the issuance of the Bonds.

There follows in this Offering Memorandum descriptions of the Bonds and certain information regarding the Boerne Independent School District (the "District") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), San Antonio, Texas by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Offering Memorandum speaks only as to its date, and the information contained herein is subject to change. A copy of the final Offering Memorandum pertaining to the Bonds will be filed by the Underwriter with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") System. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision primarily located in Kendall County in south central Texas (the "State"), with smaller amounts of taxable property in Bexar and Comal Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board") who serve overlapping three-year terms with elections being held annually in May. Policy-making and supervisory functions are the responsibility of, and are vested in the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 308.80 square miles.

THE BONDS

AUTHORITY FOR ISSUANCE . . . The Bonds are issued and the tax levied for their payment pursuant to authority conferred by the Constitution and the general laws of the State, including Chapter 45, as amended, Texas Education Code and Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), an election held in the District on May 7, 2022 and an order (the "Order") adopted by the District's Board on February 26, 2024. In the Order, and as permitted by Chapter 1371, the Board delegated to certain District officials the ability to execute an approval certificate (the "Approval Certificate") evidencing final sale terms of the Bonds. The Approval Certificate was executed by a designated District official on May 7, 2024, which completed the sale of the Bonds.

USE OF PROCEEDS . . . Proceeds from the sale of the Bonds will be used to (i) design, acquire, construct, renovate, improve, update, upgrade and equip various school facilities (and any necessary or related removal of existing facilities), the purchase of necessary sites for school facilities, and the purchase of school buses (ii) acquire and update technology equipment for school facilities, and (iii) pay the costs of issuance of the Bonds.

GENERAL . . . The Bonds are multimodal interest rate bonds, with a portion thereof initially issued as serial bonds bearing interest at fixed rates from their date of initial delivery to the Underwriter, anticipated to occur on or about June 5, 2024 (the "Closing Date"), through stated maturity (such Bonds, the "Fixed Rate Bonds"), and the remainder initially issued as a single term bond bearing interest at an initial term rate of 4.00% (the "Initial Rate") that is effective from the Closing Date through conclusion of an initial interest rate period that concludes on January 31, 2028 (the "Initial Rate Period"; such Bonds, the "Term Rate Bonds").

Authorized Denominations. The Fixed Rate Bonds are issued in denominations of $5,000. During the Initial Rate Period, the Term Rate Bonds are issued in denominations of $5,000.

Calculation and Payment of Interest; Interest Payment Dates. Interest on the Bonds accrues from the Closing Date and is payable on February 1 and August 1 of each year, commencing February 1, 2025 and continues through (i) stated maturity, with respect to the Fixed Rate Bonds, and (ii) the hereinafter-defined Conversion Date or the date of prior redemption with respect to the Term Rate Bonds. Such interest on the Bonds, except with respect to the Term Rate Bonds when bearing interest at a Stepped Rate (defined below) as further described below under the subcaption "THE BONDS – Provisions Applicable to Term Rate Bonds – Tender Provisions – Mandatory Tender", is calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be paid by check, sent by first class mail, to the owner of record on the Record Date (defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar (defined herein) requested by and at the risk and expense of the owner.

Interest Payment Methods. While the Bonds bear interest and as it relates to the Term Rate Bonds, at the Initial Rate, interest will be paid by check, sent by first class mail, to the owner of record on the Record Date (defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the Owner.

Tender and Redemption. The Fixed Rate Bonds are not subject to conversion of interest rate convention, tender, or redemption prior to stated maturity. The Term Rate Bonds are subject to mandatory tender (without optional right of retention) as described herein. (See "THE BONDS – Provisions Applicable to Term Rate Bonds" herein.)

Book-Entry System of Registration and Payment. The Bonds will be issued as Book-Entry-Only securities through The Depository Trust Company, New York, New York ("DTC"). Use of the DTC Book-Entry-Only System will affect the timing and receipt of payment of interest on and principal of the Bonds. See "THE BONDS – Book-Entry-Only System."

Paying Agent/Registrar. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District 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 shall also give the address of the new Paying Agent/Registrar.

PROVISIONS APPLICABLE TO TERM RATE BONDS . . ._Initial Rate._ As stated above, the Term Rate Bonds will bear interest at the Initial Rate for the duration of the Initial Rate Period. Immediately after conclusion of the Initial Rate Period, on their mandatory tender date (which date is also referred to and hereinafter defined as the "Conversion Date"), the Term Rate Bonds will be converted to a new interest rate mode and period and remarketed to new holders, all pursuant to and subject to the terms of the Order (which provisions are summarized below).

Tender Agent. BOKF, NA, Dallas, Texas, will serve as the initial tender agent (the "Tender Agent") for the Term Rate Bonds. All notices and Term Rate Bonds required to be delivered to the Tender Agent shall be delivered to BOKF, NA, Dallas, Texas, Attn: Anthony Orozco. In the event that the Book-Entry-Only System herein is discontinued and registered bonds are issued, all notices and Term Rate Bonds are required to be delivered BOKF, NA, Dallas, Texas, Attn: Anthony Orozco.

Remarketing Agent and Remarketing Agreement. In the Order, the District has covenanted to identify and enter into a contract with a qualified financial institution to serve as remarketing agent for the Term Rate Bonds (the "Remarketing Agent") prior to the commencement of the remarketing of the Term Rate Bonds, and to retain such Remarketing Agent for so long, as required by the provisions of the Order. The District anticipates identifying the initial Remarketing Agent for the Term Rate Bonds at or about the time the Board, prior to the expiration of the Initial Rate Period, adopts the order authorizing the remarketing of the Term Rate Bonds from the Initial Rate Period into a subsequent interest rate mode. The offering memorandum prepared by the District in conjunction with such remarketing of the Term Rate Bonds will describe the terms of the agreement between the District and the Remarketing Agent, serving the District in such capacity.

THE TERM RATE BONDS ARE SUBJECT TO CONVERSION AND REMARKETING INTO A SUBSEQUENT TERM RATE OR FIXED RATE INTEREST PERIOD AT THE TIMES AND UPON THE CONDITIONS DESCRIBED IN THE ORDER AUTHORIZING SUCH CONVERSION AND REMARKETING. THIS OFFERING MEMORANDUM DESCRIBES THE TERM RATE BONDS ONLY IN THE INITIAL RATE PERIOD AND IS, THEREFORE, NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE TERM RATE BONDS AFTER CONVERSION TO ANY NEW INTEREST RATE MODE OR INTEREST RATE PERIOD (INCLUDING ANY SUBSEQUENT TERM RATE PERIOD). PURCHASERS OF THE TERM RATE BONDS SHOULD NOT RELY ON THIS OFFERING MEMORANDUM FOR INFORMATION CONCERNING ANY INTEREST RATE MODE OR INTEREST RATE PERIOD FOR THE TERM RATE BONDS OTHER THAN IN THE INITIAL RATE PERIOD.

Rate Mode Changes after Initial Rate. While the Term Rate Bonds bear interest at the Initial Rate or a Term Rate, the Paying Agent/Registrar is required to give notice to the Owners of all Term Rate Bonds of the conversion from one interest rate mode to another at least 30 days prior to the Conversion Date. Each notice of a change between interest rate modes will be sent by first class mail to each Owner's address as it appears in the registration books of the Paying Agent/Registrar and will state: (a) the effective date and the type of interest rate mode to which the change will be made; (b) the dates by which the Remarketing Agent will determine the Term Rate and the dates by which the Owners will be notified thereof; (c) if the Term Rate Bonds will be subject to optional or mandatory tender on the effective date of the change in the interest rate mode, the procedure for such tender, including the date and time that any notices must be received; and (d) the procedure (including form of notice) to be followed if the Owner desires to retain his Term Rate Bonds and such option to retain has been granted by the District.

Any conversion (a) from a Term Rate Period of one duration to a Term Rate period of a different duration; or (b) to a Fixed Rate will be conditioned on delivery of an opinion of nationally recognized bond counsel to the effect that the conversion will not adversely affect the excludability of interest on the Term Rate Bonds from gross income of the owners thereof for federal income tax purposes if such conversion results in a reissuance of the remarketed Term Rate Bonds under applicable federal tax law. The opinion of Bond Counsel expresses no opinion as to the effect on excludability from gross income for federal income tax purposes of any action taken which requires the receipt of an opinion of a nationally recognized bond counsel. No opinion of Bond Counsel is required for a conversion of the interest rate mode applicable to the Term Rate Bonds from the Initial Rate mode to a Term Rate mode.

Conversion of interest rate modes must take place only on an interest payment date for the interest rate mode then in effect. While in a Term Rate mode, the Term Rate Bonds may be converted to a different interest rate mode only at the expiration of a Term Rate period.

Any Owner of Term Rate Bonds who may be unable to take timely action on any notice should consider whether to make arrangements for another person to act in his or her stead.

Determination of Interest Rates. During each Rate Period after the Initial Rate Period, the rate of interest on the Term Rate Bonds will be the rate that the Remarketing Agent determines, under prevailing market conditions on the date of such determination, would result in the market value of the Term Rate Bonds being not less than 100% of the principal amount thereof (such Term Rate Bonds, the "Remarketed Term Rate Bonds"). The date of such determination is defined herein as the "Rate Determination Date".

The determination by the Remarketing Agent of the rate or rates of interest to be borne by the Remarketed Term Rate Bonds will be conclusive and binding on the holders of the Remarketed Term Rate Bonds, the District, the Paying Agent/Registrar and the Tender Agent. Failure by the Paying Agent/Registrar to give notice to the Term Rate Bondholders, or any defect therein, will not affect the interest rate borne by the Remarketed Term Rate Bonds or the rights of the Owners thereof. In the event that the Remarketing Agent fails to determine the new interest rate or rates for any reason, the then-effective Term Rate will continue to be such rate or rates in effect for any subsequent Interest Rate Period. In no event will the interest rate borne by any Term Rate Bonds exceed the "Highest Rate", which (as provided in the Order) is the lesser of 7.00% and the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended.

Notice of Rates. Owners will be notified by the Paying Agent/Registrar first-class mail of the Term Rate applicable to the Term Rate Bonds promptly after the applicable Rate Determination Date.

No Optional Tender. The Term Rate Bonds are not subject to optional tender.

Mandatory Tender. The Term Rate Bonds are required to be tendered for purchase to the Tender Agent, without the right of retention, at the end of the Initial Rate Period on February 1, 2028; provided, however, if such day is not a business day, actual tender shall occur on the next such business day (though interest will have ceased to accrue as of the expiration of the Initial Rate Period).

Payment of the Purchase Price (defined in the Order to mean, with respect to each Term Rate Bond (or any portion thereof) tendered for purchase, the par amount thereof, plus accrued but unpaid interest thereon to the date of purchase) of Term Rate Bonds to be purchased upon mandatory tender as described herein will be made by the Tender Agent at its Corporate Trust Office or by wire transfer in immediately available funds.

If the Term Rate Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender (or the first business day thereafter), the District shall have no obligation to purchase the Term Rate Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Order or the Term Rate Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the Term Rate Bonds subject to such failed remarketing only, and such Term Rate Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Term Rate Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the District's discretion upon delivery of at least one day's notice to the holders of Term Rate Bonds bearing interest at the Stepped Rate), and (v) will be deemed to continue in the then-applicable Initial Rate Period or Term Rate period for all other purposes of the Order, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the Order. In the event of a failed conversion and remarketing as described above, the District has covenanted in the Order to cause the Term Rate Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, in such interest rate mode or modes as the District directs, at a rate not exceeding the Highest Rate. The Order provides that the Stepped Rate means a rate per annum equal to 7.000%, calculated on the basis of twelve 30 day months and the number of days actually elapsed.

Interest on any Term Rate Bond that the Owner has not elected to continue to own after a mandatory purchase date and that is not tendered on the mandatory purchase date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the mandatory Purchase Date. Thereafter, the Owner of such Term Rate Bond will not be entitled to any payment other than the Purchase Price for such Term Rate Bond from money held by the Tender Agent for such payment, and such Term Rate Bond will not otherwise be outstanding or entitled to the benefits of the Order. On the mandatory Purchase Date, the Tender Agent will authenticate and deliver substitute Term Rate Bonds in lieu of such untendered Term Rate Bonds.

Remarketing and Purchase. The Remarketing Agent is required, at a minimum, to use its best efforts to sell such Term Rate Bonds at a price equal to not less than 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming optional or mandatory purchase date or as quickly as possible thereafter.

The Purchase Price of Term Rate Bonds tendered for purchase is required to be paid by the Tender Agent from money derived from the remarketing of such Term Rate Bonds by the Remarketing Agent. If sufficient funds are not available for the purchase of all tendered Term Rate Bonds, no purchase will be consummated.

Conversion to Fixed Rate. The Order provides that at the option of the District the Term Rate Bonds bearing interest at the Initial Rate or a Term Rate may be converted in whole or in part to a Fixed Rate or Rates on the first Interest Payment Date that occurs after conclusion of such Initial Rate or Term Rate Period. In the event of a partial conversion, the Paying Agent/Registrar shall select by lot or other customary random method the Term Rate Bonds to be converted to a Fixed Rate. Solely and exclusively with respect to the Remarketing Agent's setting of Fixed Rates on the Term Rate Bonds to be converted on the Fixed Rate Conversion Date, the Remarketing Agent shall determine the rates for such converted Term Rate Bonds that will cause such Term Rate Bonds to have a market value, net of costs of issuance and remarketing fees, at least equal to the principal amount of Term Rate Bonds. In addition, the District may reserve the right, exercisable at its sole option, to seek competitive bids on the Fixed Rate Conversion Date.

To exercise its option, the District must deliver to the Paying Agent/Registrar, the Remarketing Agent (if any), and the Tender Agent written notice at least 45 calendar days prior to the interest payment date on which the Fixed Rate mode is to become effective (the "Fixed Rate Conversion Date"). In connection with the conversion of the Term Rate Bonds to a Fixed Rate Period, the District, at its option, may also determine the serial or term maturities, redemption provisions and other terms which shall be applicable to the Term Rate Bonds on and after the Fixed Rate Conversion Date; provided, however, that no such determination shall result in a greater amount of combined debt service on the Term Rate Bonds in any year than is reflected in the Term Rate Bonds' debt service schedule included in this final Offering Memorandum. Following the Fixed Rate Conversion Date, the Term Rate Bonds shall be subject to optional and mandatory sinking fund redemption, if at all, in whole or in part on such dates as shall be determined at the time of the conversion. In addition, the District must deliver to the Paying Agent/Registrar prior to the Fixed Rate Mode Conversion Date an opinion of nationally recognized bond counsel to the effect that the conversion to the Fixed Rate Mode is authorized under the provisions of the Order and will not adversely affect the exclusion of interest on the Term Rate Bonds from gross income of the owners thereof for federal income tax purposes.

The Paying Agent/Registrar is required to give notice by mail to all Owners of the conversion to a Fixed Rate Mode not less than 30 calendar days prior to the Fixed Rate Conversion Date. Such notice is required to (a) specify the Fixed Rate Conversion Date and the dates by which the District will determine and the Paying Agent/Registrar will notify the Owners of the Fixed Rate Bonds; (b) state that the Term Rate Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date without the right of the Owners to retain their Term Rate Bonds; and (c) specify the redemption provisions and other terms applicable to the Term Rate Bonds after the Fixed Rate Conversion Date.

In advance of the Fixed Rate Conversion Date in accordance with the Order, the Remarketing Agent will, in consultation with and subject to the approval of the District, determine the Fixed Rate or Rates and give notice thereof to the Paying Agent/Registrar. The Paying Agent/Registrar will then give notice of such Fixed Rate or Rates by first class mail to the Tender Agent and the Owners of the Term Rate Bonds.

After the Fixed Rate Conversion Date, the Owners of converted Term Rate Bonds will have no right to tender their Term Rate Bonds for purchase.

REDEMPTION . . . *Redemption for the Fixed Rate Bonds.* The Fixed Rate Bonds are not subject to redemption prior to stated maturity.

Optional Redemption for the Term Rate Bonds. The Term Rate Bonds are not subject to optional redemption during the Initial Rate Period, but are subject to redemption, at the District's option, on the first Interest Payment Date immediately succeeding the conclusion of the Initial Rate Period.

The Paying Agent/Registrar is required to cause notice of any redemption of Term Rate Bonds to be mailed to each Owner of Term Rate Bonds to be redeemed at the respective addresses appearing in the registration books for the Term Rate Bonds. Notice of redemption is required to be mailed at least 20 days prior to the redemption date when Term Rate Bonds bear interest at the Initial Rate or a Term Rate; (ii) identify the Term Rate Bonds to be redeemed; (iii) specify the redemption date and the redemption price; and (iv) state that (a) on the redemption date the Term Rate Bonds called for redemption will be payable at the corporate trust office of the Paying Agent/Registrar and (b) from the redemption date interest will cease to accrue. If notice of redemption is given as described above and if due provision for the payment of the redemption price is made, then the Term Rate Bonds that are to be redeemed thereby will automatically be deemed to have been redeemed prior to their stated maturity and will not bear interest after the redemption date, nor will they be regarded as being outstanding except for the right of the Owner thereof to receive the redemption price from the Paying Agent/Registrar.

Scheduled Mandatory Redemption for the Term Rate Bonds. The Term Rate Bonds are subject to mandatory redemption prior to stated maturity on February 1 in each of the years and in the principal amounts as follows:

Mandatory Redemption Date	Redemption	Mandatory Redemption Date	Redemption
February 1, 2027	$ 690,000	February 1, 2041	$ 1,390,000
February 1, 2028	725,000	February 1, 2042	1,460,000
February 1, 2029	760,000	February 1, 2043	1,535,000
February 1, 2030	800,000	February 1, 2044	1,615,000
February 1, 2031	840,000	February 1, 2045	1,695,000
February 1, 2032	885,000	February 1, 2046	1,785,000
February 1, 2033	930,000	February 1, 2047	1,875,000
February 1, 2034	980,000	February 1, 2048	1,970,000
February 1, 2035	1,030,000	February 1, 2049	2,070,000
February 1, 2036	1,080,000	February 1, 2050	2,175,000
February 1, 2037	1,135,000	February 1, 2051	2,290,000
February 1, 2038	1,195,000	February 1, 2052	2,405,000
February 1, 2039	1,255,000	February 1, 2053	2,530,000
February 1, 2040	1,320,000	February 1, 2054	2,660,000 *

* Scheduled final maturity.

The principal amount of Term Rate Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Rate Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with money in the Interest Sinking Fund for the Term Rate Bonds, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not thereto for credited against a mandatory redemption requirement.

Special Mandatory Redemption for the Term Rate Bonds. While the Term Rate Bonds are Outstanding and accruing interest at the Initial Rate or a Term Rate which includes a period longer than the period for which taxes are then being assessed, the District may, at its discretion and in accordance with and as permitted by the Order, budget for such fiscal year and levy taxes for the payment of interest on the Term Rate Bonds based on an interest rate on the Term Rate Bonds equal to the actual rate borne thereby or 5.25% per annum; provided, however, the actual rate shall be used if it exceeds 5.25% per annum. At the end of the fiscal year in which the District levies a tax based on the interest rate on the Term Rate Bonds being equal to 5.25%, the District shall determine whether the interest paid on the Term Rate Bonds in such fiscal year is less than an amount equal to 5.25%. If in such circumstance the amount of interest paid on the Term Rate Bonds is less than an amount equal to a 5.25% interest rate, the District shall cause the difference between the amount budgeted at a 5.25% interest rate and the amount paid on the Term Rate Bonds ("Excess Interest Funds") to be allocated and appropriated for the payment of the mandatory redemption of Term Rate Bonds on the first February 1 next following the end of such fiscal year; provided the amount of such Excess Interest Funds is equal to or greater than $100,000. In each fiscal year when the amount of Excess Interest Funds is equal to or greater than $100,000, the District shall cause Term Rate Bonds in a principal amount equivalent to the Excess Interest Funds to be redeemed on the February 1 next following the end of such fiscal year at the redemption price of par plus accrued interest to the date of redemption. The mandatory redemption of Term Rate Bonds in accordance with the provisions of this paragraph shall be in addition to the amount of Term Rate Bonds to be mandatorily redeemed as set forth in the schedule above in the years shown.

On or before December 15 of each year preceding each mandatory redemption date the Term Rate Bonds are to be mandatorily redeemed, the District will notify the Paying Agent/Registrar in writing of the principal amount of Term Rate Bonds to be mandatorily redeemed with Excess Interest Funds on the following February 1, and instruct the Paying Agent/Registrar to select by lot or other customary random selection method the Term Rate Bonds or portions thereof to be redeemed.

NOTICES OF REDEMPTION FOR THE TERM RATE BONDS AND DTC NOTICES . . . As discussed under "THE BONDS – Redemption", all notices of redemption shall (i) specify the date of redemption for the Term Rate Bonds, (ii) identify the Term Rate Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Term Rate Bonds, or the portion of the principal amount thereof, to be redeemed, shall become due and payable on the redemption date specified, and the interest thereof, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Term Rate Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Term Rate Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Order, such Term Rate Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Term Rate Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Term Rate Bonds shall not be deemed to be outstanding. A notice of mandatory tender delivered in connection with the remarketing of any outstanding Term Rate Bonds shall also serve as notice of redemption if any such Term Rate Bonds will be redeemed on the Conversion Date.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Term Rate Bonds will send any notice of redemption (Term Rate Bonds only), notice of proposed amendment to the Order or other notices with respect to the Term Rate 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 Term Rate Bonds called for redemption or any other action premised or any such notice. Redemption of portions of the Term Rate Bonds by the District will reduce the outstanding principal amount of such Term Rate Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Term Rate 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 Term Rate Bonds from the beneficial owners. Any such selection of Term Rate 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 Term Rate Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Term Rate Bonds for redemption. See “THE BONDS – Book-Entry-Only System” herein.

SECURITY . . . The Bonds are payable from a continuing direct annual ad valorem tax levied by the District, without legal limitation as to rate or amount, on all taxable property within the District (see “TAX INFORMATION – Tax Rate Limitations” herein). Additionally, the District has received from the Texas Education Agency (“TEA”) conditional approval for the payment of scheduled principal and interest on the Bonds, when due, to be guaranteed by the Permanent School Fund; however, the Permanent School Fund Guarantee is not effective with respect to the payment of the Purchase Price for optionally or mandatorily tendered Bonds. (See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”, “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS”, and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” herein).

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

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

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

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

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

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

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

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS – Transfer, Exchange and Registration" below.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or 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 three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer (see "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds). Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Term Rate Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Term Rate Bond.

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

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption (Term Rate Bonds only), or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The sufficiency of deposits as hereinbefore described shall be certified by an independent certified public accountant, the District's Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the inanceal arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

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

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

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

BONDHOLDERS' REMEDIES . . . If the District defaults in the payment of principal, interest, or redemption price (Term Rate Bonds only) on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein) for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

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

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

OVERVIEW…The following language constitutes only a summary of the 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 are prohibited from levying an M&O tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district's debt service. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed $0.50 per $100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district’s M&O tax rate.

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

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

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

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

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

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

Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year 2024, the State Compression Percentage is set at 68.80%.

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

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR in such year. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two").

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

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

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

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

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

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding less the allotments that are not derived by a weighted formula, divided by $6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding. The fast growth allotment weights is 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to $315 million for the 2023-2024 school year.

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96^{th}) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of $126.21 per student in WADA and in 2024 and $129.52 per student in WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of $49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the Legislature for the 2024-2025 State fiscal biennium and debt service assistance on school District bonds that are not yet eligible for EDA is not available, debt service payments during the 2024-2025 State fiscal biennium on new bonds issued by school districts in the 2024-2025 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption from $40,000 to $100,000. See "— 2023 Legislative Sessions." Hold-harmless applies only to bonds authorized by voters prior to September 1, 2023.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. During the 2023 Legislative Sessions, the Legislature appropriated funds in the amount of $100,000,000 for each fiscal year of the 2024-2025 State fiscal biennium for NIFA allotments.

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

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

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

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

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

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

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

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

For the 2023-2024 fiscal year, the District was designated as an "excess local revenue" district by the TEA. Accordingly, based on currently available information from TEA, the District is subject to recapture and, therefore, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District has notified TEA that it intends to reduce its wealth per student pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended.

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

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

AD VALOREM PROPERTY TAXATION

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, unless extended by the State legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

State Mandated Homestead Exemptions . . . State law grants, with respect to each school district in the State, (1) a $100,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old.

See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions" for a description of additional legislation concerning the required homestead exemption including an amendment to the Texas Constitution to increase the aforementioned general residential exemption for school districts from $40,000 to $100,000. See "TAX RATE LIMITATIONS – Table 1" for the reduction in taxable valuation, if any, attributable to State mandated homestead exemption.

Local Option Homestead Exemptions . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

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

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

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

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

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

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

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

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

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

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

During the regular session of the 88th Texas Legislature, House Bill 5 (codified as Chapter 403, Texas Government Code, as amended, Subchapter T. Texas Jobs, Energy, Technology and Innovation Act ("Chapter 403")) was enacted into law. Chapter 403 is intended as a replacement of former Chapter 313, Texas Tax Code ("Chapter 313"), but it contains significantly different provisions than the prior program under Chapter 313. The effective date of Chapter 403 was January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt services taxes securing the Bonds cannot be abated under Chapter 403. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as non-renewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements. The District is currently monitoring the State's implementation of this new economic development program and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

For a discussion of how the various exemptions described above are applied by the District, see "TAX RATE LIMITATIONS – District Application of Tax Code".

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $59,562,331 for the 2024 tax year and will be 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. See "AD VALOREM PROPERTY TAXATION – Temporary Exemption of Qualifies Property Damage by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations. . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on June 15, 2002 in accordance with the provisions of Section 45.003, Texas Education Code, as amended.

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

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

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

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

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

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

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

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

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

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

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

DISTRICT APPLICATION OF TAX CODE . . . The District grants an exemption to the appraised value of the residence homestead of $100,000; the District has not granted an additional exemption of 20% of the market value of residence homesteads.

The District grants an additional exemption to the appraised value of the residence homestead to persons 65 years of age or older of $10,000. Disabled persons are granted an additional exemption of $10,000 until age 65, after which time only the 65 years of age or older exemption applies.

Disabled veterans are granted an exemption according to their percent (%) of disability.

100 percent and unemployed disable veterans and surviving spouses homestead properties are fully exempt from ad valorem taxation.

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

The District does tax non-business personal property, and the District's Tax Assessor-Collector collects the District's taxes.

The District does not permit split payments.

The District does permit discounts; 3% if paid in full in October; 2% if paid in full in November, and 1% if paid in full in December.

The District has exempted freeport property and, therefore, does not tax freeport property. On December 15, 2011, the Board adopted a resolution authorizing the continued taxation of goods-in transit for the 2012 tax year and beyond.

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2023/24 Market Valuation Established by Bexar, Comal, and Kendall Appraisal Districts (includes exempt property)		$ 18,245,816,977
Less Exemptions/Reductions at 100% Market Value:		
$100,000 Residential Homestead Exemptions (State Mandated)	$1,575,236,773	
Over-65 Homestead Exemptions	60,108,146	
Disabled Veterans	441,698,153	
Disabled Persons	1,678,334	
Productivity Loss	2,211,405,402	
Freeport	27,174,644	
Value Lost to 10% Residential Cap	1,839,854,146	
Other	4,102,753	6,161,258,351
2023/24 Net Taxable Assessed Valuation		$ 12,084,558,626
Debt Payable from Ad Valorem Taxes as of March 31, 2024[(1)]		
Unlimited Tax Bonds	$ 356,874,896	
The Bonds	54,970,000	
Debt Payable from Ad Valorem Taxes		$ 411,844,896
Interest and Sinking Fund as of March 31, 2024[(2)]		$ 10,038,127
Ratio of Tax Supported Debt to Taxable Assessed Valuation		3.41%

2024 Estimated Population - 56,094
Per Capita Taxable Assessed Valuation - $215,434
Per Capita Debt Payable from Ad Valorem Taxes - $7,342

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(1) Excludes the District's Series 2015 Maintenance Tax Notes.
(2) Unaudited.

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Table 2 - Taxable Assessed Valuations by Category

Category	Taxable Appraised Value for Fiscal Year Ended June 30, 2024 Amount	2024 % of Total	2023 Amount	2023 % of Total	2022 Amount	2022 % of Total
Real, Residential, Single-Family	$12,346,580,342	67.67%	$10,250,710,103	67.28%	$ 7,707,519,707	68.63%
Real, Residential, Multi-Family	293,850,925	1.61%	238,701,762	1.57%	189,721,761	1.69%
Real, Vacant Lots/Tracts	450,097,751	2.47%	424,510,898	2.79%	259,986,732	2.32%
Real, Acreage (Land Only)	2,255,049,289	12.36%	1,969,506,165	12.93%	1,233,960,518	10.99%
Real, Farm and Ranch Improvements	971,902,056	5.33%	763,284,917	5.01%	581,811,923	5.18%
Real, Commercial	1,222,552,289	6.70%	988,501,305	6.49%	718,966,877	6.40%
Real, Industrial	32,293,950	0.18%	30,043,000	0.20%	26,753,310	0.24%
Real and Tangible Personal, Utilities	55,938,395	0.31%	58,961,178	0.39%	52,336,294	0.47%
Tangible Personal, Commercial	217,929,084	1.19%	196,514,329	1.29%	187,525,940	1.67%
Tangible Personal, Industrial	78,023,128	0.43%	81,845,653	0.54%	70,368,589	0.63%
Tangible Personal, Mobile Homes	8,638,100	0.05%	8,572,870	0.06%	6,833,380	0.06%
Residential Inventory	202,888,478	1.11%	125,609,080	0.82%	119,891,710	1.07%
Special Inventory	110,073,190	0.60%	98,961,030	0.65%	74,811,700	0.67%
Total Appraised Value Before Exemptions	$18,245,816,977	100.00%	$15,235,722,290	100.00%	$11,230,488,441	100.00%
Less: Total Exemptions/Reductions	(6,161,258,351)		(4,177,191,371)		(2,465,874,459)	
Adjustments	-		(93,697,462)		-	
Taxable Assessed Value	$12,084,558,626		$10,964,833,457		$ 8,764,613,982	

Category	Taxable Appraised Value for Fiscal Year Ended June 30, 2021 Amount	2021 % of Total	2020 Amount	2020 % of Total
Real, Residential, Single-Family	$ 6,889,012,080	66.48%	$ 6,317,146,377	66.48%
Real, Residential, Multi-Family	173,467,901	1.97%	186,949,961	1.97%
Real, Vacant Lots/Tracts	248,608,216	2.48%	235,976,190	2.48%
Real, Acreage (Land Only)	1,167,679,439	11.76%	1,117,501,788	11.76%
Real, Farm and Ranch Improvements	515,357,849	5.14%	488,247,814	5.14%
Real, Commercial	696,010,563	6.80%	646,189,249	6.80%
Real, Industrial	26,969,360	0.28%	26,846,410	0.28%
Real and Tangible Personal, Utilities	51,741,318	0.48%	45,581,125	0.48%
Tangible Personal, Commercial	193,233,837	1.82%	173,085,891	1.82%
Tangible Personal, Industrial	68,436,688	0.72%	68,815,619	0.72%
Tangible Personal, Mobile Homes	6,547,340	0.07%	6,548,240	0.07%
Residential Inventory	134,624,197	1.33%	126,156,457	1.33%
Special Inventory	71,955,740	0.67%	63,416,030	0.67%
Total Appraised Value Before Exemptions	$10,243,644,528	100.00%	$ 9,502,461,151	100.00%
Less: Total Exemptions/Reductions	(2,196,966,439)		(1,952,221,889)	
Taxable Assessed Value	$ 8,046,678,089		$ 7,550,239,262	

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

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 6/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Supported Debt Outstanding at End of Year[(3)]	Supported Debt to Taxable Assessed Valuation	Net Tax Supported Debt Per Capita
2020	48,422	$ 7,550,239,262	$ 155,926	$ 309,264,647	4.10%	$ 6,387
2021	51,038	8,046,678,089	157,661	302,078,910	3.75%	5,919
2022	53,667	8,764,613,982	163,315	286,976,463	3.27%	5,347
2023	55,353	10,964,833,457	198,089	377,605,232	3.44%	6,822
2024	56,094	12,084,558,626	215,434	411,844,896 (4)	3.41% (4)	7,342 (4)

(1) Source: The Municipal Advisory Council of Texas.
(2) Source: District Annual Comprehensive Financial Reports for years ending 2020 through 2023, and Bexar, Comal, and Kendall Appraisal Districts' Certified Totals for Tax Year 2023, subject to change during the ensuing year.
(3) Excludes the District's Series 2015 Maintenance Tax Notes.
(4) Includes the Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 6/30	Tax Rate	Local Maintenance	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2020	$ 1.28400	$ 0.97000 (1)	$ 0.31400	$ 95,661,072	98.45%	99.65%
2021	1.25190	0.93790 (1)	0.31400	100,736,363	98.64%	98.64%
2022	1.20460	0.88060 (1)	0.32400	105,578,540	98.65%	99.75%
2023	1.17860	0.85460 (1)	0.32400	124,613,521	98.42%	99.24%
2024	0.99320	0.66920 (1)	0.32400	108,679,042	96.10% (2)	97.02% (2)

(1) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" for a discussion regarding the calculation of the District's tax rate pursuant to the provisions of HB3.
(2) As of March 31, 2024.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2023/24 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Rustico at Fair Oaks LLC	Apartments	$ 55,231,870	0.46%
Breit Steadfast MF Fairmarc TX LP	Apartments	46,000,000	0.38%
CT 17 Herff Apartments LP	Apartments	25,830,000	0.21%
Albany Engineered Composites	Manufacturing	23,080,590	0.19%
Vantage At Fair Oaks LLC	Apartments	22,981,370	0.19%
Mission Pharmacal	Manufacturing	21,233,700	0.18%
VBM Acquisition LLC	Auto Dealership	21,171,470	0.18%
AMFP V Napa Oaks LLC	Apartments	19,671,900	0.16%
Zylstra Holdings at Boerne LLC	Real Estate	17,619,180	0.15%
The Clubs of Cordillera Ranch LP	Real Estate	17,255,011	0.14%
		$ 270,075,091	2.23%

TAX-SUPPORTED DEBT LIMITATION . . . A district must demonstrate to the Attorney General of the State of Texas in connection with his required approval of the district's bonds its ability to pay all "new debt" (bonds authorized by an election after April 1, 1991 and/or issued after September 1, 1992) with a debt service tax not to exceed $0.50 per $100 assessed valuation. The Attorney General will take into account state equalization payments in satisfying such requirement and, if compliance with such requirement is contingent on receiving state assistance, a district may not adopt a tax rate for a year for purposes of paying the principal of and interest on the bonds unless the district credits to the interest and sinking fund of the bond the amount of state assistance received or to be received in that year. The Bonds are issued as "new money" bonds pursuant Chapter 45, as amended, Texas Education Code and are, therefore, subject to the $0.50 threshold tax rate test.

TABLE 6 - TAX ADEQUACY

2023-2024 Principal and Interest Requirements on Unlimited Ad Valorem Tax Bonds(1)	$ 21,369,726
Less: State Aid for Homestead Exemption	(1,647,241)
Plus: Cash Defeasance	15,000,000
Net: 2023-2024 Principal and Interest Requirements - Unlimited Ad Valorem Tax Debt	$ 34,722,485
$0.3240 Interest and Sinking Fund Tax Rate @ 98.5% Collections	$ 34,921,294

(1) Includes the Bonds and excludes the District's Series 2015 Maintenance Tax Notes.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2023/2024 Taxable Assessed Value	2023/2024 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt As of 3/31/2024	Authorized But Unissued Debt As Of 3/31/2024
Alamo Community College District	$ 253,189,964,175	$0.1492	$ 741,940,000	1.63%	$ 12,093,622	$ -
Bexar County	229,635,877,017	0.2999	2,287,355,000	1.63%	37,283,887	61,265,887
Bexar County Hospital District	251,250,964,257	0.2763	1,280,820,000	1.63%	20,877,366	-
Boerne, City of	3,549,548,096	0.4660	70,810,000	100.00%	70,810,000	18,000,000
Comal County	35,184,833,828	0.2757	103,435,000	0.63%	651,641	-
Fair Oaks Ranch, City of	2,489,405,144	0.3005	4,530,000	94.08%	4,261,824	-
Kendall County	10,845,443,089	0.3827	37,065,000	85.31%	31,620,152	2,500,000
Kendall Co WC&ID #2A	325,105,520	0.9500	44,520,000	100.00%	44,520,000	79,360,430
San Antonio, City of	155,482,617,857	0.5416	2,520,820,000	0.07%	1,764,574	842,248,064
Boerne Independent School District	12,084,558,626	0.9932	411,844,896 (1)	100.00%	411,844,896 (1)	- (2)
Total Direct and Overlapping Net Tax Supported Debt					$ 635,727,960	
Ratio of Direct and Overlapping Net Tax Supported Debt to Taxable Assessed Valuation					5.26%	
Per Capita Overlapping Net Tax Supported Debt					11,333	

(1) Includes the Bonds and excludes the District's Series 2015 Maintenance Tax Notes.
(2) See "Table 10 – Authorized but Unissued Unlimited Tax School Building Bonds" herein.

DEBT INFORMATION

TABLE 8 - TAX SUPPORTED DEBT SERVICE REQUIREMENTS(1)

Period Ending 8/31(2)	Outstanding Debt(3) Principal	Outstanding Debt(3) Interest	Outstanding Debt(3) Total	The Bonds Principal	The Bonds Interest(4)	The Bonds Total	Total Debt Service(4)	Percent of Principal Retired
2024	$ 5,730,336	$ 15,639,389	$ 21,369,726	$ -	$ -	$ -	$ 21,369,726	
2025	10,260,000	11,947,572	22,207,572	12,890,000	2,379,092	15,269,092	37,476,664	
2026	10,310,000	11,547,825	21,857,825	1,000,000	1,668,200	2,668,200	24,526,025	
2027	10,405,000	12,325,748	22,730,748	690,000	1,629,400	2,319,400	25,050,148	
2028	11,530,000	13,286,524	24,816,524	725,000	2,196,075	2,921,075	27,737,599	15.22%
2029	11,165,000	13,007,875	24,172,875	760,000	2,749,950	3,509,950	27,682,825	
2030	8,950,220	16,631,073	25,581,293	800,000	2,695,350	3,495,350	29,076,643	
2031	9,934,676	16,427,512	26,362,188	840,000	2,637,950	3,477,950	29,840,138	
2032	14,030,000	11,932,516	25,962,516	885,000	2,577,575	3,462,575	29,425,091	
2033	14,445,000	11,463,672	25,908,672	930,000	2,514,050	3,444,050	29,352,722	30.24%
2034	14,730,000	10,961,179	25,691,179	980,000	2,447,200	3,427,200	29,118,379	
2035	14,740,000	10,429,555	25,169,555	1,030,000	2,376,850	3,406,850	28,576,405	
2036	12,380,000	9,908,489	22,288,489	1,080,000	2,303,000	3,383,000	25,671,489	
2037	14,170,000	9,381,864	23,551,864	1,135,000	2,225,475	3,360,475	26,912,339	
2038	14,330,000	8,821,792	23,151,792	1,195,000	2,143,925	3,338,925	26,490,717	48.39%
2039	14,605,000	8,230,579	22,835,579	1,255,000	2,058,175	3,313,175	26,148,754	
2040	15,075,000	7,598,705	22,673,705	1,320,000	1,968,050	3,288,050	25,961,755	
2041	15,545,000	6,931,712	22,476,712	1,390,000	1,873,200	3,263,200	25,739,912	
2042	16,095,000	6,244,742	22,339,742	1,460,000	1,773,450	3,233,450	25,573,192	
2043	16,695,000	5,535,650	22,230,650	1,535,000	1,668,625	3,203,625	25,434,275	68.74%
2044	17,950,000	4,782,800	22,732,800	1,615,000	1,558,375	3,173,375	25,906,175	
2045	18,030,000	4,009,400	22,039,400	1,695,000	1,442,525	3,137,525	25,176,925	
2046	18,430,000	3,230,300	21,660,300	1,785,000	1,320,725	3,105,725	24,766,025	
2047	18,935,000	2,428,750	21,363,750	1,875,000	1,192,625	3,067,625	24,431,375	
2048	15,460,000	1,664,525	17,124,525	1,970,000	1,058,050	3,028,050	20,152,575	92.14%
2049	3,370,000	1,189,300	4,559,300	2,070,000	916,650	2,986,650	7,545,950	
2050	3,545,000	947,275	4,492,275	2,175,000	768,075	2,943,075	7,435,350	
2051	3,725,000	692,825	4,417,825	2,290,000	611,800	2,901,800	7,319,625	
2052	3,915,000	425,425	4,340,425	2,405,000	447,475	2,852,475	7,192,900	
2053	4,120,000	144,200	4,264,200	2,530,000	274,750	2,804,750	7,068,950	99.36%
2054	-	-	-	2,660,000	93,100	2,753,100	2,753,100	100.00%
	$ 362,605,232	$ 237,768,772	$ 600,374,004	$ 54,970,000	$ 51,569,742	$ 106,539,742	$ 706,913,746	

(1) Excludes the District's Series 2015 Maintenance Tax Notes (see "Other Obligations" appearing under Table 11 herein).
(2) The District's fiscal year is June 30, however for purposes of tax rate levy the table shown above utilizes the period ending August 31.
(3) Interest on the District's Fixed and Variable Rate Unlimited Tax School Building Bonds, Series 2022 is calculated at the term rate of 3.85% through November 30, 2027 and the stepped rate of 7.00% per annum thereafter. Interest on the District's Variable Rate Unlimited Tax School Building Bonds, Series 2023 is calculated at the Initial Rate of 3.125% through January 31, 2027 and at the Stepped Rate of 7.00% per annum thereafter.
(4) Interest calculated at the Initial Rate of 4.000% through January 31, 2028 and at the Stepped Rate of 7.000% per annum thereafter for the Bonds.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

2024-2025 Principal and Interest Requirements on Unlimited Ad Valorem Tax Bonds(1)	$ 37,476,664
Less: Additional State Aid for Homestead Exemption	(3,200,000)
Net: 2024-2025 Principal and Interest Requirements - Unlimited Ad Valorem Tax Debt	$ 34,276,664
$0.3240 Interest and Sinking Fund Tax Rate @ 98.5% Collection(2)	$ 37,684,723

(1) Includes the Bonds and excludes the District's Series 2015 Maintenance Tax Notes.
(2) Assumes an estimated $11,325,292,838 Net Taxable Freeze Adjusted Value in 2024-2025.

TABLE 10 - AUTHORIZED BUT UNISSUED UNLIMITED TAX SCHOOL BUILDING BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Construction and Equipping of School Buildings, Land, and Purchase of School Buses	5/7/2022	$ 162,640,000	$ 107,000,000	$ 55,640,000 (1)	$ -
Acquiring and updating technology equipment for school facilities	5/7/2022	3,000,000	3,000,000	-	-
		$ 165,640,000	$ 110,000,000	$ 55,640,000	$ -

(1) Includes the Bonds and initial issue reoffering premium allocations.

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . On May 7, 2022, the District's voters authorized the District to issue $165,640,000 in unlimited ad valorem tax bonds (the "2022 Election"), proceeds from which will be utilized to undertake District-wide improvements and are expected to address the District's capital needs at least through 2025. The District has issued two installments of this authorization and applied bond proceeds in the aggregate amount of $110,000,000 (leaving $55,640,000 unissued) against the same. The Bonds represent the third and final installment of this authorization.

TABLE 11 - OTHER OBLIGATIONS

GENERAL . . . In addition to voter authorized ad valorem tax-supported debt, the District may also enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes. On March 19, 2015, the District initially delivered its $1,500,000 Limited Maintenance Tax Notes, Series 2015 (hereinbefore defined as the "Series 2015 Maintenance Tax Notes") to provide funds for the repair and replacement of the District's existing sports field and track. An amortization schedule for the Series 2015 Maintenance Tax Notes is provided below:

Period Ending	Series 2015 Maintenance Tax Notes		
8/31	Principal	Interest	Total
2024	$ 170,000	$ 5,160	$ 175,160
2025	150,000	1,688	151,688
	$ 320,000	$ 6,848	$ 326,848

PENSION FUND AND OTHER POST EMPLOYMENT RETIREMENT BENEFITS . . . The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the Plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ended June 30, 2023, the State contributed $675,558 to TRS on behalf of the District's employees and the District paid additional State contributions of $1,901,628. The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. For the fiscal year ended June 30, 2023, the State contributed $675,588 to TRS-Care, District employees paid $442,124, and other contributions to the plan made from the District were $466,353.

At August 31, 2022, the District reported a liability of $16,145,498 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability:	$ 16,145,498
State's proportionate share that is associated with the District:	19,694,970
Total:	$ 35,840,468

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

At June 30, 2023, the District's proportion of the collective net OPEB liability was 0.0674302%, compared to 0.0632240% as of June 30, 2022.

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FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET POSITION

	Fiscal Years Ended June 30,				
Revenues:	2023	2022	2021	2020	2019
Program Revenues:					
Charges for Services	$ 3,543,543	$ 1,769,004	$ 2,901,070	$ 2,233,620	$ 2,895,384
Operating Grants and Contributions	25,964,364	25,515,403	15,286,558	13,065,238	10,362,199
General Revenues:					
Maintenance and Operations Taxes	88,025,288	75,592,588	73,714,375	70,912,342	70,497,008
Debt Service Taxes	33,275,583	27,802,842	24,652,131	22,935,853	21,247,996
Investment Earnings	3,307,356	142,720	144,254	1,005,812	2,457,470
State Aid - Grants and Contributions	7,135,837	6,404,667	6,140,939	3,284,820	8,308,593
Miscellaneous	532,389	495,078	481,211	1,815,344	1,806,724
Insurance Proceeds from Winter Storm	-	-	534,172	-	-
Operating Transfer to Custodial Fund	-	-	(105,229)	-	-
Total Revenues	$ 161,784,360	$ 137,722,302	$ 123,749,481	$ 115,253,029	$ 117,575,374
Expenses:					
Instruction	$ 66,578,214	$ 62,682,087	$ 61,304,730	$ 59,505,033	$ 51,419,282
Instructional Resources & Media Services	1,272,647	1,287,564	1,252,214	1,227,420	1,021,112
Curriculum & Staff Development	3,397,154	3,058,357	2,817,859	2,410,842	2,489,056
Instructional Leadership	1,518,607	1,334,183	1,347,941	1,587,071	894,011
School Leadership	6,163,158	5,849,796	6,259,304	5,848,539	5,306,579
Guidance, Counseling & Evaluation Services	4,839,799	4,324,899	4,382,545	3,971,152	3,753,501
Health Services	1,218,911	1,162,670	1,335,471	1,500,031	966,611
Student Transportation	3,669,719	3,484,979	3,156,341	3,061,686	2,641,926
Food Services	4,660,723	5,024,345	3,592,139	3,841,689	2,732,226
Co-curricular/Extracurricular Activities	4,969,478	4,611,532	4,425,202	3,392,270	3,700,698
General Administration	3,978,418	3,974,448	3,809,047	4,374,559	2,720,077
Facilities Maintenance and Operations	11,438,324	12,080,887	10,706,826	8,807,461	8,143,551
Security and Monitoring Services	1,680,131	1,130,245	1,190,892	1,290,174	690,820
Data Processing Services	3,805,342	3,336,667	5,509,873	2,382,878	2,388,479
Community Services	49,737	44,923	54,329	41,401	46,365
Debt Service	9,929,045	9,002,399	10,820,626	12,736,542	14,044,438
Bond Issuance Costs and Fees	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Contracted Instrucitonal Services between Schools	7,485,147	-	2,176,662	-	10,554,906
Payments Related to Shared Services Arrangements	-	-	-	18,500	15,000
Other Intergovermental Charges	817,510	851,213	760,023	873,655	726,318
Total Expenses	$ 137,472,064	$ 123,241,194	$ 124,902,024	$ 116,870,903	$ 114,254,956
Increase (Decrease) in Net Position	24,312,296	14,481,108	(1,152,543)	(1,617,874)	3,320,418
Net Position - July 1 (Beginning)	10,436,251	(4,044,857)	(2,892,314) (1)	847,072	(2,473,346)
Prior Period Adjustment	-	-	-	-	-
Net Position - June 30 (Ending)	$ 34,748,547	$ 10,436,251	$ (4,044,857)	$ (770,802)	$ 847,072

Source: The District's Annual Comprehensive Financial Reports.

(1) In fiscal year 2021, corrections were made to provide for appropriate recognition of revenue, expenditure, premium amortization, and accreted interest items in the government-wide statements in accordance with GAAP. As a result, the beginning net position has been restated.

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TABLE 12-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended June 30,				
	2023	2022	2021	2020	2019
Revenues:					
Local and Intermediate Sources	$ 90,575,193	$ 76,620,642	$ 75,035,856	$ 72,151,293	$ 72,209,031
State Sources	12,466,612	11,518,387	11,011,634	7,952,535	11,970,967
Federal Sources	1,998,210	2,433,723	1,071,427	530,041	897,589
Total Revenues	$ 105,040,015	$ 90,572,752	$ 87,118,917	$ 80,633,869	$ 85,077,587
Expenditures:					
Instruction	$ 52,803,048	$ 48,552,633	$ 48,389,643	$ 46,695,542	$ 41,067,865
Inst. Resources and Media	980,141	1,005,102	983,260	1,000,105	819,038
Curriculum and Staff Development	3,105,958	2,701,511	2,428,364	1,951,629	2,157,510
Instructional Leadership	1,469,840	1,282,925	1,263,696	1,150,472	747,853
School Leadership	5,323,460	5,079,123	5,248,898	5,040,977	4,386,638
Guidance, Counseling and Evaluation Services	3,940,846	3,602,820	3,413,255	3,314,069	2,938,977
Health Services	992,041	994,890	1,058,797	1,022,813	819,337
Student Transportation	3,000,196	2,835,040	3,114,739	2,633,015	2,520,528
Food Services	78,994	18,444	85,466	109,528	66,460
Cocurricular/Extracurricular Activities	2,906,087	2,751,194	2,719,967	2,495,782	2,306,940
General Administration	3,695,027	3,643,390	3,475,245	3,252,531	2,361,830
Facilities Maintenance and Operation	10,049,033	10,204,854	9,508,523	8,615,234	7,322,945
Security and Monitoring Services	1,415,747	868,287	899,119	843,188	605,662
Data Processing Services	2,343,241	2,298,348	2,774,938	2,295,404	2,157,633
Community Services	43,031	39,895	38,879	38,271	34,261
Debt Service	282,992	173,119	170,284	167,105	163,671
Bond Issuance Costs and Fees	175	-	175	350	350
Capital Outlay	-	-	1,946	2,608	17,976
Contracted Instructional Services Between Public Schools	7,485,147	-	2,176,662	-	10,554,906
Payments to Shared Service Arrangements	-	-	-	-	-
Other Intergovernmental Charges	817,510	851,213	760,023	873,655	726,318
Total Expenditures	$ 100,732,514	$ 86,902,788	$ 88,511,879	$ 81,502,278	$ 81,776,698
Other Financing Sources and (Uses)	$ 622,632	$ -	$ 84,172	$ 1,254,285	$ (736,145)
Excess (Deficiency) of Revenues Over Expenditures	$ 4,930,133	$ 3,669,964	$ (1,308,790)	$ 385,876	$ 2,564,744
Beginning Fund Balance on July 1	$ 23,192,414	$ 19,522,450	$ 20,831,240 (2)	$ 19,360,756	$ 16,796,012
Ending Fund Balance on June 30	$ 28,122,547 (1)	$ 23,192,414	$ 19,522,450	$ 19,746,632	$ 19,360,756

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Source: The District's Annual Comprehensive Financial Reports.

(1) For the 2023-2024 fiscal year, as it has in the recent years, the District adopted a deficit budget of $1,737,172 (which deficit the District expects to eliminate over the operating period through increased revenues and decreased expenses relative to the adopted budget).

(2) In fiscal year 2021, corrections were made to provide for appropriate recognition of revenue, expenditure, premium amortization, and accreted interest items in the fund level statements in accordance with GAAP. As a result, the beginning General Fund balance has been restated.

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INVESTMENTS

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

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

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

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

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

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

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

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TABLE 13 - CURRENT INVESTMENTS[(1)]

As of March 31, 2024, the District's investable funds were invested in the following categories:

Description	% of Funds Invested	Book Value	Market Value
Lone Star	44.68%	$ 51,181,279	$ 51,181,279
TexPool	24.35%	27,886,861	27,886,861
Texas Range	0.15%	174,004	174,004
Texas Class	29.94%	34,300,227	34,300,227
Treasury Securities	0.88%	1,005,249	998,023
Total	100.00%	$ 114,547,620	$ 114,540,394

As of such date, 100% of the District's investment portfolio will mature within 12 months. The market value of the investment portfolio was approximately 100% of its purchase price. No funds of the District are invested in derivative securities; i.e, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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(1) Unaudited.

TAX MATTERS

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed therewith, and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

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

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

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

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

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

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

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

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE OF INFORMATION

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

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

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

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

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

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

AVAILABILITY OF INFORMATION . . . Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB. With respect to debt of the District issued prior to the EMMA Effective Date, the District remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the District receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the District has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

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

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

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

OTHER INFORMATION

RATINGS

The Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The Bonds and the presently outstanding unlimited tax-supported debt of the District is rated "Aa2" by Mo'dy's without regard to credit enhancement. The District has 6 bond issues outstanding which are rated "Aaa" by Moody's, all by virtue of the guarantee of the Permanent School Fund of the State of Texas. The District has one issue that is secured and subject to the Permanent School Fund Guarantee, but not rated by any rating agency and the Series 2015 Maintenance Tax Notes that are neither further secured by nor subject to the Permanent School Fund Guarantee. The District has received conditional approval from the TEA for the Bonds to be guaranteed by the corpus of the Permanent School Fund. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the District. A revision in a rating agency's rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

LITIGATION

Except as disclosed in this Offering Memorandum, the District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial statements of the District.

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

LEGAL MATTERS

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

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

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

FINANCIAL ADVISOR

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

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

FORWARD LOOKING STATEMENTS DISCLOSURE

The statements contained in this Offering Memorandum, 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 Offering Memorandum are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

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

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District at the prices indicated on page 2 hereof, less an underwriting discount of $173,983.75, and no accrued interest. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter has, 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 Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

MISCELLANEOUS

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

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

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

Weaver and Tidwell, L.L.P, being the independent auditor of the District that prepared the financial statements attached hereto as Appendix B, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statement addressed in that report. Weaver and Tidwell, L.L.P also has not performed any procedures related to the Offering Memorandum.

/s/ Carlin Friar
President, Board of Trustees
Boerne Independent School District

ATTEST:

/s/ Joe Tidwell
Secretary, Board of Trustees
Boerne Independent School District

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APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

GENERAL INFORMATION REGARDING THE DISTRICT

GENERAL

The District consists of 308.80 square miles or 230,093 acres in Kendall, Bexar and Comal Counties. The majority of the District lies within Kendall County and includes the City of Boerne, Texas ("Boerne"), the county seat. Just 14 miles north of San Antonio's city limits, Boerne is nestled in the scenic Texas Hill Country at the crossroads of Interstate Highway 10 and State Highway 46.

ADMINISTRATION

Policy making and supervisory functions are the responsibility of and are vested in a seven-member Board of Trustees (the "Board"). Members of the Board serve three-year staggered terms with elections being held each year on the second Saturday in May. The Board delegates administrative responsibilities to the Superintendent of Schools.

EDUCATIONAL OPPORTUNITIES AND ACCREDITATION

The District is focused on preparing all students for the world they will face following graduation. In a community where public education is a top priority, the District works hand-in-hand with parents, business leaders and community supporters to help students achieve their full potential and chart a course for their future that draws from the cumulative experiences of their Boerne ISD education. A wide array of Career and Technical Education courses help equip students with marketable workforce skills. Across the spectrum of educational offerings, there are numerous opportunities for students to develop intellectual, social, physical, economic, and occupational competencies.

The District has worked closely with its community to define the academic proficiencies and personal qualities each Boerne ISD learner should possess. Each student should be academically prepared, think critically and inquisitively, be an active, effective communicator, be an engaged member of the community and hold a deep sense of self-awareness. Boerne ISD is fully accredited by the Texas Education Agency. The District focuses on intensive interaction in basic academic skills with a variety of additional programs designed to supplement the core curriculum.

The District is recognized consistently at state and national levels for academic and extracurricular successes. US News & World Report, Newsweek and the Niche report all have sited the District and its various schools as being among the best in Texas and the United States.

Boerne ISD students consistently perform well above regional and state in performance testing, according to data from the Texas Education Agency. Ninety percent of BISD students met the standard for STAAR testing, according to the most recent data, versus 78 percent statewide. The District's bi-lingual education program merits similar results for its students when compared to regional and state averages.

With a four-year graduation rate consistently tracking above 98 percent, the District outpaces the statewide rate of 90 percent. In terms of post-secondary readiness, Boerne ISD students score well above state and national averages on SAT and ACT college placement exams. The District supports an active program for College Board Advanced Placement exams, where record numbers of students achieve college credit for qualified high school academic achievement.

Students are challenged by a comprehensive University Interscholastic League program that includes academics, athletics, band, drama, music, and literary competitions. More than 80 percent of Boerne ISD high school students participate in at least one school-sponsored extracurricular activity. A few of these organizations include FFA, FCCLA, Air Force Junior ROTC, Technology Students Association, Honor Choir, Student Council, Academic Decathlon, and many more.

Boerne ISD students are also involved in community service initiatives that include the areas of environmental issues, humanitarian support, and drug abuse prevention activities. There is something for almost every interest as the District and community work together to keep students involved and motivated.

BUDGET AND PERSONNEL

The budget for the 2023-2024 school year is $109,761,037. The sources of revenue are as follows: 90% (local), 9% (state), 1% (federal). 1,405 individuals comprise the District's professional and support staff. The District's payroll budget total is $84,124,880 or 77% (including recapture).

SCHOLASTIC MEMBERSHIP AND AVERAGE DAILY ATTENDANCE

The District enjoys an excellent academic reputation which makes it very desirable to people relocating from other places. Because the District is located on Interstate Highway 10 near major employers such as USAA, University of Texas at San Antonio and South Texas Medical Center, the District attracts a substantial number of professional persons and their families. In addition, many people commute to industrial and civil service jobs in San Antonio. Following are scholastic membership and average daily attendance figures for the past ten years.

School Year	Membership	Average Daily Attendance	Percent ADA Increase
2010-11	6,575	6,349	4.10%
2011-12	6,733	6,500	2.38%
2012-13	7,050	6,750	3.84%
2013-14	7,205	6,898	2.19%
2014-15	7,472	7,186	4.18%
2015-16	7,867	7,610	5.90%
2016-17	8,330	7,943	4.38%
2017-18	8,688	8,271	4.13%
2018-19	9,170	8,690	5.07%
2019-20	9,579	9,109	4.82%
2020-21	9,617	9,302	0.32%
2021-22	10,327	9,623	3.45%
2022-23	10,763	10,058	4.52%
2023-24*	10,911	10,291	2.32%

* As of October 11, 2023.

PRESENT FACILITIES

School Facility	Grade Span	Present Capacity	Membership at 10-1-2023
Cibolo Creek Elementary	PreK-5	750	436
Curington Elementary	PreK-5	800	639
Fabra Elementary	PreK-5	800	709
Fair Oaks Elementary	PreK-5	850	802
Herff Elementary	PreK-5	800	622
Kendall Elementary	PreK-5	750	832
Van Raub Elementary	PreK-5	800	829
Boerne Middle School North	6th-8th	875	823
Boerne Middle School South	6th-8th	1,250	934
Mark T. Voss Middle School	6th-8th	1,200	774
Boerne High School	9th-12th	1,594	1,430
Boerne Champion High School	9th-12th	1,946	2,081
TOTAL			10,911

EDUCATIONAL PROGRAMS

In addition to a well-rounded core curriculum, the District offers students opportunities to be challenged beyond the basics and to pursue individualized interests. While small enough to enable each student to be recognized individually, the District is large enough to offer a wide range of excellent programs. A few special programs are:

- At Risk services on all campuses
- Content mastery program for Special Education students
- Counseling, guidance, and testing services at all campuses
- Numerous anti-drug education and prevention programs
- English-As-A-Second Language program K-3
- Dual Language Two-way Program PK-5
- Food Service program for all campuses
- Foreign language instruction beginning at grade 6
- Full day Pre-Kindergarten and Kindergarten
- Health services for all campuses
- GT, Honors, and Advanced Placement classes
- Middle and High School Athletic, Band, Choir, and Orchestra Programs
- Numerous special interest clubs
- Accelerated Reading and Math programs
- Support teachers for elementary art, PE, and music
- Theater Arts
- Career and Technology Education – Agriculture, Architecture, Arts, Business, Education, Health Science, Hospitality, Human Services, Information Technology, Manufacturing, STEM, and Transportation
- Project Lead the Way & Incubator programs to empower students for in-demand knowledge in CTE courses
- Boerne Outdoor Academy
- Dual Credit courses from Northwest Vista College and Angelo State University

EMPLOYEE RETIREMENT, TEACHER RETIREMENT SYSTEM OF TEXAS

The District has no financial responsibility for the Teacher Retirement System of Texas, with employees contributing 8.00% of their annual compensation and the State of Texas contributing 8.00%.

Source: The District.

AREA ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

LOCATION

Kendall County, Texas (the "County"), organized in 1862, contains 662.9 square miles and is located in south central Texas.

The City of Boerne, Texas (the "City") is the county seat and principal commercial center of the County. The City is located approximately 30 miles north of downtown San Antonio on Interstate Highway 10 (U.S. Highway 87). The other incorporated city located within the County is Comfort (2010 census population 2,363; 2018 population estimate 3,590).

POPULATION

Census Report	Kendall County	City of Boerne
2020 Est.	48,955	20,184
2010	33,410	10,684
2000	23,743	6,178
1990	14,589	4,274
1980	10,635	3,229

Source: U.S. Census Bureau

ECONOMY

The area economy is diversified by light manufacturing, agribusiness, tourism, and outdoor recreation. Principal manufacturing industries include aerospace, oil field hydraulic motors, medical devices and pharmaceuticals, hunting equipment, food processing and aquatic filtration systems. Approximately 10% of the area workforce support these manufacturing businesses. Agricultural and ranching businesses in the area include cattle, sheep, goats, hay and other grains. Tourism is a primary economic generator in the City due to the close proximity to San Antonio, the nation's 7th largest city, and the availability of hunting, fishing, shopping, sports and recreation activities.

Construction of commercial buildings and residential units, single and multifamily, continues to bring new residents to the City. Being only 30 miles from the San Antonio metropolitan area affords many Boerne residents the opportunity to work at major businesses such as the nationally recognized South Texas Medical Center and related medical research facilities, financial and insurance companies such as USAA, and local and federal government agencies.

The City approved economic development incentives to bring a Buc-ee's Family Travel Center (the "Center") to the City. The Center is projected to be a $40 million development near Interstate 10 and U.S. Business 87/South Main Street. The Center is expected to open in 2025 and is forecasted to create 170 jobs.

In 2021 Baptist Health announced intentions to build a full service hospital in Boerne subsequent to a purchase of 23 acres adjacent to I-10 and Hwy 46. The planned opening is in 2024 and construction costs are estimated at $50M.

MAJOR EMPLOYERS IN THE GREATER BOERNE AREA

Name	Type of Property	Employment
Boerne Independent School District	Public School	1,334
H E Butt Grocery Store	Grocery Store	385
Mission Pharmacal	Manufacturing	362
WalMart Stores	Discount Store	293
Kendall County	Public Entity	225
Albany Engineered Composites	Manufacturing	223
City of Boerne	Public Entity	220
Mercedes Benze of Boerne	Automobile Sales	147
Toyota of Boerne	Automobile Sales	145
The Home Depot	Retail Store	134

Source: Boerne Kendall County Economic Development Corporation

LABOR FORCE STATISTICS – KENDALL COUNTY(1)

	2024(2)	2023(3)	2022(3)	2021(3)	2020(3)
Civilian Labor Force	24,688	24,335	23,735	22,942	22,127
Total Employed	23,890	23,528	22,983	22,049	21,003
Total Unemployed	798	807	752	893	1,124
Unemployment Rate	3.2%	3.3%	3.2%	3.9%	5.1%
% Unemployed (Texas)	4.1%	3.9%	3.9%	5.6%	7.7%
% Unemployed (U.S.)	3.9%	3.6%	3.6%	5.3%	8.1%

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

APPENDIX B

EXCERPTS FROM THE

BOERNE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023

The information contained in this Appendix consists of excerpts from the Boerne Independent School District Annual Financial Report for the Year Ended June 30, 2023, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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November 13, 2023

Carlin Friar, President
Members of the Board of School Trustees
Boerne Independent School District
Boerne, Texas

Dear President Friar and Board Members:

The Texas Education Code requires that all school districts file and publish a complete set of financial statements with the Texas Education Agency ("TEA") within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America. The financial statements must be audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Pursuant to these requirements, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the Boerne Independent School District ("District", "Boerne", or "BISD") for the year ended June 30, 2023.

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

Weaver and Tidwell, L.L.P., a firm of licensed certified public accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the District's financial statements for the fiscal year ended June 30, 2023 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2023 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE DISTRICT

Boerne was established in 1907. The District is located in rapidly growing Kendall County and includes portions of Bexar and Comal counties and the City of Fair Oak Ranch. The District includes 315 square miles of suburban growth and rural Texas hill country.

Boerne enrollment is 10,786 students for 2022-23. Student demographics for 2022-23 are: 33.10% Hispanic, 60.09% White, 1.20% African American, 2.50% Asian/Pacific Islander, 0.25% Native American, and 2.86% of two or more races. Just under 20 percent of students are considered economically disadvantaged.

Residents of the District elect members of the Board of Trustees to three-year terms from each of seven at-large seats. The Trustee seats are up for election on a rotating basis on the second Saturday in May. Vacancies may be filled by appointment until the next election. Trustees annually elect Board officers, including President, Vice President, and Secretary. The Trustees serve the citizens of the District without compensation.

The District provides a full range of educational services for grade levels Pre-K through 12, in addition to educational programs that begin at age 3 for some children and extend through age 22 for others. These programs include regular and enriched academic education, special education for students with disabilities, occupational and vocational education, bilingual instruction for students with limited English proficiency, and specialized instruction for economically disadvantaged students.

Academically talented students may seek challenges in, Honors, Advanced Placement, and dual credit courses in English, Mathematics, Social Studies, and Science and other subjects in grades 6-12. In addition, students may study four different foreign languages (Spanish, German, American Sign Language, and Computer Science). The District provides programs for gifted students in various settings in grades K-12 that focus on developing higher-level and cognitive thinking skills.

A unique program that every 5th grader in BISD can engage in is The Boerne Outdoor Academy (BOA). This program was created by parents, teachers, and outdoor educators to enrich and extend classroom learning. The program features outdoor inquiry, experience-based learning, and interpersonal skills development through group learning, living, and recreation in an idyllic Hill Country camp setting. The Boerne Outdoor Academy exists to nurture our youth's commitment to themselves, their community, and their environment.

Another non-traditional program BISD offers is the *Boerne Academy* which is an alternative high school experience available for students needing a different approach to completing high school. The Boerne Academy not only prepares students to complete high school but also works with students individually to ensure they are ready for their futures after high school with connections to the workforce or post-secondary opportunities.

BISD is also committed to serving our community and has partnered with ESC 20 to offer classes for those needing to learn English (English as a Second Language) or to help earn a GED.

Because the district has emphasized the importance of the Whole Child, Safety and Wellness Advisory Teams have been identified at each campus and the district. Team members represent all facets of a child's education from administration, counseling, health, education, safety, and engagement. Members collaborate to find ways to identify and support specific needs of students. In addition, the district is committed to providing leadership opportunities for students as well. With this in mind, students are invited to participate in various advisory committees to provide their perspectives on various topics. BISD Athletics Department, Fine Arts Department, and Counseling Services Department have joined together to establish the Leadership Council which provides training for students that serve as leaders within their programs and activities.

District Accomplishments

- Boerne students consistently score above the state average on the State's standardized tests in English Language Arts, Mathematics, Science and Social Studies. In the Spring of 2012, the Texas Assessment of Knowledge and Skills was replaced by the State of Texas Assessments of Academic Readiness (STAAR). In addition, beginning in 2018-2019, schools in Texas were rated under the new A-F accountability system. In 2022, Boerne ISD earned their third consecutive 'A' rating with an overall score of 94. In addition, a total of 21 Distinction Designations in the areas of English Language Arts, Mathematics, Science, Social Studies, Academic Growth, Closing the Gaps, and Post-Secondary Readiness were awarded to multiple campuses.
- Over 800 students received diplomas in 2 commencement ceremonies held during the 2022-2023 school year. A total of 200 students in the Class of 2022 earned college credit for at least 3 hours in ELA or Mathematics or 9 hours in any subject. A total of 312 students scored a 3 or higher on an AP exam earning them college credit. Eighty-six percent (86%) of the class of 2022 graduated with at least one measure to indicate College, Career, and Military Readiness. For the Class of 2022, the most recent data available, the graduation rate was 99.3 percent.
- Boerne ISD was named a 2022 Innovative District (1 of 8 across the nation) from the International Center for Leadership in Education for their systemwide focus on instruction and organization structures to increase student growth. Innovative districts are selected annually based on rigorous criteria, Innovative Districts have evidence of growth year over year; aligned vision and structures; and are intentional about instructional decisions.
- Boerne ISD has won numerous statewide awards, including the 2020 Best Small School District in Texas by the H-E-B Excellence in Education Awards, as well as a 2020 Top Workplace by the San Antonio Express-News, among other honors.
- In addition, The Boerne ISD Board of Trustees was named the 2019 Texas Education Service Center Region 20 School Board of the Year, and Superintendent Dr. Thomas Price received the 2020 Texas Education Service Center Region 20 Superintendent of the Year.
- Boerne ISD schools are consistently rated as some of the best in the state, as eight schools were ranked in the 2022 Top 25 Schools Rankings by Niche, while 10 campuses were ranked in 2023. Fair Oaks Ranch, Herff, and Curington Elementary Schools were named Capturing Kids Hearts National Showcase Schools.

Innovative Initiatives

- Advancement Via Individual Determination (AVID) - College Preparatory strategies embedded into Middle School curriculum
- Project Lead the Way (PTLW) curriculum and teacher training for the development of the Engineering Planning & Development CTE pathway and in Elementary Technology Applications classes
- Implementation of Pathways to Technology Early College HS (P-TECH) in Cybersecurity opened in the Fall of 2022.
- Implementation of Pathways to Technology Early College HS (P-TECH) in Health Science to open the fall of 2024

Community Support

- Since 2004, voters have approved almost $462 million in bonds to build new schools and make improvements to existing schools. In May 2022, Boerne voters approved a $165 million bond election.
- The Boerne Education Foundation (Foundation) was created in 1997. The mission of the Foundation is to foster community involvement in innovative educational programs by generating and disbursing funds and other resources to provide enrichment for students of the Boerne Independent School District. The Foundation has distributed over $3 million to Boerne ISD schools.

Financial Stewardship

- The District has one of the lowest interest and sinking (dedicated to bond debt) tax rates among similar fast growth ISDs in Texas. Under House Bill 3, which passed in the 2019 legislative session, the M&O rate for the District has decreased over thirty five cents through the 2023-24 fiscal year.

OUR MISSION AND VISION

The Boerne Independent School District engages, inspires, and enriches our community through innovative learning experiences. Our community will engage students and adults in a challenging educational environment that inspires creativity and enriches lives for today's realities and tomorrow's possibilities.

OUR BELIEFS

- All students have talents and gifts and deserve the highest quality education
- All students should have opportunities to achieve high levels of success
- Children matter to the community and should experience a sense of belonging
- Children grow best with family and community nurturing
- All students must be post-high school ready to enter the workforce and/or higher education
- In educating the whole child by addressing not only academics but social/emotional needs
- Education is a partnership involving students, families, community, and the district
- In fostering an atmosphere of open communication
- In a culture of collaboration and respect of all stakeholders
- In the importance of community partnerships
- Our staff is student-centered and dedicated to excellence
- Continuous development of staff is essential to student success
- In attracting and retaining the highest quality staff

FACTORS AFFECTING FINANCIAL CONDITION

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

Introduction

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

Population

There are an estimated 55,353 (as of 2023) people residing in the District and almost 20,000 households. Enrollment in the District has been steadily growing over the past 15 years with a 4-6% increase each year and recent trends show a stable enrollment around 10,910.

Local Economy

The political boundaries of Boerne ISD effectively serve as a bedroom community to the greater San Antonio Metropolitan area. It's proximity to entities such as USAA and Valero, as well as the Texas Hill Country impacts the economy of the District in unique ways. The largest employment sectors are education, health care, and professional services.

Access

The District has an excellent transportation system, with many major roads and highways traversing through it. Interstate Highway 10, which is the major east-west interstate highway in the southern United States, runs north-south through the District. Highway 46 is the major east-west thoroughfare, and Highway 3351 provides access through the eastern portion of the District.

THE REPORTING ENTITY

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

Internal and Budgetary Controls

The development and evaluation of the District's accounting system considers the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management.

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

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

General Educational Functions

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

Cash Management

The District’s cash position is reviewed regularly and all idle cash is invested in accordance with the District’s investment policy. The District’s investment officers invest primarily in U.S. Government agency notes, municipal bonds, and local government investment pools. Yields on investments remain favorable compared to the three-month Treasury bill rate.

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

Risk Management

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

The objectives of risk management are to:

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

The District also maintains a worker’s compensation program, property and casualty exposures and coverage, safety training and inspection program.

Worker's Compensation Program

The District provides all employees with worker's compensation coverage for injuries that occur in the course and scope of employment.

Property and Casualty Coverage

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

Safety Program

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

Employee Benefits

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

Health Insurance Program

The District offers its employees a suite of health benefit plans fully insured by TRS-ActiveCare.

Supplemental Employee Benefits

Other benefits offered are voluntary and supplemental in nature. The participant pays the total cost of these insurances. The supplemental benefits include 1) Dental Insurance, 2) Vision Insurance 3) Employee, Spouse and Child Term Life Insurance, 4) Disability/Income Replacement, 5) Pre-Paid Legal, 6) Medical and Dependent Care Spending Accounts, 7) Cancer Insurance, 8) Critical Illness Insurance, and 9) Health Spending Accounts.

Fiscal Strategic Planning

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

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awards the Certificate of Achievement for Excellence in Financial Reporting to local governments that issue annual financial reports that meet certain requirements. In order to receive a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy accounting principles generally accepted in the United States as well as applicable legal requirements.

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

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

For fourteen years in a row, the District earned a "Superior Achievement" rating from the TEA. This is the highest possible rating under the Schools FIRST accountability system. Beginning in 2014-15, the TEA modified the ratings to a point system with a maximum of 100 points and a "Superior" rating for achieving a minimum of 90 points. In the latest FIRST report presented to the public in October 2022 for 2020-21, the District earned a “Superior” rating with a score of 94 points.

The timely preparation of this report could not have been accomplished without the assistance of the following departments: Administration, Communications, Human Resources, Curriculum, Technology, and Business and Finance. We would like to acknowledge our independent auditors, Weaver and Tidwell, L.L.P., for their role in providing professional guidance and assistance in the preparation of this report.

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

Thomas Price, Ed.D.	Wesley Scott
Superintendent of Schools	Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Boerne Independent School District
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

CERTIFICATE OF BOARD

Boerne Independent School District	Kendall County	130-901
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached Annual Financial Reports of the above named school district were reviewed and {✓} approved { } disapproved for the year ended June 30, 2023, at a meeting of the Board of School Trustees of such school district on the 13th day of November, 2023.

Signature of Board Secretary

Signature of Board President

If the board of trustees disapproved the auditor's report, the reason(s) for *disapproving it is (are):*
(attach list as necessary)

BOERNE ISD EXECUTIVE LEADERSHIP

Board of Trustees

Superintendent

Communications & Partnerships

Chief Administrative Officer

Administrative Services

- Extracurricular
- Principals
- Student Support Services

Programs

- Demographics/ Student Transfers
- Student Relations

Chief Financial Officer

Business Services

- Accounts Payable
- Payroll
- Purchasing
- Warehouse

Programs

- Budget Development
- Business Services
- Capital Replacement Plan

Chief Human Resources Officer

Human Resources

- Employee Services
- Staffing
- Substitutes

Programs

- Employee Relations
- New Teacher Mentoring
- Talent Acquisition

Chief Instructional Officer

Teaching & Learning

- Alternative Education
- Content Coordinators
- Special Programs

Programs

- Advanced Academics
- Bilingual Programs
- Career & Technology
- Digital Learning
- Early Childhood
- Instructional Materials

Chief Technology Officer

Technology & Student Information

- Student Information Systems
- Technology

Programs

- Assessment & Accountability
- Information Security
- Network Integration
- PEIMS
- Software Integration
- Customer Support
- Technology Maintenance

Chief Operations Officer

Operations

- Custodial Services
- Child Nutrition
- Maintenance
- Transportation

Programs

- Bond Management
- Energy Management

Chief of Safety & Security

Safety & Security

Programs

- School Resource Officers
- Safety Committee
- Emergency Preparedness
- Safety Training
- Audits & Compliance

BOERNE INDEPENDENT SCHOOL DISTRICT

Boerne, Texas

APPOINTED OFFICIALS AND ADVISORS

June 30, 2023

APPOINTED OFFICIALS

Thomas Price, Ed.D.	Superintendent
John O’Hare, Ed.D.	Chief Administrative Officer
Larissa Flores	Chief Instructional Officer
Elaine Howard, Ed.D.	Chief Human Resources Officer
Henry Acosta	Chief Operations Officer
Mark Stahl	Executive Director of Operations
Rick Goodrich	Chief of Safety & Security
Sean Babcock	Chief Technology Officer
Wesley Scott	Chief Financial Officer

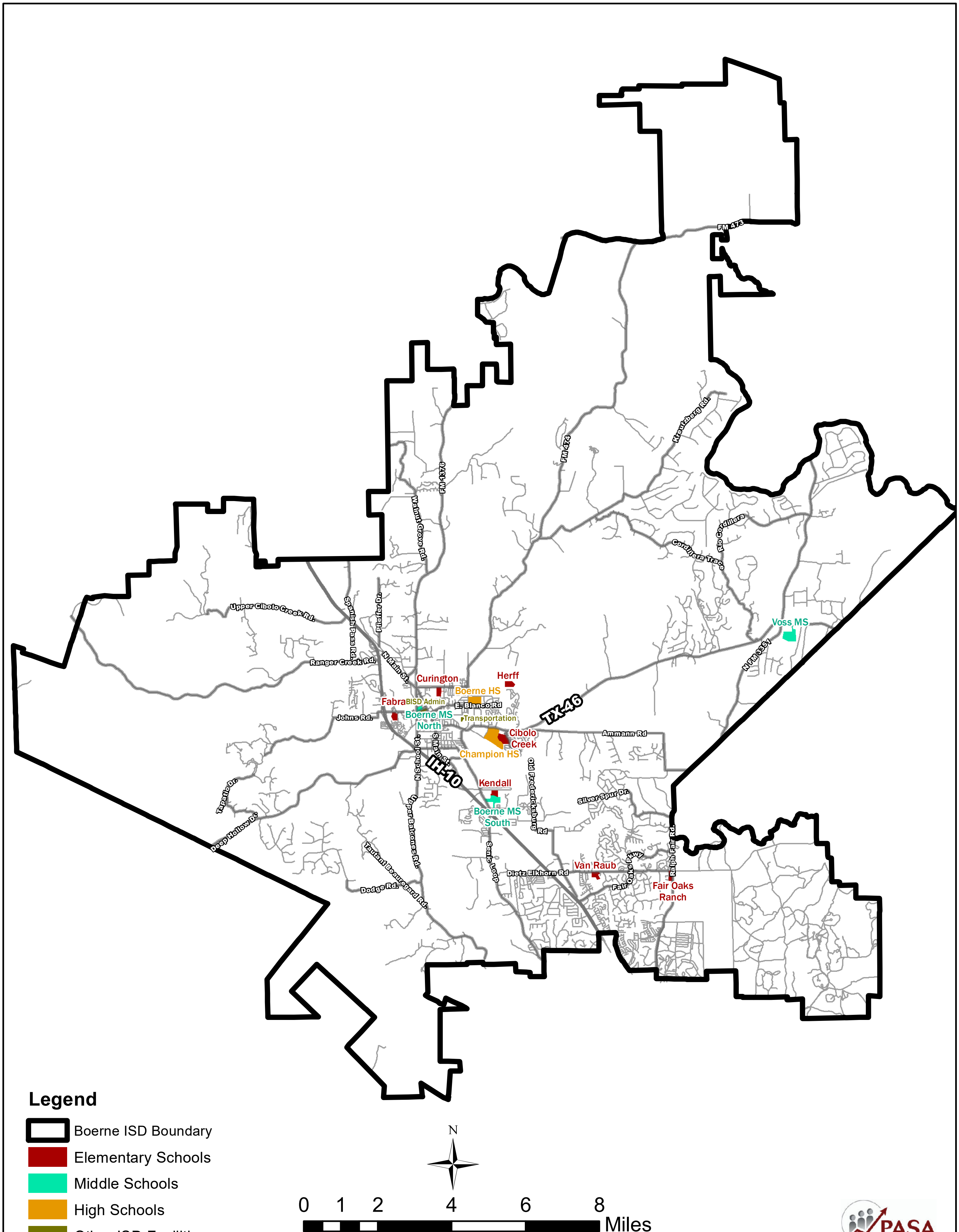
ACCOUNTANTS AND ADVISORS

Weaver and Tidwell, L.L.P. Certified
Public Accountants San Antonio,
Texas

Walsh, Gallegos, Trevino, Russo & Kyle, Inc.
General Counsel San
Antonio, Texas

Hilltop Securities, Inc.
Financial Advisors San
Antonio, Texas

McCall Parkhurst & Horton, LLP Bond
Counsel
San Antonio, Texas


Legend
Boerne ISD Boundary
Elementary Schools
Middle Schools
High Schools
Other ISD Facilities
N
0 1 2 4 6 8
Miles
Curington
Herff
Boerne HS
Fabra
BISD Admin
E. Blanco Rd
Boerne MS North
Transportation
Cibolo Creek
Champion HS
Kendall
Boerne MS South
Van Raub
Fair Oaks Ranch
Voss MS
IH-10
TX-46
FM 473
FM 474
FM 1376
Kreutzberg Rd.
Rio Cordillera
Cordillera Trace
N FM 3351
Ammann Rd
Upper Cibolo Creek Rd.
Spanish Pass Rd
Pfeiffer Dr.
Walnut Grove Rd.
Ranger Creek Rd.
N Main St.
S Main St.
N School St.
Johns Rd.
Tapatio Dr.
Deep Hollow Dr.
Upper Balcones Rd.
Tarrant Beauregard Rd.
Dodge Rd.
Old Fredericksburg Rd
Silver Spur Dr.
Scenic Loop
Dietz Elkhorn Rd
Fair Oaks Pkwy
Ralph Fair Rd.
PASA

Financial Section

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boerne Independent School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Weaver and Tidwell, L.L.P.
1601 South MoPac Expressway, Suite D250 | Austin, Texas 78746
Main: 512.609.1900

Board of Trustees of
Boerne Independent School District

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Board of Trustees of
Boerne Independent School District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District 's basic financial statements. The supplementary information – combining statements and schedules, TEA required schedules, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information – combining statements and schedules, TEA required schedules, and schedule of expenditures of federal awards are 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 supplementary information – combining statements and schedules, TEA required schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
November 9, 2023

Management's Discussion & Analysis (MD&A)

This discussion and analysis of the Boerne Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at June 30, 2023 was $34,748,547.

- For the fiscal year ended June 30, 2023, the District's general fund reported a total fund balance of $28,122,547, of which $28,085,039 was unassigned.

- At the end of the fiscal year, the District's governmental funds (the general fund plus all federal, state, and local grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of $133,089,497.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic 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 services provided to parties inside the District. The proprietary funds include the internal service fund (the District's insurance fund).

- 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 fiduciary resources belong. This fund includes student activity funds.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The government-wide statements report the District's net position and how it has changed. Net position is the difference between the District’s assets and liabilities and is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District’s tax base, staffing patterns, enrollment, and attendance.

The government-wide financial statements of the District include the *governmental activities*. Most of the District’s basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.

- The Board of Trustees (the “Board”) establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.

- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- *Proprietary funds* – These funds include the internal service fund. The District’s workers’ compensation and unemployment fund activity is reported in the internal service fund and is shown in a separate statement of net position and statement of changes in net position.

- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was $34,748,547 at June 30, 2023. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended June 30, 2023. Revenues for the District not restricted to specific programs increased commensurate with an increase in enrollment and attendance in accordance with State funding provision and hold harmless provisions instituted by the Texas Education Agency for the 2023 fiscal year. Property tax revenues increased due to the increase in assessed value of properties within the District. Deferred outflows of resources increased for the pension plan and for the other postemployment benefits plan (OPEB) due to changes in actuarial assumptions, changes in proportion and difference between the District's contributions, and the proportionate share of contributions. Contracted Instructional Services Between Schools increased since the District was required to pay almost $7.5milion in recapture payments. No recapture payments were owed to the State in fiscal year 2022. *Table 1* indicates the overall condition of the District remained relatively stable. The District's current assets remained relatively stable and capital assets decreased due to the regularly scheduled depreciation. The District's long-term liabilities increased due to the issuance of $110 million in new bond debt from the $165 million bond authorization approved by the voters in May 2022.

TABLE 1
Net Position

	Governmental Activities	
	2023	2022
Assets		
Current and Other Assets	$ 161,228,218	$ 48,620,680
Capital Assets	355,023,902	343,504,986
Restricted Assets	-	1,023,752
Total Assets	516,252,120	393,149,418
Total Deferred Outflows of Resources	22,099,843	14,916,960
Liabilities		
Current and Other Liabilities	30,217,386	16,551,508
Long-term Liabilities	446,419,919	352,269,017
Total Liabilities	476,637,305	368,820,525
Total Deferred Inflows of Resources	26,966,111	28,809,602
Net Position		
Net Investment in Capital Assets	55,471,212	37,579,928
Restricted	7,359,158	8,042,280
Unrestricted	(28,081,823)	(35,185,957)
Total Net Position	$ 34,748,547	$ 10,436,251

TABLE 2
Change in Net Position

	Governmental Activities	
	2023	2022
Revenues		
Program Revenues		
Charges for Services	$ 3,543,543	$ 1,769,004
Operating Grants and Contributions	21,639,364	25,515,403
Capital Grants and Contributions	4,325,000	-
General Revenues		
Property Taxes	121,300,871	103,395,430
State Aid - formula	7,135,837	6,404,667
Investment Earnings	3,307,356	142,720
Other	532,389	495,078
Total Revenues	161,784,360	137,722,302
Expenses		
Instruction	66,578,214	62,682,087
Instructional Resources & Media Services	1,272,647	1,287,564
Curriculum & Staff Development	3,397,154	3,058,357
Instructional Leadership	1,518,607	1,334,183
School Leadership	6,163,158	5,849,796
Guidance, Counseling & Evaluation Services	4,839,799	4,324,899
Health Services	1,218,911	1,162,670
Student (pupil) Transportation	3,669,719	3,484,979
Child Nutrition Services	4,660,723	5,024,345
Co-Curricular Activities	4,969,478	4,611,532
General Administration	3,978,418	3,974,448
Plant Maintenance and Operations	11,438,324	12,080,887
Security & Monitoring Services	1,680,131	1,130,245
Data Processing Services	3,805,342	3,336,667
Community Services	49,737	44,923
Debt Service	9,929,045	9,002,399
Contracted Instructional Services Between Schools	7,485,147	-
Other Governmental Charges	817,510	851,213
Total Expenses	137,472,064	123,241,194
Change in Net Position	24,312,296	14,481,108
Beginning Net Position, restated	10,436,251	(4,044,857)
Ending Net Position	$ 34,748,547	$ 10,436,251

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending June 30, 2023, the District's governmental funds reported a combined fund balance of $133,089,497. This compares to a combined fund balance of $35,262,305 at June 30, 2022. Fund balance increased primarily as a result of the issuance of bond debt from the 2022 bond authorization approved by voters in May 2022.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended June 30, 2023, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by $2,969,923 and the budgeted expenditures exceeded actual expenditures by $4,548,644.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended June 30, 2023, the District used a capitalization threshold of $5,000, which means that all capital type assets, including library books, with a cost or initial value of less than $5,000 were not included in the capital assets inventory.

At June 30, 2023, the District had a total of $355,023,902 invested in capital assets such as land, buildings, and District equipment, net of depreciation.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had $377,925,230 in general obligation bonds and notes outstanding versus $288,461,463 last year. During the fiscal year, the District had two bond issues totaling $110 million of the 2022 bond authorization. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND TAX RATES

Total appraised market value of the District for the 2023-2024 (2023 Tax Year) is $19.5 billion which is a nineteen percent increase from the preceding year. Total taxable property values (including "frozen" values) used for the 2023-2024 budget preparation increased nine percent from the preceding year.

The Board set the tax rate for the 2023-2024 school year at the September 2023 Board meeting. The tax rates were approved with a decrease from prior year. Debt service tax rate is $0.324, and maintenance and operation rate is $0.6692 for a total tax rate of $0.9932 per $100 valuation.

The original 2023-2024 general operating fund budget was $109.8 million, an increase of 10.3 percent from the 2022-2023 adopted budget and 4.3 percent increase from the 2022-2023 final amended budget. A 3.44% pay increase was approved for all positions for the 2023-2024 fiscal year. New positions were budgeted to accommodate growth and programs. In September 2023 the Board of Trustees approved a budgetary amendment to accommodate the passage of property tax legislation passed in the summer of 2023. The effect of the amendment was to reduce revenues and expenditures due to tax rate compression and the resulting exclusion from recapture status. After the amendment the budget of $101.9M is a 3.2 percent reduction from the final amended 2022-2023 budget.

The District's 2023-2024 estimated average membership is projected at 11,263 with estimated average daily attendance at 10,504. Attendance has been estimated at 93.75 percent.

Enrollment of 10,915 through September of 2023 is slightly lower than budgeted expectations. Accordingly, revenue and expenditure considerations are being closely monitored by Administration to ensure budgetary limitations are appropriate.

The District remains aware of its dependence on local taxation to support all phases of its operations and is committed to providing the best possible education to every student, using the resources made available to it by State law and local taxpayer support.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Boerne Independent School District's business office at 235 Johns Road, Boerne, Texas 78006 or by calling (830) 357-2000.

Basic Financial Statements

BOERNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2023

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 153,074,478
1120	Investments	2,005,133
1220	Property Taxes Receivable (Delinquent)	3,665,033
1230	Allowance for Uncollectible Taxes	(900,454)
1240	Due from Other Governments	2,909,956
1290	Other Receivables	150,743
1300	Inventories	53,201
1490	Other Current Assets	270,128
	Capital Assets	
1510	Land	26,762,567
1520	Buildings, net	295,812,134
1530	Furniture & Equipment, net	7,449,232
1540	Vehicles, net	5,159,500
1580	Construction in Progress	12,155,890
1590	Infrastructure, net	7,684,579
1000	Total Assets	516,252,120
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	219,964
1705	Deferred Outflow Related to TRS Pension	12,514,042
1706	Deferred Outflow Related to TRS OPEB	9,365,837
1700	Total Deferred Outflows of Resources	22,099,843
	LIABILITIES	
2110	Accounts Payable	6,327,530
2140	Accrued Interest	4,315,215
2150	Payroll Deductions & Withholdings Payable	1,416
2160	Accrued Wages Payable	9,914,686
2180	Due to Other Governments	9,400,164
2300	Unearned Revenue	258,375
	Noncurrent Liabilities	
2501	Due within one year	8,709,852
2502	Due in more than one year	392,921,183
2540	Net Pension Liability (District's Share)	27,585,027
2545	Net OPEB Liability (District's Share)	16,145,498
2590	Other Long term liabilities - due or payable after one year	1,058,359
2000	Total Liabilities	476,637,305
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS Pension	2,298,531
2606	Deferred Inflow Related to TRS OPEB	24,667,580
2600	Total Deferred Inflows of Resources	26,966,111
	NET POSITION	
3200	Net Investment in Capital Assets	55,471,212
3820	Restricted for Federal and State Programs	872,743
3850	Restricted for Debt Service	4,860,784
3890	Other Restrictions on Net Position	1,625,631
3900	Unrestricted	(28,081,823)
3000	Total Net Position	$ 34,748,547

The accompanying notes are an integral part of this statement.

BOERNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

			Program Revenues			Net (Expense)/ Revenue and Changes in Net Position
		1	3	4	5	6
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Governmental Activities:					
0011	Instruction	$ 66,578,214	$ 199,098	$ 13,165,988	$ 4,325,000	$ (48,888,128)
0012	Instructional Resources & Media Services	1,272,647	30,472	183,794	-	(1,058,381)
0013	Curriculum & Staff Development	3,397,154	8,795	412,694	-	(2,975,665)
0021	Instructional Leadership	1,518,607	-	118,312	-	(1,400,295)
0023	School Leadership	6,163,158	51,170	718,912	-	(5,393,076)
0031	Guidance, Counseling & Evaluation Services	4,839,799	124,013	902,753	-	(3,813,033)
0033	Health Services	1,218,911	451	301,414	-	(917,046)
0034	Student (Pupil) Transportation	3,669,719	303	363,001	-	(3,306,415)
0035	Child Nutrition Services	4,660,723	2,221,581	2,197,634	-	(241,508)
0036	Co-curricular/Extracurricular Activities	4,969,478	656,227	850,628	-	(3,462,623)
0041	General Administration	3,978,418	6,667	1,083,835	-	(2,887,916)
0051	Plant Maintenance & Operations	11,438,324	233,931	623,826	-	(10,580,567)
0052	Security & Monitoring Services	1,680,131	10,835	60,257	-	(1,609,039)
0053	Data Processing Services	3,805,342	-	117,547	-	(3,687,795)
0061	Community Services	49,737	-	7,533	-	(42,204)
0072	Debt Service - Interest	9,154,730	-	531,236	-	(8,623,494)
0073	Debt Service - Fiscal Charges	774,315	-	-	-	(774,315)
0091	Contracted Instruc Services Between Schools	7,485,147	-	-	-	(7,485,147)
0099	Other Governmental Charges	817,510	-	-	-	(817,510)
TP	TOTAL PRIMARY GOVERNMENT	$ 137,472,064	$ 3,543,543	$ 21,639,364	$ 4,325,000	(107,964,157)

	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	88,025,288
DT	Property Taxes, Levied for Debt Service	33,275,583
SF	State aid - unrestricted formula grants	7,135,837
MI	Miscellaneous local & intermediate	532,389
IE	Investment earnings	3,307,356
TR	Total general revenues	132,276,453
CN	Changes in Net Position	24,312,296
NB	Net Position -- beginning	10,436,251
NE	Net Position -- ending	$ 34,748,547

The accompanying notes are an integral part of this statement.

BOERNE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
	ASSETS					
1110	Cash and Cash Equivalents	$ 42,618,575	$ 9,749,326	$ 97,309,148	$ 3,319,563	$ 152,996,612
1120	Investments	2,005,133	-	-	-	2,005,133
1220	Property Taxes - Delinquent	2,717,052	947,981	-	-	3,665,033
1230	Allowance for Uncollectible Taxes (credit)	(701,250)	(199,204)	-	-	(900,454)
1240	Due from Other Governments	1,766,990	39,449	-	1,103,517	2,909,956
1260	Due from Other Funds	628,526	-	-	34,880	663,406
1290	Other Receivables	133,639	-	7,731	9,373	150,743
1300	Inventories, at cost	37,508	-	-	15,693	53,201
1490	Other Current Assets	227,001	-	-	43,127	270,128
1000	Total Assets	$ 49,433,174	$ 10,537,552	$ 97,316,879	$ 4,526,153	$ 161,813,758
	LIABILITIES					
2110	Accounts Payable	$ 1,410,287	$ -	$ 4,717,299	$ 283,975	$ 6,411,561
2150	Payroll Deductions & Withholdings Payable	1,416	-	-	-	1,416
2160	Accrued Wages Payable	9,062,903	-	-	851,783	9,914,686
2170	Due to Other Funds	-	-	-	663,406	663,406
2180	Due to Other Governments	9,292,532	107,632	-	-	9,400,164
2300	Unearned Revenue	29,760	-	-	228,615	258,375
2000	Total Liabilities	19,796,898	107,632	4,717,299	2,027,779	26,649,608
	DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	1,513,729	560,924	-	-	2,074,653
2600	Total Deferred Inflows of Resources	1,513,729	560,924	-	-	2,074,653
	FUND BALANCES					
3410	Nonspendable	37,508	-	-	15,693	53,201
3450	Restricted - Grant Funds	-	-	-	857,050	857,050
3470	Restricted - Capital Acquisitions and Contractual Obligations	-	-	92,599,580	-	92,599,580
3480	Restricted - Debt Service	-	9,868,996	-	-	9,868,996
3490	Restricted - Other	-	-	-	1,625,631	1,625,631
3600	Unassigned	28,085,039	-	-	-	28,085,039
3000	Total Fund Balance	28,122,547	9,868,996	92,599,580	2,498,374	133,089,497
4000	Total Liabilities, Deferred Inflows and Fund Balances	$ 49,433,174	$ 10,537,552	$ 97,316,879	$ 4,526,153	$ 161,813,758

The accompanying notes are an integral part of this statement.

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

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

Total fund balances - governmental funds		$ 133,089,497
The District uses internal service funds to charge the costs of worker's compensation, equipment and unemployment) to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, including furniture and equipment and accumulated depreciation in the following amounts:		19,411
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.		
Land	$ 26,762,567	
Buildings	373,885,973	
Furniture and Equipment	15,943,348	
Vehicles	10,535,822	
Construction in Progress	12,155,890	
Infrastructure	29,629,901	468,913,501
Accumulated Depreciation - Buildings	(78,073,839)	
Accumulated Depreciation - Furniture and Equipment	(8,494,116)	
Accumulated Depreciation - Vehicles	(5,376,322)	
Accumulated Depreciation - Infrastructure	(21,945,322)	(113,889,599)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Unearned revenue is not reported as a liability in the government-wide financial statements, because the revenue is considered earned.		
Accrued Interest - Bonds	$ (4,315,215)	
Leases Payable	(212,028)	
Bonds Payable - Long-term	(377,925,230)	
Unamortized Bond Premiums	(14,659,032)	
Arbitrage Rebate Payable	(915,873)	
Accretion of Interest on Capital Appreciation Bonds	(8,834,745)	(406,862,123)
Unavailable revenue from property taxes and other items is not reported as a deferred inflow in the government-wide financial statements, because the revenue is considered earned.		
Property Taxes		2,074,653
Deferred Charge on Refunding Bonds is a deferred outflow and is not reported in the fund financial statements.		219,964
Included in the items related to long term debt, as required by GASB 68 and 75, are the following:		
District's proportionate share of the net pension liability	$ (27,585,027)	
District's proportionate share of the net OPEB liability	(16,145,498)	
Deferred resource inflow related to TRS pension	(2,298,531)	
Deferred resource inflow related to TRS OPEB	(24,667,580)	
Deferred resource outflow related to TRS pension	12,514,042	
Deferred resource outflow related to TRS OPEB	9,365,837	(48,816,757)
Net Position - Governmental Activities		$ 34,748,547

The accompanying notes are an integral part of this statement.

BOERNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
	REVENUES:					
5700	Local and Intermediate Sources	$ 90,575,193	$ 33,484,191	$ 1,748,201	$ 4,940,318	$ 130,747,903
5800	State Sources	12,466,612	531,236	-	803,789	13,801,637
5900	Federal Sources	1,998,210	-	-	6,571,553	8,569,763
5020	Total Revenues	105,040,015	34,015,427	1,748,201	12,315,660	153,119,303
	EXPENDITURES					
	Current:					
0011	Instruction	52,803,048	-	-	5,629,223	58,432,271
0012	Instructional Resources and Media Services	980,141	-	-	88,825	1,068,966
0013	Curriculum and Instructional Staff Development	3,105,958	-	-	389,571	3,495,529
0021	Instructional Leadership	1,469,840	-	-	-	1,469,840
0023	School Leadership	5,323,460	-	-	151,358	5,474,818
0031	Guidance and Counseling Services	3,940,846	-	-	446,941	4,387,787
0033	Health Services	992,041	-	-	68,823	1,060,864
0034	Pupil Transportation	3,000,196	-	2,220,265	10,565	5,231,026
0035	Child Nutrition Services	78,994	-	154,731	4,022,045	4,255,770
0036	Co-Curricular Activities	2,906,087	-	-	1,068,499	3,974,586
0041	General Administration	3,695,027	-	7,410	36,472	3,738,909
0051	Plant Maintenance and Operations	10,049,033	-	136,000	261,657	10,446,690
0052	Security & Monitoring Services	1,415,747	-	38,187	40,540	1,494,474
0053	Data Processing Services	2,343,241	-	4,472,128	-	6,815,369
0061	Community Services	43,031	-	-	5,755	48,786
0071	Debt Service - Principal on Long-Term Debt	266,050	20,371,233	-	-	20,637,283
0072	Debt Service - Interest	16,942	14,192,045	-	-	14,208,987
0073	Debt Service - Cost of Issuance and Fiscal Charges	175	7,000	767,140	-	774,315
0081	Facilities Acquisition and Construction	-	-	11,045,769	12,515	11,058,284
0091	Contracted Instructional Services Between Schools	7,485,147	-	-	-	7,485,147
0099	Other Intergovernmental Charges	817,510	-	-	-	817,510
6030	Total Expenditures	100,732,514	34,570,278	18,841,630	12,232,789	166,377,211
1100	Excess (Deficiency) of Revenues Over Expenditures	4,307,501	(554,851)	(17,093,429)	82,871	(13,257,908)
	OTHER FINANCING SOURCES (USES)					
7911	Issuance of Debt - General Obligations Bonds	-	-	110,000,000	-	110,000,000
7913	Proceeds from Right to Use Leased Assets	313,078	-	-	-	313,078
7915	Transfers in	450,000	-	-	140,446	590,446
7916	Premium on Issuance of Bonds	-	-	318,798	-	318,798
8911	Transfers out	(140,446)	-	-	-	(140,446)
7080	Total Other Financing Sources (Uses)	622,632	-	110,318,798	140,446	111,081,876
1200	Net Change in Fund Balance	4,930,133	(554,851)	93,225,369	223,317	97,823,968
0100	FUND BALANCES, July 1, 2022	23,192,414	10,423,847	(625,789)	2,275,057	35,265,529
3000	FUND BALANCES, June 30, 2023	$ 28,122,547	$ 9,868,996	$ 92,599,580	$ 2,498,374	$ 133,089,497

The accompanying notes are an integral part of this statement.

BOERNE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

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

Total net change in fund balances - governmental funds		$ 97,823,968
The District uses internal service funds to charge the costs of worker's compensation to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with the governmental activities.		(309,280)
Current year capital expenditures in the fund financial statements are shown as increases in capital assets in the government-wide financial statements.		22,189,704
Long-term issuances of debt are reported as resources in the fund financial statements and are shown as increases in long-term debt in the government-wide financial statements. Payments of principal on long-term debt are expenditures in the fund financial statements and are shown as reductions in long-term debt in the government-wide financial statements. Long-term debt activity was:		
Accrued Interest - Bonds	(282,874)	
Leases Payable	(212,028)	
Bonds Payable - Long-term	(89,463,767)	
Unamortized Bond Premiums	1,791,628	
Accreted Interest on Capital Appreciation Bonds	3,196,167	
Deferred Charge for Refunding Bonds	30,538	(84,940,336)
Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(10,670,788)
Adjustments related to the net pension liability, net OPEB liability, and related deferred inflows and deferred outflows, which impact ending net position.		315,776
Reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue as revenue, recognizing other long-term liabilities, and consolidating interfund transactions.		(96,748)
Changes in Net Position - Governmental Activities		$ 24,312,296

The accompanying notes are an integral part of this statement.

Exhibit D-1

BOERNE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2023

		Governmental Activities
		Internal Service Funds
	ASSETS	
	Current Assets:	
1110	Cash and Cash Equivalents	$ 77,866
	Total Current Assets	77,866
1000	TOTAL ASSETS	$ 77,866
	LIABILITIES	
	Current Liabilities	
2110	Accounts Payable	$ 17,201
2123	Other Liabilities	41,254
	Total Current Liabilities	58,455
2000	TOTAL LIABILITIES	58,455
	NET POSITION	
3900	Unrestricted	19,411
3000	TOTAL NET POSITION	$ 19,411

The accompanying notes are an integral part of this statement.

Exhibit D-2

BOERNE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

		Governmental Activities Internal Service Funds
	OPERATING REVENUES	
5754	Charges for Services	$ 198,631
5020	Total Operating Revenues	198,631
	OPERATING EXPENSES	
6100	Payroll Costs	35,900
6400	Other Operating Expenses	39,634
6030	Total Operating Expenses	75,534
	Operating Income (Loss)	123,097
	NON-OPERATING REVENUES (EXPENSES)	
7955	Investment Income	17,623
	Income (Loss) Before Non-operating Transfers	140,720
	NON-OPERATING TRANSFERS	
8989	Non-operating Transfer Out	(450,000)
1300	Changes in Net Position	(309,280)
0100	TOTAL NET POSITION, July 1, 2022	328,691
3300	TOTAL NET POSITION, June 30, 2023	$ 19,411

The accompanying notes are an integral part of this statement.

Exhibit D-3

BOERNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Interfund Services Provided	$ 198,631
Cash Payments for Insurance Claims	(252,962)
Cash Payments for Premiums	(39,634)
Net Cash Provided (Used) by Operating Activities	(93,965)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Nonoperating Transfers In (Out)	(450,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	17,623
Net Cash Flows Provided (Used) by Investing Activities	17,623
Net Increase In Cash & Cash Equivalents	(526,342)
CASH AND CASH EQUIVALENTS, July 1, 2022	604,208
CASH AND CASH EQUIVALENTS, June 30, 2023	$ 77,866
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ 123,097
Effect of Changes in Current Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	17,201
Increase (Decrease) in Other Liabilities	(234,263)
Net Cash Provided (Used) by Operating Activities	$ (93,965)

The accompanying notes are an integral part of this statement.

Exhibit E-1

BOERNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023

		Custodial Funds
ASSETS		
Cash	$	315,263
Accounts Receivable		23,409
TOTAL ASSETS	$	338,672
LIABILITIES		
Accounts Payable	$	8,148
Due to Other Governments	$	1,497
TOTAL LIABILITIES		9,645
NET POSITION		
Restricted for Individuals and Organizations	$	329,027

The accompanying notes are an integral part of this statement.

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

		Custodial Funds
ADDITIONS:		
Received from Student Groups	$	127,476
Enterprising Services Revenue		110,641
Earnings from Temporary Deposits		2,798
Contributions, Gifts, and Donations		72,106
Total Additions		313,021
DEDUCTIONS:		
Payroll Costs		2,583
Professional and Contracted Services		81,913
Supplies and Materials		70,006
Other Deductions		150,788
Total Deductions		305,290
Change in Fiduciary Net Position		7,731
TOTAL NET POSITION, July 1 (Beginning)		321,296
TOTAL NET POSITION, June 30 (Ending)	$	329,027

The accompanying notes are an integral part of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Boerne Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas (the “State”). It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds

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

Debt Service Fund
The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund
The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

Special Revenue Funds
The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

Permanent Funds
The permanent funds are governmental funds that are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. The District uses these funds for scholarships.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses includes costs of material, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The proprietary fund type used by the District includes the following:

Internal Service Funds
These funds are used to account for, and report revenue and expenses related to services provided to parties inside the District on a cost-reimbursement basis. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal service fund are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the governmental-wide financial statements.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District has the following type of fiduciary funds:

<u>Custodial Funds</u>
These funds are custodial in nature and do not present results of operations or have a measurement focus. Custodial funds are accounted for using the accrual basis of accounting. These funds are primarily used to account for the District's student activity funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for the revenue source (within 60 days of year end). All other revenue items are considered measurable and available only when cash is received by the District.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Government investment pools and commercial paper

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded at cost as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

5. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, vehicles, and infrastructure are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Infrastructure	30 years
Buildings	20 to 50 years
Vehicle	2 to 15 years
Furniture and equipment	3 to 15 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Receivable and Payables Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. All residual balances between governmental activities are eliminated in the government-wide statements. All property taxes receivable are shown net of an allowance for uncollectible taxes.

8. Interfund Activity

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

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The District’s

Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise acommitment.

11. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

12. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

15. Pensions

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

16. Other Postemployment Benefits

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1.

I. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required. During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

1. Cash Deposits

At June 30, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $1,255,104 and the bank balance was $1,601,462. The District's cash deposits at June 30, 2023, and during the year ended June 30, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments

The District is required by Government Code Chapter 2256, the Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; 6) bankers' acceptances; 7) mutual funds; 8) investment pools; 9) guaranteed investment contracts; and 10) commercial paper.

As of June 30, 2023, the District had the following investments:

Investment Type	Fair Value/ Amortized Cost	Ratings	Weighted Average Maturity (Days)
External investment pools:			
Lone Star	$ 38,308,242	AAAm	26
TexPool	68,689,366	AAAm	34
Texas CLASS	44,857,689	AAAm	45
Texas Range	167,182	AAAmmf	31
U.S. Treasury Note	2,005,133	AAA	238
Total Value	$ 154,027,612		
Portfolio weighted average maturity			35

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. – is the risk that a security issuer may default on an interest or principal payment. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by recognized rating agencies. The District's policy manages credit risk by authorizing only the safest types of investments backed by the federal or state government or their obligations and/or with ratings from nationally recognized rating firms of a least A or its equivalent.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of June 30, 2022, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

Fair Value Measurements

The District categorizes its fair values measurements with the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure the fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Assets measured at fair value on a recurring basis are as follows:

Investments by Fair Value Level:	Balance on June 30, 2023	Level 1	Level 2	Level 3
U.S. Treasury Note	$ 2,005,133		$ 2,005,133	

The fair value of the U.S. Treasury Note and Commercial Paper was determined based on level 2 inputs. The District estimates fair value of the investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investments in State Investment Pools (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

Lone Star

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both Lone Star members and nonmembers. Lone Star is rated 'AAAm' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of $1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of $1.00. Lone Star is measured at amortized cost.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

Texas Range

The Texas Range Investment Program "the Pool" was organized as the TexasTERM Local Government Investment Pool in conformity with the State of Texas Interlocal Cooperation Act and is administered by PFM Asset Management, LLC/ U.S. Bank serves at the Pool's custodial bank. The Pool operates three separate investment Portfolios, Texas DAILY, Texas DAILY Select and Texas TERM.

The primary objective of the Texas DAILY portfolio is to produce the highest income consistent with preserving principal and maintaining liquidity. The portfolio will maintain a dollar-weighted average maturity that does not exceed 60 days and seeks to maintain a net asset value of $1.00 per share. Texas DAILY may invest in securities including: obligations of the United States or its agencies and instrumentalities, obligations that are fully guaranteed or insured by the FDIC or the United States, certificates of deposit issued by FDIC insured banks, money-market mutual funds, and repurchase agreements involving obligations of the United States or its agencies and instrumentalities which meet the requirements of the Public Funds Investment Act.

The Texas DAILY portfolio has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Texas CLASS

Texas CLASS was created in accordance with the requirements contained in section 2256.016 of the Public Funds Act (PFIA). The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and UMB Bank, N.A. as Custodian.

Texas CLASS is an external investment pool measured at fair value, i.e. net asset value. The investment pool's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. There are no unfunded commitments related to the investment pool. Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. The Texas CLASS portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements' AAA rated money market mutual funds; and commercial paper.

B. Receivables

Receivables due from other governments as of June 30, 2023, for the District's individual major funds and Non-major Governmental Funds are as follows:

General Fund	
State Aid	$ 1,661,575
Other	105,415
Total General Fund	1,766,990
Nonmajor Special Revenue Funds	
Grants	1,103,517
Debt Service	
Other	39,449
Total Governmental Activities	$ 2,909,956

C. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	Balance July 1, 2022	Additions	Transfers	Deletions	Balance, June 30, 2023
Capital Assets not being depreciated:					
Land	$ 22,435,067	$ 4,327,500	$ -	$ -	$ 26,762,567
Construction In Progress	1,202,361	10,953,529	-	-	12,155,890
Total	23,637,428	15,281,029	-	-	38,918,457
Capital Assets being depreciated:					
Buildings and Improvements	373,847,733	38,240	-	-	373,885,973
Furniture and Equipment	11,503,320	4,440,028	-	-	15,943,348
Vehicles	8,128,455	2,407,367	-	-	10,535,822
Infrastructure	29,606,861	23,040	-	-	29,629,901
Total	423,086,369	6,908,675	-	-	429,995,044
Less Accumulated Depreciation:					
Buildings and Improvements	(70,409,792)	(7,664,047)	-	-	(78,073,839)
Furniture and Equipment	(7,263,366)	(1,231,974)	-	-	(8,495,340)
Vehicles	(4,773,357)	(601,741)	-	-	(5,375,098)
Infrastructure	(20,772,296)	(1,173,026)	-	-	(21,945,322)
Total	(103,218,811)	(10,670,788)	-	-	(113,889,599)
Total Capital Assets being depreciated	319,867,558	(3,762,113)	-	-	316,105,445
Capital Assets, Net	$343,504,986	$ 11,518,916	$ -	$ -	$355,023,902

Depreciation was charged to governmental functions as follows:

		Governmental Activities
11	Instruction	$ 5,544,911
12	Instructional Resources & Media Services	163,321
13	Curriculum & Staff Development	146,900
23	School Leadership	451,543
31	Guidance, Counseling & Evaluation Services	282,215
33	Health Services	112,886
34	Student Transportation	572,840
35	Child Nutrition Services	424,038
36	Co-Curricular Activities	914,252
41	General Administration	68,682
51	Plant Maintenance & Operations	1,027,441
52	Security & Monitoring Services	217,813
53	Data Processing Services	743,701
61	Community Services	245
	Total Depreciation	$ 10,670,788

D. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	$ 287,976,463	$ 110,000,000	$ 20,371,233	$ 377,605,230	$ 5,730,339
Notes Payable	485,000	-	165,000	320,000	170,000
Leases Payable	-	313,078	101,050	212,028	104,324
Accreted Interest	12,030,912	517,164	3,713,331	8,834,745	2,705,189
Bond Premium	16,450,660	318,798	2,110,426	14,659,032	-
Total	$ 316,943,035	$ 111,149,040	$ 26,461,040	$ 401,631,035	$ 8,709,852

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize debt issues outstanding at year end were as follows:

Bonds Payable

Year Ending June 30,	Principal	Interest	Total
2024	$ 5,730,333	$ 15,148,544	$ 20,878,877
2025	10,260,000	13,080,448	23,340,448
2026	10,310,000	12,678,635	22,988,635
2027	10,405,000	12,266,689	22,671,689
2028	11,530,000	12,991,126	24,521,126
2029-33	58,524,897	67,023,354	125,548,251
2034-38	70,350,000	48,525,857	118,875,857
2039-43	78,015,000	35,370,556	113,385,556
2044-48	96,035,000	18,193,525	114,228,525
2049-53	26,445,000	3,696,000	30,141,000
Total	$ 377,605,230	$ 238,974,734	$ 616,579,964

Notes Payable

Year Ending June 30,	Principal	Interest	Total
2024	$ 170,000	$ 6,945	$ 176,945
2025	150,000	3,375	153,375
Total	$ 320,000	$ 10,320	$ 330,320

A summary of changes in long term obligations for the year ended June 30, 2023 is as follows:

Series	Original Amount	Interest Rates	Final Maturity	Outstanding 07/01/22	Issued	Retired	Outstanding 06/30/23	Due Within One Year	Accreted Interest
Bonds Payable									
1999	$ 38,597,407	4.00 - 5.00%	2024	$ 1,845,744	$ -	$ 946,870	$ 898,874	$ 898,874	$ 2,172,912
2002	7,736,757	3.50 - 5.00%	2024	35,830	-	19,370	16,460	16,460	532,277
2014	8,854,992	0.60 - 3.55%	2036	8,034,993	-	2,749,993	5,285,000	90,000	-
2016	81,545,000	2.00 - 5.00%	2047	77,745,000	-	365,000	77,380,000	425,000	-
2017	81,215,000	3.00 - 5.00%	2048	80,110,000	-	520,000	79,590,000	310,000	-
2019	40,980,000	5.00%	2029	32,360,000	-	1,310,000	31,050,000	865,000	-
2020	90,699,896	0.28 - 2.63%	2043	87,844,896	-	2,275,000	85,569,896	2,235,000	6,129,556
2022	45,000,000	2.00 - 2.80%	2051	-	45,000,000	12,185,000	32,815,000	515,000	
2023	65,000,000	3.125%	2053	-	65,000,000	-	65,000,000	375,000	
Notes Payable									
2015	1,500,000	0.50 - 2.25%	2025	485,000	-	165,000	320,000	170,000	-
Totals	$ 461,129,052			$ 288,461,463	$ 110,000,000	$ 20,536,233	$ 377,925,230	$ 5,900,334	$ 8,834,745

<u>2022 Authorization</u>

In May of 2022 voters authorized $165.34M to be issued in bond debt solely for the purpose of constructing, equipping, and renovating school buildings, purchasing sites for future schools, and paying costs of issuance. Through June 30, 2023, the District has issued $110M in variable rate bonds pursuant to this authorization.

On August 1, 2022, the District issued $45,000,000 Fixed and Variable Rate Unlimited Tax School Building Bonds, Series 2022. The Bonds will bear interest at an Initial Rate from Aug 30, 2022 through November 30, 2023, with interest being payable initially on December 1, 2022 and will be payable on each December 1 and June 1 thereafter through the initial rate period at the rate of 2.00%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a “Variable Rate”), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

The bonds are subject to mandatory tender without the right of retention on the Conversion Date following the end of the Initial Rate Period on December 1, 2023. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the “Stepped Rate”, which is defined as 7.00% per annum.

On April 15, 2023, the District issued $65,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2023. The Bonds will bear interest at an Initial Rate from May 24, 2023 through January 31, 2027, with interest being payable initially on February 1, 2024 and will be payable on each February 1 and August 1 thereafter through the initial rate period at the rate of 2.00%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a “Variable Rate”), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

The bonds are subject to mandatory tender without the right of retention on the Conversion Date following the end of the Initial Rate Period on February 1, 2027. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined as 7.00% per annum.

E. Commitments Under Noncapitalized Leases

The District has various operating lease agreements where the future minimum payments are immaterial to the operations of the District and, accordingly, the District has elected not to disclose future payments by fiscal year.

F. Interfund Transactions

The interfund balances and transfers at June 30, 2023 were as follows:

	Receivable Balance	Payable Balance
General Fund:		
Non-Major Governmental Funds	$ 628,526	$ -
Total General Fund	$ 628,526	$ -
Non-Major Special Revenue Funds:		
General Fund	-	628,526
Permanent Fund	-	34,880
Non-Major Permanent Funds:		
Non-major Special Revenue Funds	34,880	-
TOTAL	$ 663,406	$ 663,406

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

Transfers From	Transfers To	Amount	Purpose
Internal Service	General Fund	$ 450,000	Operating surplus
General Fund	Federal Special Revenue	140,446	Revenue supplement

III. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The

District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations. The calculated Arbitage Rebate Payable at June 30, 2023 is $975,873.

C. Defined Benefit Pension Plan - Teacher Retirement System

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)642-6592.

Benefits Provided

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

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. SB12 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

Contribution Rates

	2023
Active Employee (Member)	8.00%
Non-Employer Contributing Entity (State)	8.00%
Employers	1.80%
Employer Contributions	$ 1,901,628
Member Contributions	$ 5,441,560
NECE On-behalf Contributions	$ 3,743,594

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

As the NECE for public education and junior colleges, the State contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of TRS during that fiscal year reduced by the amounts described below, which are paid by the employers.

Employers (public school, junior college, other entities, or the State as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

- During a new member's first 90 days of employment.

- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.

- When the employing district is a public junior college or junior college district, the employer shall contribute to TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

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

- When employing a retiree of the TRS, the employer shall pay both the member contribution rate and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

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

Valuation date	August 31, 2021 rolled forward to August 31, 2022
Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.00%
Long-term expected investment rate of return	7.00%
Municipal bond rate	3.91%. Source for the rate is the Fixed Income Market Data /Yield Curve/ Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2121
Inflation	2.30%
Salary increases	2.95% to 8.95%, including inflation
Ad hoc postemployment benefit changes	None

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

Discount Rate

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

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

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

Asset Class (4)	Target Allocation (1)	Long-Term Expected Arithmetic Real Rate of Return (2)	Expected Contribution to Long-Term Portfolio Results
Global Equity			
U.S	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy and Natural Resources	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity			
Risk Parity	8.00%	4.60%	0.43%
Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag (3)			-0.91%
Total	**100%**		**8.19%**

(1) Target allocations are based on the fiscal year 2021 policy model.
(2) Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021).
(3) The volatility drag results from the conversion between arithmetic and geometric mean returns.
(4) Absolute Return includes credit sensitive investments.

Discount Rate Sensitivity Analysis

The following table presents the net pension liability (NPL) of the plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	$42,911,843	$27,585,027	$15,161,923

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

At August 31, 2022, the District reported a liability of $27,585,027 for its proportionate share of the TRS's NPL. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$27,585,027
State's proportionate share that is associated with District	47,628,259
Total	$75,213,286

The NPL was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The District's proportion of the NPL was based on the District's contributions to TRS relative to the contributions of all employers to TRS for the period September 1, 2021 through August 31, 2022.

At August 31, 2022, the District's proportion of the collective NPL was 0.000464649%, which was an increase of 0.000045975% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of $3,743,594 and revenue of $3,743,594 for support provided by the State.

On August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 399,981	$ 601,406
Changes in actuarial assumptions	5,139,988	1,281,029
Difference between projected and actual investment earnings	2,725,312	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,347,133	416,096
Contributions paid to TRS subsequent to the measurement date	1,901,628	-
Total	$ 12,514,042	$ 2,298,531

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

Year ended June 30:	Pension Expense Amount
2023	$2,244,866
2024	$1,359,727
2025	$644,630
2026	$3,427,611
2027	$637,069
Thereafter	$0

D. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined benefit OPEB plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature. The TRS Board of Trustees (the "Board") administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board is granted the authority to establish basic and optional group insurance for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained at https://www.trs.texas.gov/Pages/about_publications.aspx or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare

Advantage medical plan and the TRS-Care Medicare prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least ten years of service credit in the TRS pension system. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments.

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

TRS-Care Monthly Premium Rates

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

**or surviving spouse*

Contributions

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

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

Contribution Rates

	2022
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/private funding remitted by employers	1.25%

	2022
Employer Contributions	$ 466,353
Member Contributions	$ 442,124
NECE On-behalf Contributions	$ 675,588

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject (regardless of whether they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of $535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19 related health care costs during fiscal year 2022.

Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the TRS pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

1. Rates of Mortality	5. Rates of Disability
2. Rates of Retirement	5. General Inflation
3. Rates of Termination	6. Wage Inflation

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

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2021 rolled forward to 8/31/2022
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	3.91% as of August 31, 2022
Aging factors	Based on plan-specific experience
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Projected salary increases	3.05% to 9.05%, including inflation
Ad hoc postemployment benefit changes	None

Discount Rate

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

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

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of the Net OPEB Liability:	$ 19,036,822	$ 16,145,498	$ 13,803,154

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At August 31, 2022, the District reported a liability of $16,145,498 for its proportionate share of TRS-Care's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$16,145,498
State's proportionate share that is associated with the District	19,694,970
Total	$35,840,468

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2021 through August 31, 2022.

On June 30, 2023, the employer's proportion of the collective net OPEB liability was 0.0674302%, compared to 0.0632240% as of June 30, 2022.

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

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	$ 13,303,963	$ 16,145,498	$ 19,829,182

Changes Since the Prior Actuarial Valuation

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

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

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

For the year ended June 30, 2023, the District recognized OPEB expense of ($1,768,513).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 897,633	$ 13,450,649
Changes in actuarial assumptions	2,459,279	11,216,931
Difference between projected and actual investment earnings	48,093	-
Changes in proportion and Differences between the District's contributions and proportionate share of contributions	5,494,479	-
Contributions paid to TRS subsequent to the measurement date	466,353	-
Total	$ 9,365,837	$ 24,667,580

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

Year ended June 30:	OPEB Expense Amount
2023	$ (3,043,468)
2024	$ (3,043,294)
2025	$ (2,358,624)
2026	$ (1,431,686)
2027	$ (1,929,247)
Thereafter	$ (3,961,777)

For the year ended August 31, 2022, the District recognized OPEB expense of $675,588 and revenue of $675,588 for support provided by the State.

<u>Medicare Part D Subsidies</u>

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2023, 2022, and 2021, the subsidy payments received by TRS-Care on behalf of the District were $351,240, $273,419, and $283,928, respectively.

E. Employee Health Care Coverage

During the year ended June 30, 2023, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of $331 per month per employee, $356 per month per employee with child, $381 per month per employee and spouse, and $406 per month per employee and family to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2023 and terms of coverage and premiums costs are included in the contractual provisions.

F. Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District is insured. This exposure is in property and general liability, workers' compensation, and unemployment compensation.

Property and General Liability

The District purchases commercial insurance to cover general liabilities. There have been no significant reductions in insurance coverage from the prior year for any category of risk.

Workers' Compensation

During the year ended June 30, 2023, the District purchased commercial insurance to cover workers compensation claims.

Unemployment Compensation

During the year ended June 30, 2023, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended June 30, 2023, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

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

G. Excess of Expenditures Over Appropriations by Function

The Texas Education Agency requires the budgets for certain Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in three functional categories in the General Fund for the year ended June 30, 2023. Amounts budgeted for child nutrition and plant maintenance were not adequate to cover actual expenditures.

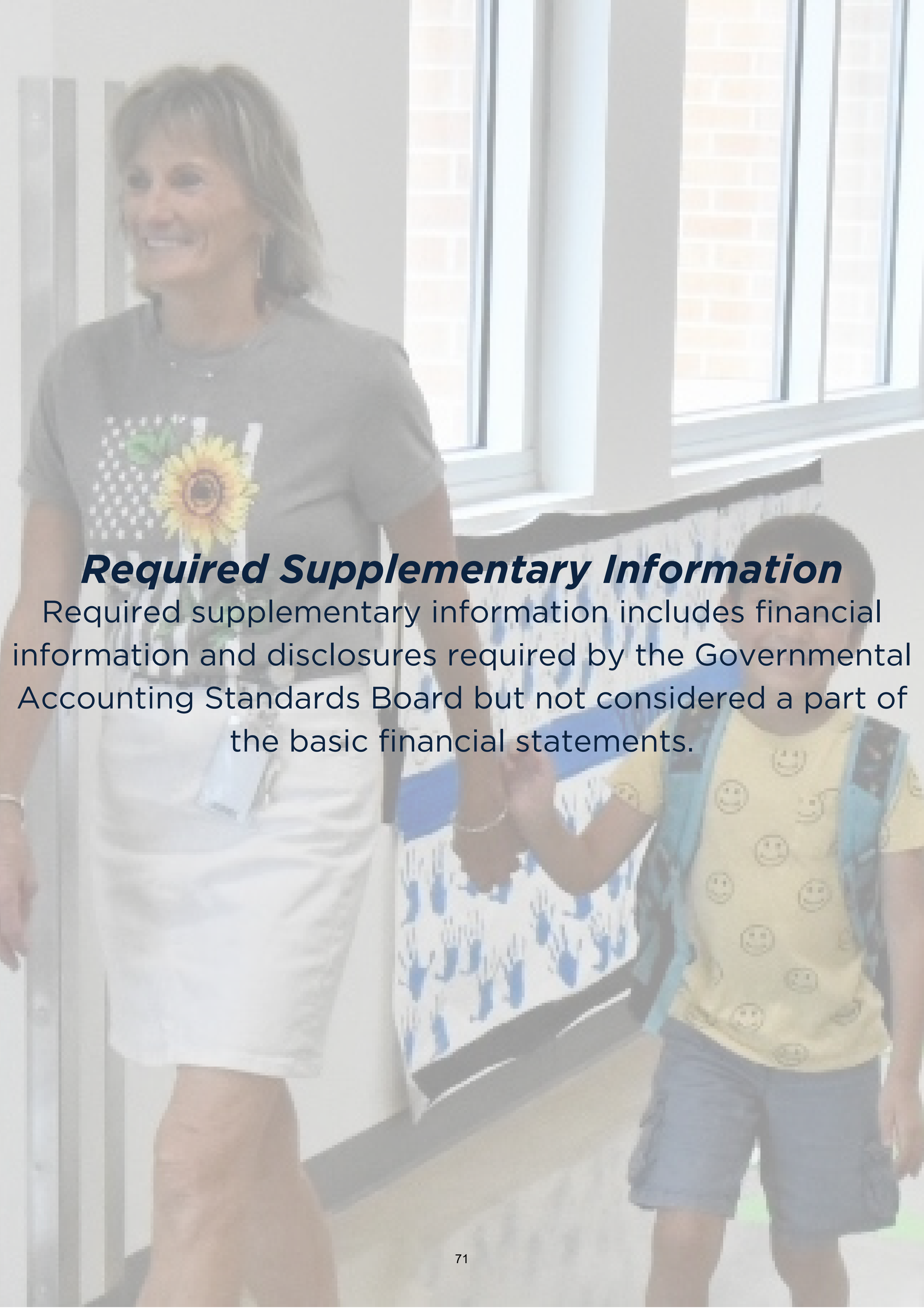
H. New Accounting Pronouncements

GASB Statement No. 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement became effective in this fiscal year and did not have an impact on the financial statements of the District.

GASB Statement No. 96: Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This Statement became effective in this fiscal year and the resulting proceeds and liabilities, while immaterial, have been recorded in the financial statements.

GASB Statement No. 100: Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement becomes effective in fiscal year 2024 and its impact on the District's financial statements cannot be assessed at the date of this report.

GASB Statement No. 101: Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement became effective in this fiscal year and did not have an impact on the financial statements of the District.



Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

BOERNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance with Final Budget
	REVENUES				
5700	Local and Intermediate Sources	$ 87,383,400	$ 89,174,734	$ 90,575,193	$ 1,400,459
5800	State Sources	9,769,124	11,600,358	12,466,612	866,254
5900	Federal Sources	1,295,000	1,295,000	1,998,210	703,210
5020	Total Revenues	98,447,524	102,070,092	105,040,015	2,969,923
	EXPENDITURES				
	Current:				
0010	Instruction & Instructional Related Services:				
0011	Instruction	54,093,189	54,276,189	52,803,048	1,473,141
0012	Instructional Resources and Media Services	1,018,624	1,013,624	980,141	33,483
0013	Curriculum and Instructional Staff Development	3,039,318	3,360,318	3,105,958	254,360
	Total Instruction & Instructional Related Services	58,151,131	58,650,131	56,889,147	1,760,984
0020	Instructional & School Leadership:				
0021	Instructional Leadership	1,456,001	1,513,001	1,469,840	43,161
0023	School Leadership	5,407,561	5,415,561	5,323,460	92,101
	Total Instructional and School Leadership	6,863,562	6,928,562	6,793,300	135,262
0030	Support Services - Student:				
0031	Guidance and Counseling Services	3,907,984	3,999,984	3,940,846	59,138
0033	Health Services	1,039,825	1,056,825	992,041	64,784
0034	Pupil Transportation	2,811,117	3,120,617	3,000,196	120,421
0035	Child Nutrition Services	37,721	76,721	78,994	(2,273)
0036	Co-Curricular Activities	2,856,762	2,940,762	2,906,087	34,675
	Total Support Services - Student	10,653,409	11,194,909	10,918,164	276,745
0040	Administration:				
0041	General Administration	3,962,323	4,033,323	3,695,027	338,296
	Total Administration	3,962,323	4,033,323	3,695,027	338,296
0050	Support Services - Non-Student Based:				
0051	Plant Maintenance and Operations	9,700,799	9,957,799	10,049,033	(91,234)
0052	Security & Monitoring Services	971,419	1,947,619	1,415,747	531,872
0053	Data Processing Services	2,393,456	2,532,456	2,343,241	189,215
	Total Support Services - Non-Student Based	13,065,674	14,437,874	13,808,021	629,853
0060	Ancillary Services:				
0061	Community Services	43,960	45,610	43,031	2,579
	Total Ancillary Services	43,960	45,610	43,031	2,579
0070	Debt Service				
0071	Debt Service	174,110	286,110	283,167	2,943
	Total Debt Service	174,110	286,110	283,167	2,943

(Continued on next page.)

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance with Final Budget
	EXPENDITURES (Continued)				
0090	Intergovernmental Charges				
0091	Chapter 49 Recapture	$ 5,725,432	$ 8,694,850	$ 7,485,147	$ 1,209,703
0099	Other Intergovernmental Charges	880,000	990,000	817,510	172,490
	Total Intergovernmental Charges	6,605,432	9,684,850	8,302,657	1,382,193
6030	Total Expenditures	99,519,601	105,261,369	100,732,514	4,528,855
1100	Excess (Deficiency) of Revenues Over Expenditures	(1,072,077)	(3,191,277)	4,307,501	7,498,778
	Other Financing Sources (Uses):				
7913	Proceeds from Right to Use Leased Assets	-	315,000	313,078	(1,922)
7915	Transfer from Capital Projects Fund	-	-	450,000	450,000
8911	Transfer Out	-	-	(140,446)	(140,446)
	Total Other Financing Sources (Uses)	-	315,000	622,632	307,632
1200	Net Change in Fund Balance	(1,072,077)	(2,876,277)	4,930,133	7,806,410
0100	FUND BALANCES, July 1, 2022	23,192,414	23,192,414	23,192,414	-
3000	FUND BALANCES, June 30, 2023	$ 22,120,337	$ 20,316,137	$ 28,122,547	$ 7,806,410

Exhibit F-2

BOERNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2023

	Measurement Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0464649%	0.0418674%	0.0431739%	0.0413868%	0.0399888%	0.0394284%	0.0383046%	0.0395622%	0.0243006%
District's Proportionate Share of Net Pension Liability (Asset)	$ 27,585,027	$ 10,662,144	$ 23,123,035	$ 21,514,139	$ 22,010,814	$ 12,607,080	$ 14,474,737	$ 13,984,711	$ 6,491,027
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	47,628,259	22,682,109	45,823,139	41,785,626	42,175,066	24,437,063	28,970,238	26,992,031	22,919,079
Total	$ 75,213,286	$ 33,344,253	$ 68,946,174	$ 63,299,765	$ 64,185,880	$ 37,044,143	$ 43,444,975	$ 40,976,742	$ 29,410,106
District's Covered Payroll	$ 65,212,403	$ 63,174,589	$ 60,689,798	$ 53,179,855	$ 48,863,880	$ 46,966,848	$ 44,011,175	$ 41,898,919	$ 40,418,780
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	42.30%	16.88%	38.10%	40.46%	45.05%	26.84%	32.89%	33.38%	16.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	75.24%	73.74%	73.74%	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

Exhibit F-3

BOERNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 2,280,629	$ 2,075,187	$ 1,773,928	$ 1,599,407	$ 1,208,597	$ 1,340,091	$ 1,282,679	$ 1,207,743	$ 1,079,313
Contribution in Relation to the Contractually Required Contribution Associated with the District	(2,280,629)	(2,075,187)	(1,773,928)	(1,599,407)	(1,208,597)	(1,340,091)	(1,282,679)	(1,207,743)	(1,079,313)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 68,019,486	$ 64,662,666	$ 62,854,308	$ 59,411,556	$ 53,179,855	$ 48,863,880	$ 46,596,786	$ 44,011,175	$ 42,065,117
Contributions as a Percentage of Covered Payroll	3.35%	3.21%	2.82%	2.69%	2.27%	2.74%	2.75%	2.74%	2.57%

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

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

Exhibit F-4

BOERNE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
LIABILITY OF A COST-SHARING MULTIPLE EMPLOYER OPEB PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2023

	Measurement Year					
	2022	2021	2020	2019	2018	2017
District's Proportion of the Net Pension Liability (Asset)	0.0674302%	0.0632240%	0.0626829%	0.0599127%	0.0571479%	0.0539478%
District's Proportionate Share of Net Pension Liability (Asset)	$ 16,145,498	$ 24,388,321	$ 23,828,609	$ 28,333,429	$ 28,534,482	$ 23,439,856
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	19,694,970	32,674,914	41,563,944	37,648,788	43,232,210	37,806,439
Total	$ 35,840,468	$ 57,063,235	$ 65,392,553	$ 65,982,217	$ 71,766,692	$ 61,246,295
District's Covered Payroll	$ 65,212,403	$ 63,174,589	$ 60,689,798	$ 53,179,855	$ 48,863,880	$ 46,966,848
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	24.76%	38.60%	39.26%	53.28%	58.40%	49.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	6.18%	6.18%	4.99%	2.66%	1.57%	0.91%

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

Exhibit F-5

BOERNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS TO A
COST-SHARING MULTIPLE EMPLOYER OPEB PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 564,350	$ 484,924	$ 470,285	$ 466,914	$ 420,542	$ 374,736
Contribution in Relation to the Contractually Required Contribution Associated with the District	(564,350)	(484,924)	(470,285)	(466,914)	(420,542)	(374,736)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 68,019,486	$ 64,662,666	$ 62,854,308	$ 59,411,556	$ 53,179,855	$ 48,863,880
Contributions as a Percentage of Covered Payroll	0.83%	0.75%	0.75%	0.79%	0.79%	0.77%

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

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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McCALL PARKHURST & HORTON
Focused on Public Finance since 1919.

June 5, 2024

**BOERNE INDEPENDENT SCHOOL DISTRICT
FIXED AND VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2024
DATED AS OF MAY 1, 2024
IN THE AGGREGATE PRINCIPAL AMOUNT OF $54,970,000**

AS BOND COUNSEL FOR THE BOERNE INDEPENDENT SCHOOL DISTRICT (the *District*) in connection with the issuance of the bonds described above (the *Bonds*), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption, as applicable, at the rates and are payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the order authorizing the issuance of the Bonds (the *Order*), (ii) the Tender Agent Agreement, dated as of February 26, 2024, between the District and BOKF, NA, Dallas, Texas, as Tender Agent, (iii) one of each of the executed Bonds, and (iv) the District's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the District in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally; that the District has the legal authority to issue the Bonds and to repay the Bonds; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged for such payment, without limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the *Code*). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the Federal Tax Certificate of the District and covenants set forth in the order adopted by the District to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which

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we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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 (the *Service*); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and general laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto.

We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District. Our role in connection with the District's Offering Memorandum prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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APPENDIX D

PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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APPENDIX D

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

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

As described below, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to both (i) 6% of the average of the market value of the Fund, excluding real property, on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, and (ii) the total-return on all investment assets of the Fund over a rolling ten-year period.

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund(1)

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

(1) In millions of dollars. Source: Annual Report for year ended August 31, 2023.
(2) Reflects the first fiscal year in which distributions were made by the PSF Corporation.
(3) In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

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

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

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

(1) Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of $600 million per year directly to the ASF for fiscal biennium 2024-25.
(2) The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

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Comparative Investment Schedule – PSF(CORP)

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

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

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

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

Investment Schedule - PSF(SLB)[1]

Fair Value (in millions) August 31, 2023

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

(1) Unaudited figures from Table 5 in the FY 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.
(2) Historical Cost of investments at August 31, 2023 was: Sovereign Lands $838,776.71; Discretionary Internal Investments $129,728,504.04; Other Lands $38,241,863.70; and Minerals $13,437,063.73.
(3) Includes an estimated 1,000,000.00 acres in freshwater rivers.
(4) Includes an estimated 1,747,600.00 in excess acreage.
(5) Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.
(6) Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

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

The School District Bond Guarantee Program

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

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

Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

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

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

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

The Charter District Bond Guarantee Program

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2024 fiscal year, the ratio is 7.69%. At February 26, 2024, there were 186 active open-enrollment charter schools in the State and there were 1,128 charter school campuses authorized under such charters, though as of such date, 212 of such campuses are not currently serving students for various reasons; therefore, there are 916 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

In accordance with the Act, the Education Commissioner may not approve charter district bonds for guarantee if such guarantees will result in lower bond ratings for public school district bonds that are guaranteed under the School District Bond Guarantee Program. To be eligible for a guarantee, the Act provides that a charter district's bonds must be approved by the Attorney General, have an unenhanced investment grade rating from a nationally recognized investment rating firm, and satisfy a limited investigation conducted by the TEA.

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a “bond enhancement agreement” or a “credit agreement,” unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event of default, holders of guaranteed charter district bonds will receive all payments due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district’s paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding “intercept” feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the “CDBGP Capacity”) is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See “Capacity Limits for the Guarantee Program.” Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 (“SB 389”) was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF.

Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

Since December 16, 2009, the IRS Limit was a static limit set at 500% of the total cost value of the assets held by the PSF as of December 16, 2009; however, on May 10, 2023, the IRS released Notice 2023-39 (the “IRS Notice”), stating that the IRS would issue regulations amending the existing regulations to amend the calculation of the IRS limit to 500% of the total cost value of assets held by the PSF as of the date of sale of new bonds, effective as of May 10, 2023.

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2023 the cost value of the Guarantee Program was $44,034,322,531 (unaudited), thereby producing an IRS Limit of $220,171,612,655 in principal amount of guaranteed bonds outstanding.

As of December 31, 2023, the estimated State Capacity Limit is $154,120,128,859, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table “Permanent School Fund Guaranteed Bonds” below. Effective March 1, 2023, the Act provides that the SBOE may establish a percentage of the Capacity Limit to be reserved from use in guaranteeing bonds (the “Capacity Reserve”). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the PSF Corporation’s web site at https://texaspsf.org/monthly-disclosures/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

No representation is made as to how the capacity will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. If the amount of guaranteed bonds approaches the State Capacity Limit, the SBOE or Education Commissioner may increase the State Capacity Limit multiplier as discussed above.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017, and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit <u>less</u> 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 <u>prior to</u> the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.69% in February 2024. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provided that the Education Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Education Commissioner may decline to approve the application if the Education Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules also require the Education Commissioner to make an investigation of the accreditation status and financial status for a charter district applying for a bond guarantee.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2024, the Charter District Reserve Fund contained $97,636,048, which represented approximately 2.32% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides $60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

As a general rule, the operation of a charter school involves fewer State requirements and regulations for charter holders as compared to other public schools, but the maintenance of a State- granted charter is dependent upon on-going compliance with State law and regulations, which are monitored by TEA. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school. Charter holders are governed by a private board of directors, as compared to the elected boards of trustees that govern school districts.

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSF.

Infectious Disease Outbreak

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054. That plan was designed to ensure performance of the Agency's essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

Circumstances regarding the COVID-19 pandemic continue to evolve; for additional information on these events in the State, reference is made to the website of the Governor, https://gov.texas.gov/, and, with respect to public school events, the website of TEA, https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and- guidance.

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of January 2024, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

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Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district's underlying rating and the enhanced rating applied to a given series of bonds.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value(1)	Market Value(1)
2019	**$35,288,344,219**	**$46,464,447,981**
2020	**36,642,000,738**	**46,764,059,745**
2021	**38,699,895,545**	**55,582,252,097**
2022	**42,511,350,050**	**56,754,515,757**
2023(2)	**43,915,792,841**	**59,020,536,667**

(1) SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.
(2) At August 31, 2023, mineral assets, sovereign and other lands and discretionary internal investments, and cash managed by the SLB had book values of approximately $13.4 million,
$168.8 million, and $708.4 million, respectively, and market values of approximately $5,435.6 million, $678.4 million, and $508.4 million, respectively.

Permanent School Fund Guaranteed Bonds

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

(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.
(2) At August 31, 2023 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $178,520,723,868, of which
$62,789,897,186 represents interest to be paid. As shown in the table above, at August 31, 2023, there were $115,730,826,682 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $154,120,128,859 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2023, the amount of outstanding bond guarantees represented 76.36% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

Ended 8/31	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023[2]	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.
[2] At December 31, 2023 (based on unaudited data, which is subject to adjustment), there were $117,374,697,034 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,369 school district issues, aggregating $113,174,765,034 in principal amount and 105 charter district issues, aggregating $4,199,932,000 in principal amount. At December 31, 2023 the projected guarantee capacity available was $26,935,589,587(based on unaudited data, which is subject to adjustment).

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

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

At the end of fiscal year 2023, the PSF(CORP) net position was $52.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(CORP) is invested in global markets and liquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten- year periods ending August 31, 2023, net of fees, were 6.14%, 6.19%, and 6.78%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). See "Comparative Investment Schedule - PSF(CORP)" for the PSF(CORP) holdings as of August 31, 2023.

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

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PSF Returns Fiscal Year Ended 8-31-2023[1]

	Permanent School Fund Guaranteed Bonds by Category[1]					
	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
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PSF Returns Fiscal Year Ended 8-31-2023(1)

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

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

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

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

Other Events and Disclosures

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

The TEA and the PSF Corporation may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited financial statements will be provided when available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is composed of two primary segments: the financial assets (PSF(CORP)) managed by PSF Corporation, and the non-financial assets (PSF(SLB)) managed by the SLB. Each of these segments is reported separately und different bases of accounting.

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

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

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than $10 million of outstanding municipal securities.

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