OFFICIAL STATEMENT
Dated: June 26, 2024

NEW ISSUE: Book-Entry-Only

PSF Ratings:	**Fitch:**	**"AAA"**
	Moody's:	**"Aaa"**
Underlying Ratings:	**Fitch:**	**"AA+"**
	Moody's:	**"Aa2"**

(see "RATINGS" and "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

In the opinion of Jackson Walker LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$173,285,000
CLEAR CREEK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Galveston and Harris Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024

Dated Date: July 1, 2024 **Due: February 15, as shown on page ii herein**
Interest accrues from the Delivery Date (defined below)

The Clear Creek Independent School District (the "District") is issuing its $173,285,000 Unlimited Tax School Building and Refunding Bonds, Series 2024 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, and, with respect to the school building bond portion of the Bonds, an election held in the District on November 7, 2023. The bonds are also issued pursuant to an order adopted by the Board of Trustees of the District (the "Board") on April 15, 2024 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who approved and executed a "Pricing Certificate" that sets forth the final terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order"). The Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. See "THE BONDS – Authority for Issuance." In addition, the District has received conditional approval for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

Interest on the Bonds shall accrue from the Delivery Date (defined below) and will be payable on February 15, 2025, and semiannually thereafter on each February 15 and August 15 until stated maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. See "THE BONDS – General Description."

The District intends to use the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but use of such system could be discontinued. The principal amount of the Bonds at maturity or amounts due upon a prior redemption date, and interest on the Bonds will be payable to Cede & Co., as nominee for DTC, by The Bank of New York Mellon Trust Company, N.A., as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Proceeds from the sale of the Bonds will be used (i) for the construction, acquisition and equipment of school buildings, (ii) for the purchase of necessary sites for school buildings, (iii) for the purchase of new school busses, (iv) for the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and upgrading of instructional technology, (v) to refund a portion of the District's currently outstanding unlimited ad valorem tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Bonds"), in order to provide long-term financing at fixed rates, and (vi) to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose."

The Bonds maturing on and after February 15, 2035, are subject to redemption prior to maturity, at the option of the District, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." In addition, the Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

CUSIP PREFIX: 184541 / MATURITY SCHEDULE & 9 DIGIT CUSIP NUMBERS – See Page ii

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The Bonds are offered when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Jackson Walker LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Houston, Texas, and Levi Benton & Associates PLLC, Houston, Texas, Co-Counsel for the Underwriters. Delivery of the Bonds is expected to be on or about July 16, 2024 (the "Delivery Date").

BOK FINANCIAL SECURITIES, INC.

BAIRD **FHN FINANCIAL CAPITAL MARKETS**

HILLTOPSECURITIES **PIPER SANDLER & CO.** **STIFEL**

MATURITY SCHEDULE

$173,285,000
CLEAR CREEK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Galveston and Harris Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024

$144,895,000 Serial Bonds

Maturity Date (2/15)[a]	Principal Amounts	Interest Rate	Initial Yield[b]	CUSIP No. 184541[c]
2025	$3,415,000	5.000%	3.370%	GK0
2026	4,105,000	5.000%	3.240%	GL8
2027	4,315,000	5.000%	3.160%	GM6
2028	4,535,000	5.000%	3.110%	GN4
2029	4,770,000	5.000%	3.070%	GP9
2030	5,010,000	5.000%	3.100%	GQ7
2031	5,270,000	5.000%	3.130%	GR5
2032	5,540,000	5.000%	3.150%	GS3
2033	5,825,000	5.000%	3.150%	GT1
2034	6,120,000	5.000%	3.150%	GU8
2035	6,435,000	5.000%	3.180%[d]	GV6
2036	20,510,000	5.000%	3.240%[d]	GW4
2037	21,565,000	5.000%	3.270%[d]	GX2
2038	22,665,000	5.000%	3.340%[d]	GY0
2039	7,860,000	5.000%	3.400%[d]	GZ7
2040	8,265,000	5.000%	3.500%[d]	HA1
2041	8,690,000	5.000%	3.590%[d]	HB9

(Interest Accrues from Delivery Date)

$28,390,000 Term Bonds

$28,390,000 Term Bonds due February 15, 2044 [a][e] Interest Rate 4.000% Yield 4.100% [b] CUSIP No. [c] 184541HE3

(Interest accrues from the Date of Delivery)

(a) The Bonds maturing on and after February 15, 2035, are subject to redemption prior to maturity, at the option of the District, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS –Redemption Provisions – *Optional Redemption*."

(b) The initial yields are established by and are the sole responsibility of the Underwriters, and may subsequently be changed.

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

(d) The initial yields are priced to the first optional redemption date of February 15, 2034.

(e) The Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Redemption Provisions – *Mandatory Redemption.*"

USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Financial Advisor or the Underwriters.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation by the Financial Advisor or the Underwriters.

This Official Statement, which includes the cover page and appendices hereto, is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertaking of the District to provide certain information on a continuing basis.

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

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

None of the District, the Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry Only System or the affairs of the Texas Education Agency described under "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

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

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "FORWARD-LOOKING STATEMENTS."

References to website 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 websites and the information or hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

TABLE OF CONTENTS

The cover page hereof, the section entitled "SELECTED DATA FROM THE OFFICIAL STATEMENT," this Table of Contents and the Appendices attached hereto are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	Clear Creek Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in Galveston and Harris Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District, see "APPENDIX A - FINANCIAL INFORMATION REGARDING THE DISTRICT" and "APPENDIX B - GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY."
Authority for Issuance	The District is issuing its $173,285,000 Unlimited Tax School Building and Refunding Bonds, Series 2024 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, and, with respect to the school building bond portion of the Bonds, an election held in the District on November 7, 2023. The bonds are also issued pursuant to an order adopted by the Board of Trustees of the District (the "Board") on April 15, 2024 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who approved and executed a "Pricing Certificate" that sets forth the final terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order").
The Bonds	The Bonds shall mature on the dates and in the amounts set forth on page ii of this Official Statement. See "THE BONDS – General Description."
Payment of Interest	Interest on the Bonds will accrue from the date of their initial delivery and will be payable on February 15, 2025 and semiannually thereafter on each February 15 and August 15 until stated maturity or prior redemption. See "THE BONDS – General Description."
Security	The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. See "THE BONDS - Security." Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, the District has applied for and expects to receive conditional approval from the Texas Education Agency for the payment of the principal of and interest on the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."
Redemption Provisions	The Bonds maturing on and after February 15, 2035, are subject to redemption prior to maturity, at the option of the District, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." In addition, the Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Redemption Provisions – *Mandatory Redemption*."
Use of Proceeds	Proceeds from the sale of the Bonds will be used (i) for the construction, acquisition and equipment of school buildings, (ii) for the purchase of necessary sites for school buildings, (iii) for the purchase of new school busses, (iv) for the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and upgrading of instructional technology, (v) to refund a portion of the District's currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Bonds"), in order to provide long-term financing at fixed rates, and (vi) to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose."

Ratings	Fitch Ratings ("Fitch") and Moody's Investors Service ("Moody's") have assigned municipal bond ratings of "AAA" and "Aaa," respectively, to the Bonds based upon the Permanent School Fund Guarantee. Fitch and Moody's generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA" and "Aaa," respectively. See "RATINGS" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The District's underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are "AA+" by Fitch and "Aa2" by Moody's. See "RATINGS."
Paying Agent/Registrar	The Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. See "THE BONDS - Paying Agent/Registrar."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000, or integral multiples thereof, of principal amount. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal amount of the Bonds at maturity or amounts due upon a prior redemption date and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
Continuing Disclosure of Information	Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events which will be available to investors as described in the section captioned "CONTINUING DISCLOSURE OF INFORMATION." Also see "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM - PSF Continuing Disclosure Undertaking" for a description of the undertaking of the Texas Education Agency to provide certain information on a continuing basis.
Tax Exemption	In the opinion of Jackson Walker LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein.
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legality	Delivery of the Bonds is subject to the approval of the Attorney General of Texas and the rendering of an opinion as to legality by Jackson Walker LLP, Houston, Texas, Bond Counsel. .

For additional information regarding the District, please contact:

Alice Benzaia Chief Financial Officer Clear Creek Independent School District 2425 E. Main Street Clear Creek, Texas 77573 Phone: (281) 284-0189	or	Terrell Palmer Francine Stefan Post Oak Municipal Advisors LLC 820 Gessner Road, Suite 1350 Houston, Texas 77024 Phone: (713) 328-0990

CLEAR CREEK INDEPENDENT SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Position	Length of Service	Term Expires (May)	Occupation
Arturo Sanchez	President	7 Years	2026	External Relations
Jonathan Cottrell	Vice President	3 Years	2027	Realtor
Jay Cunningham	Secretary	9 Years	2027	Business Manager
Scott Bowen	Trustee	5 Years	2025	Chemical Engineer
Jessica Cejka	Trustee	2 Years	2025	Realtor
Jeff Larson	Trustee	3 Years	2027	Consultant
Jamieson Mackay	Trustee	1 Year	2026	Credit Union Executive

CERTAIN DISTRICT OFFICIALS

Name	Position	Length of Service with District
Dr. Karen Engle	Superintendent of Schools	22 Years
Franklin Moses	Assistant Superintendent of Secondary Education	3 Years
Holly Hughes	Assistant Superintendent of Elementary Education	31 Years
Dr. Angela Stallings	Assistant Superintendent of Instructional Support	1 Year
Dr. Susan Silva	Assistant Superintendent of Teaching and Learning	20 Years
Dr. Robert Branch	Assistant Superintendent of Human Resources	23 Years
Paul Miller	Assistant Superintendent of Support Services	16 Years
Elaina Polsen	Chief Communications Officer	18 Years
Alice Benzaia, CPA	Chief Financial Officer	16 Years
Dustin Hardin	Chief Technology Officer	3 Years
Dr. Leila Sarmecanic	General Counsel	8 Years
Jeffrey Kohlenberg, CPA	Controller	25 Years

CONSULTANTS AND ADVISORS

Auditors .... Weaver and Tidwell, LLP
The Woodlands, Texas

Bond Counsel .... Jackson Walker LLP
Houston, Texas

Financial Advisor .... Post Oak Municipal Advisors LLC
Houston, Texas

OFFICIAL STATEMENT
relating to

$173,285,000

CLEAR CREEK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Galveston and Harris Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024

INTRODUCTORY STATEMENT

This Official Statement, including the Appendices hereto, has been provided by the Clear Creek Independent School District (the "District") located in Galveston and Harris Counties, Texas, in connection with the offering by the District of its $173,285,000 Unlimited Tax School Building and Refunding Bonds, Series 2024 (the "Bonds").

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

There follows in this Official Statement descriptions of the Bonds and the Order (hereinafter defined), and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the District's Financial Advisor, Post Oak Municipal Advisors LLC, 820 Gessner Road, Suite 1350, Houston, Texas 77024.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board ("MSRB") and will be available through its Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" for information regarding the EMMA system and for a description of the District's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used (i) for the construction, acquisition and equipment of school buildings, (ii) for the purchase of necessary sites for school buildings, (iii) for the purchase of new school busses, (iv) for the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and upgrading of instructional technology, (v) to refund a portion of the District's currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Bonds"), in order to provide long-term financing at fixed rates, and (vi) to pay the costs of issuance of the Bonds.

Refunded Bonds

The Refunded Bonds, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent") pursuant to an escrow agreement between the District and the Escrow Agent (the "Escrow Agreement").

The Order (defined herein) provides that from a portion of the proceeds of the sale of the Bonds to the underwriters listed on the cover page hereof (the "Underwriters") the District will deposit with the Escrow Agent an amount, together with other lawfully available funds, if any, which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow fund (the "Escrow Fund") and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, which authorized securities include direct noncallable obligations of the United States of America rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and guaranteed by the full faith and credit of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

Public Finance Partners LLC will verify at the time of delivery of the Bonds to the Underwriters that the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on their scheduled redemption date and maturity dates. Such maturing principal of and interest on the Federal Securities will not be available to pay the debt service on the Bonds. See VERIFICATION OF ARITHMETICAL COMPUTATIONS."

By the deposit of the Federal Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, and the order authorizing the issuance of the Refunded Bonds. The opinion of Bond Counsel will note that, as a result of such deposit, and in reliance on the above mentioned verification of arithmetical computation, the firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and the Refunded Bonds will no longer be outstanding, and the lien on and pledge of ad valorem taxes and other revenues as set forth in the order authorizing their issuance will be appropriately and legally defeased, except for the purpose of being paid from funds provided thereof, in the Escrow Agreement. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund.

In the Escrow Agreement, the District covenants to make timely deposits with the Escrow Agent, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

Sources and Uses of Funds

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

Sources of Funds	
Principal Amount of the Bonds	$ 173,285,000.00
Net Original Issue Premium	17,150,848.65
Total Sources of Funds	$ 190,435,848.65
Uses of Funds	
Deposit to Construction Fund	$ 140,000,000.00
Deposit to Escrow Fund	49,100,218.62
Costs of Issuance [(a)]	527,849.40
Underwriters' Discount	807,780.63
Total Uses of Funds	$ 190,435,848.65

(a) Includes legal fees of the District, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, Escrow Agent and Verification Agent, and other costs of issuance, including contingency.

THE BONDS

Authority for Issuance

The District is issuing the Bonds in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, and, with respect to the school building bond portion of the Bonds, an election held in the District on November 7, 2023. The bonds are also issued pursuant to an order adopted by the Board of Trustees of the District (the "Board") on April 15, 2024 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who approved and executed a "Pricing Certificate" that sets forth the final terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order").

General Description

Interest on the Bonds will accrue from the date of their initial delivery to the Underwriters and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The paying agent and registrar for the Bonds is initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar").

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal amount of the Bonds at maturity or amounts due upon a prior redemption date, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" for a more complete description of such system.

Interest on the Bonds will be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and such accrued interest will be paid by (i) check sent by United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date for the interest payable on any interest payment date for the Bonds is the last business day of the month next preceding such interest payment date. See "THE BONDS – Record Date for Interest Payment." The principal of the Bonds, at maturity or on a prior redemption date will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption, as applicable; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are to mature on the dates and in the principal amounts shown on page ii hereof. The Bonds will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will be payable semiannually on February 15 and August 15 in each year, commencing February 15, 2025, until stated maturity or prior redemption.

Security

The Bonds are direct obligations of the District and are payable as to principal and interest from an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. In addition, the District has applied for and expects to receive approval, subject to certain conditions, for the Bonds to be guaranteed by the Permanent School Fund of the State of Texas. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, and APPENDIX E.

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has submitted an application to the Texas Education Agency for the payment of the Bonds to be guaranteed under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code). Subject to meeting certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein and in APPENDIX E, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State in accordance with the terms of the Guarantee Program for School District Bonds (the "Permanent School Fund Guarantee").

In the event of default, registered owners will receive all payments due from the corpus of the Permanent School Fund. In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A.. 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 while any Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state and 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.

Registration, Transfer and Exchange

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 thereof to the Paying Agent/Registrar at its designated payment office and such transfer or exchange shall be without expenses 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 for and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond or Bonds being transferred or exchanged, at the designated payment 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 of principal for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment

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

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal 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 presentation and surrender of such mutilated Bond to the Paying Agent/Registrar. The District or the Paying Agent/Registrar may require the owner to pay all expenses and charges in connection therewith. 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 once the owner (a) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond, (b) furnishes security or indemnity as may be required by the Paying Agent/Registrar and the District, (c) pays all expenses and charges in connection therewith and (d) satisfies any other reasonable requirements imposed by the District and the Paying Agent/Registrar.

Redemption Provisions

Optional Redemption: The District reserves the right to redeem Bonds maturing on and after February 15, 2035, in whole or in part before their maturity dates, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption.

Mandatory Redemption: The Bonds maturing on February 15, 2044 (the "Term Bonds") are subject to mandatory redemption prior to maturity in the amounts and on the dates set forth below, at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date.

$28,390,000 Term Bonds maturing February 15, 2044

Mandatory Redemption	Principal Amount
February 15, 2042	$9,085,000
February 15, 2043	9,460,000
February 15, 2044[(a)]	9,845,000

(a) Maturity.

The particular Term Bonds to be redeemed shall be selected by the Registrar by lot or other customary random selection method, on or before January 1 of each year in which a Term Bond is to be mandatorily redeemed. The principal amount of a Term Bond to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Bond that has been acquired by the District and delivered to the Registrar for cancellation or has been optionally redeemed and which has not been made the basis for a previous reduction.

Notice of Redemption

At least 30 days prior to the date fixed for any such redemption of Bonds, the District shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each registered owner at the address shown on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH BONDS OR PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH BONDS ARE SURRENDERED FOR PAYMENT.

The District reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any obligations subject to conditional redemption if such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

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

Legality

The Bonds are offered when, as and if issued and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Jackson Walker LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS” and “APPENDIX C – FORM OF LEGAL OPINION OF BOND COUNSEL.”

Payment Record

The District has never defaulted with respect to the payment of its bonded indebtedness.

Defeasance of Bonds

The Order provides that Bonds may be defeased, refunded or discharged in any manner now or hereafter permitted by applicable law, subject to the following restrictions:

The Bonds shall be defeased 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, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities certified by its financial advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party, to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar.

The District has additionally reserved the right, 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 moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

"Government Securities" shall mean (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (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 of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Order or treated as debt of the District for purposes of taxation or applying any limitation on the District's ability to issue debt or for any other purpose.

The defeasance of the Bonds cancels the Permanent School Fund Guarantee with respect to the defeased Bonds.

REGISTERED OWNERS' REMEDIES

The Order does not provide for the appointment of a trustee to represent the interests of the Bond holders upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order, Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for theperfo1mance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Chapter 1371, Texas Government Code ("Chapter 1371"), which forms part of the authority for the issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. However, 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 beyond Chapter 1371, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. In addition, the enforcement of a claim for the payment of a Bond would be subject to the applicable provisions of federal bankruptcy laws and any other statutes affecting the rights of creditors of political subdivisions and may be limited by general principles of equity.

The District is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of 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 Bond holders of an entity which has sought protection under Chapter 9, Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the U.S. Bankruptcy Code.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and principal of premium, if any, redemption payments and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be *reliable, but none of the District, the Financial Advisor or the Underwriters take any responsibility for the accuracy or completeness thereof.*

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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, principal amounts and interest payments 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 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 Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

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

Use of Certain Terms in Other Sections of this Official Statement

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

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

Effect of Termination of Book-Entry-Only System

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

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

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, et.al v. The Texas Taxpayer and Student Fairness Coalition, et al.*, No. 14-0776 (Tex. May 13, 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 Litigation and Changes in Law on District Bonds

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the public school finance system (the "Finance System") as it is currently structured. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. Certain of the information provided below is contingent on voter approval of a constitutional amendment that will be submitted to the voters at an election to be held on November 7, 2023. See "—2023 Legislative Sessions," below. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

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

2023 Legislative Sessions

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

During the 88th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation enacted by the Legislature fully-funded the Foundation School Program for the 2024-2025 State fiscal biennium and increased the State guaranteed yield on the first $0.08 cents of tax effort beyond a school district's Maximum Compressed Tax Rate (as defined herein) to $126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from $98.56 in 2023) and $129.52 per penny of tax effort per student in WADA in 2025. See "– State Funding for School Districts – Tier Two." The Legislature also provided for an increase in funding for the school safety allotment to $10.00 (from $9.72 in the prior year) per ADA (as defined herein) and $15,000 per campus. The Legislature set aside approximately $4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions. However, the Legislature did not take action on such funding during either 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. Formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) are designed to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption " – Local Funding for School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements. Such distinctions are discussed under the subcaption "– Local Revenue Level in Excess of Entitlement" herein.

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

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

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

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

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

State Funding for School Districts

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

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

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

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

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

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

The fast growth allotment weights are 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to $315 million for the 2023-2024 school year.

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

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

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

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

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

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

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

Local Revenue Level in Excess of Entitlement

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

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

The District is a Chapter 49 school district for the 2023-2024 school year. However, the District is not subject to local revenue reduction as discussed under "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Revenue Level in Excess of Entitlement."

A district's local revenue levels must be tested for each future school year and, if local revenues exceed the district's entitlements, the district must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's local revenues should exceed its entitlements in future school years, it will be required to exercise one or more of the permitted options to reduce local revenues.

If the District were to consolidate (or consolidate its tax base for all purposes) with a district not designated as an excess local revenue 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 an annexing district (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein).

During the second called special session of the 88th Texas Legislature, the Legislature passed legislation that will impact the rate of compression and affect the property tax exemptions applicable to school districts. The legislation will also result in the State becoming responsible for a larger percentage of school funding. For additional information related to the second called special session, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions." For a detailed discussion of State funding for school districts see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM.

As State funding makes up a larger percentage of school district funding, the ADA will become a more significant factor in the amount of funding received by the District. The District has experienced lower than budgeted enrollment and ADA through the Pandemic. As a result, the District transferred approximately $5 million from its Capital and Contingency Fund to support its M&O budget for fiscal year 2022-2023. The Capital and Contingency Fund was established for the purpose of supporting District operations in this manner and is separate from the District's General Fund balance. The District anticipated a budget shortfall in fiscal year 2023-2024. As part of its strategy to address the budget shortfall, the Board approved accessing an additional Golden Penny in tax effort, which was available without an election, and held a successful tax ratification election on November 7, 2023 for approval of three additional pennies, which provided approximately $17.5 million in additional local tax revenue and state funding to the District. The District does not expect to draw on the Capital and Contingency Fund in fiscal year 2023-2024. As of May 31, 2024, the balance in the Capital and Contingency Fund was approximately $46.3 million. The District currently expects to experience a drop in enrollment of approximately 3,200 students over the next ten years, due to factors including low birth rate and an aging population. To the extent that ADA is below budgeted projections or the District experiences reductions in revenue from State funding formulas, the District may make additional transfers from the Capital and Contingency Fund in future years as part of its budgeting process. The District currently expects to utilize approximately $5 million to $10 million from the Capital and Contingency Fund in connection with the fiscal year 2024-2025 budget.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Harris Central Appraisal District and the Galveston Central Appraisal District (collectively, the "Appraisal Districts"). Except as described below, the Appraisal Districts are required to appraise all property within the Appraisal Districts 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 Districts are 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 each Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three 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. See "- District and Taxpayer Remedies").

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 (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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 $5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the 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 ("Productivity Value"). 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 "– 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 (which in some instances may be prorated in the first year the exemption is granted based on the amount of time the homestead was owned), (2) a $10,000 exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

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

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

State Mandated Freeze on School District Taxes

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

The total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is 65 years old or older or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the MCR of the M&O taxes imposed for those purposes on the homestead.

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 outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside 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. 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 Property Tax Code.

Tax Increment Reinvestment Zones

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

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any taxable value lost due to TIRZ participation by the school district. The ability of the school district to deduct the taxable value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding. However, due to a change in law, local M&O tax rate revenue contributed to a TIRZ created on or after May 31, 1999 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, Property Tax Code), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts." During the Regular Session of the 88th Texas Legislature, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403T") was enacted into law. Chapter 403T is intended as a replacement of former Chapter 313, Texas Tax Code ("Chapter 313"), but it contains significantly different provisions than the prior program under Chapter 313. Under Chapter 403T, 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 403T 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 403T. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as nonrenewable 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 still in the process of reviewing Chapter 403T and cannot make any representations as to what impact, if any, Chapter 403T will have on its finances or operations.

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

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 is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal Districts have the responsibility for appraising property in the District as well as other taxing units within their boundaries. Each Appraisal District is governed by a board of directors appointed by voters of the governing bodies of various political subdivisions located in Harris County and Galveston County and members elected by voters within the applicable county. The District operates its own tax collection office.

The District grants a state mandated $100,000 general residence homestead exemption.

The District grants a state mandated $10,000 residence homestead exemption for persons 65 years of age or older or the disabled. The District also grants an additional $18,330 local option exemption for persons over 65 years of age or disabled persons and additional homestead exemptions of up to 5% of market value of a residential homestead for all taxpayers.

The District does not tax non-business personal property.

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

The District does not exempt Freeport Property from taxation.

The District does not exempt Goods-in-Transit from taxation

The District is not currently a participant in a TIRZ.

The District is a participant in a Texas Chapter 313 tax abatement agreement with Bayport Polymers L.L.C. (Bayport Polymers L.L.C. - #32065726476). Under the agreement, which began in 2021-2022 and will remain in place for 10 years, the District offers a minimum valuation limit of $100 million. However, the entire project remains taxable for debt service purposes for 10 years.

The Board has approved a resolution initiating an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code.

RESPONSE TO COVID-19

An infectious disease outbreak could negatively affect travel, commercial, and financial markets globally, and may negatively affect economic growth and financial markets worldwide. While the District experienced growth in its taxable assessed valuation during the Covid-19 pandemic, a future infectious disease outbreak could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds and the District's other ad valorem tax debt as well as the District's share of M&O expenses payable from ad valorem taxes. Recent modifications to the Finance System have resulted in school funding increasingly tied to ADA. As a result, student enrollment and attendance will be an important factor for M&O funding for the District going forward. See "APPENDIX A - FINANCIAL INFORMATION REGARDING THE DISTRICT."

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from an infectious disease outbreak. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

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

WEATHER EVENTS

The District is located near the Texas Gulf Coast. Land located in this area is susceptible to, and land in the District has experienced high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a future weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Texas law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as floods and upon a gubernatorial or presidential declaration of disaster. See "TAX RATE LIMITATIONS - Public Hearing and Voter- Approval Tax Rate." There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

CYBERSECURITY

The District, like other school districts in the State, utilizes technology in conducting its operations. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the District may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the District. The District employs a multi-layered approach to combating cybersecurity threats. While the District deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the District's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition.

EXPOSURE TO OIL AND GAS INDUSTRY

In the past, the greater Houston area has been particularly affected by adverse conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the District, resulting in a reduction in property tax revenue. The Bonds are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds. Reductions in oil and gas revenues may also have an adverse effect on State revenues available during the next biennium, which may impact how the State funds education.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on October 8, 1966 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, 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 "– Public Hearing and Voter-Approval Tax Rate" herein and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts."

Furthermore, a school district can not 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 approve the adopted rate.

I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. A portion of the Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code as new debt and are subject to the 50-cent Test. A portion of the Bonds are issued as refunding bonds pursuant to Chapter 1207, Texas Government Code, and are not subject to the 50-cent 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), Texas Education Code, as amended, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the SCP, 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. See "WEATHER EVENTS."

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 Sections 44.004(b), (c), (c-1), (c-2), and (d), and, if applicable, subsection (i), of the Texas Education Code and if such failure to comply was not in good faith. Section 44.004(e) of the Texas Education Code 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.

RATINGS

Fitch Ratings ("Fitch") and Moody's Investors Service ("Moody's") have assigned municipal bond ratings of "AAA" and "Aaa," respectively, to the Bonds based upon the Permanent School Fund Guarantee. Fitch and Moody's generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA" and "Aaa," respectively. The District's underlying ratings (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are "AA+" by Fitch and "Aa2" by Moody's.

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the view of such organization 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 such rating company, if in the judgment of such rating company, circumstances so warrant. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds are (i) negotiable instruments, (ii) investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds (see "RATINGS"). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

The 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.

INVESTMENTS AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

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

Legal Investments

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

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

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

As a school district that qualifies as an issuer under Chapter 1371, the District is also authorized to purchase, sell and invest its funds in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased. State law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include unsecured debt obligations or debt obligations that, on conversion, would result in the holder becoming a stockholder or shareholder in the entity that issued the debt obligation. The District may not (1) invest in the aggregate more than 15% of its monthly average fund balance, excluding funds held for the payment of debt service, in corporate bonds or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The investment officer of the District must sell any corporate bonds not later than seven days after a nationally recognized investment rating firm (1) issues a release that places the corporate bonds or the entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or (2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent. The District may invest its funds in corporate bonds only if the Board of Trustees of the District (1) amends its investment policy to authorize corporate bonds as an eligible investment; (2) adopts procedures to provide for the monitoring of rating changes in corporate bonds and liquidating the investment in corporate bonds; and (3) identifies the funds eligible to be invested in corporate bonds. The District has not taken these steps to authorize the investment of District funds in corporate bonds.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Additional Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and recording any changes made to either its investment policy or investment strategy; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Education; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments

As of February 29, 2024, the District's investable funds were invested in the following investment instruments:

Investment Instrument	Book Value[(a)]	Market Value[(a)]
Treasury Bills/Notes	$79,040,157	$78,643,483
TexPool Prime	67,730,234	67,730,234
Lone Star Investment Pool	66,755,154	66,755,154
Certificates of Deposit	56,294,730	56,294,730
Texas Class Investment Pool	32,901,076	32,901,076
Texas FIT Cash Pool	31,977,305	31,977,305
Commercial Paper	27,653,689	27,645,568
Government Agencies	9,985,925	9,955,720
Money Market Fund	6,469,528	6,469,528
Texas FIT Government Pool	10,658	10,658
TOTAL PORTFOLIO	$378,818,456	$378,383,456

(a) Unaudited.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ended August 31, 2023, the State contributed $15,753,021 to TRS on behalf of the District, District employees paid $23,446,478 and other contributions into the plan made from federal and private grants and the District for salaries above the statutory minimum were $11,555,861. For more detailed information concerning the Plan, see Note 10 to the District's audited financial statements attached hereto as APPENDIX D.

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see Note 11 to the District's audited financial statements attached hereto as APPENDIX D.

As a result of its participation in the Plan and the TRS-Care Retired Plan and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board ("GASB") Statement 45.

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

In June 2015, GASB Statement No. 75 (Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions – which supersedes GASB Statement No. 45) ("GASB 75") was issued to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions ("OPEB"). GASB 75 requires reporting entities, such as the District, to recognize their proportionate share of the net OPEB liability in the TRS-Care Plan and a deferred outflow for the contributions made by the District subsequent to the measurement date in the Statement of Net Position, a government-wide financial statement. The changes related to OPEB in the Statement of Net Position to implement GASB 75 are reflected in the Statement of Activities, a government-wide financial statement. The changes related to the OPEB affect only the government-wide financial statements and do not affect the General Fund balance. The calculation of OPEB contributions is unaffected by the change. Such reporting began with the District's fiscal year ended August 31, 2019. To date, the District has met all funding requirements of the TRS-Care Plan. For more detailed information concerning the District's share of the net OPEB liability in the TRS-Care Plan, see Note 11 to the District's audited financial statements attached hereto as APPENDIX D.

LEGAL MATTERS

The District will furnish to the Underwriters a complete transcript of the 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, and based upon examination of such transcript of proceedings, the approving legal opinion of Jackson Walker LLP, Houston, Texas, Bond Counsel in substantially the form attached hereto as APPENDIX C.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions or subcaptions "THE BONDS" (except for the information under the subcaptions "Permanent School Fund Guarantee," "Payment Record"' and "Sources and Uses of Funds," as to which no opinion is expressed) and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the sub-caption "Compliance with Prior Undertakings," as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions and sub-captions "LEGAL MATTERS," (except for the last two sentences of the second paragraph and the third paragraph, as to which no opinion is expressed), "TAX MATTERS," "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), and "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Houston, Texas, and Levi Benton & Associates PLLC, Houston, Texas, Co-Counsel for the Underwriters. The legal fees of such firms are contingent upon 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.

TAX MATTERS

In the opinion of Jackson Walker LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

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

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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

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

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

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriters' written request and sol 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 special consent to service of process in any jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually free of charge via EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in "APPENDIX A - FINANCIAL INFORMATION REGARDING THE DISTRICT" (Tables 1 and 3 through 12) and in APPENDIX D. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended and in effect from time to time (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 to such persons within the required time and audited financial statements when and if the audit report becomes available. Any financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Notices of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the 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 trustee or the change of name of a trustee, 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), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information and operating data 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) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, (B) as used in clauses (15) and (16) in the immediately preceding paragraph, "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final Official Statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, and (C) the District intends the words used in clauses (15) and (16) and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Availability of Information from MSRB

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

Limitations and Amendments

The District has agreed to update information and to provide notices of certain specified 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 the Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners 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 amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "- Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

Compliance with Prior Undertakings

In connection with the filing of the District's audited financial statements as required under the District's prior undertakings, while timely filed, in one or more cases, the audited financial statements were not cross-referenced within EMMA with respect to certain series of bonds. Such cross-references have since been made. During the last five years, the District has been in full compliance in all material respects with all continuing disclosure undertakings made by it in accordance with the Rule.

LITIGATION

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 or operations of the District.

FINANCIAL ADVISOR

Post Oak Municipal Advisors LLC 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 thereof. Post Oak Municipal Advisors LLC, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITERS

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price of $189,628,068.02 (representing the principal amount of the Bonds plus a net reoffering premium of $17,150,848.65, less an underwriting discount of $807,780.63). The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

One of the Underwriters of the Bonds is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

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

VERIFICATION OF ARITHMETICAL COMPUTATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

The verification performed by Public Finance Partners LLC will be solely based upon data, information and documents provided to Public Finance Partners LLC by Post Oak Municipal Advisors LLC, on behalf of the District. Public Finance Partners LLC has restricted its procedures to recalculating the computations provided by Post Oak Municipal Advisors LLC on behalf of the District and has not evaluated or examined the assumptions or information used in the computations.

FORWARD LOOKING STATEMENTS

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

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

AUDITED FINANCIAL STATEMENTS

Weaver and Tidwell, L.L.P., the District's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Weaver and Tidwell, L.L.P. relating to District's financial statements for the fiscal year ended August 31, 2023 is included in this Official Statement in APPENDIX D; however, Weaver and Tidwell, L.L.P. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement.

CONCLUDING STATEMENT

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

MISCELLANEOUS

The Order authorizing the issuance of the Bonds approves the use of this Official Statement and any addenda, supplement or amendment thereto in the reoffering of the Bonds by the Underwriters in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. §240.15c2-12, as amended.

SCHEDULE I
SCHEDULE OF REFUNDED BONDS

Refunded Bond Series	Original Maturity	Term Rate	Principal Outstanding	Principal to be Refunded	Redemption Date / Price
Variable Rate Unlimited Tax School Building Bonds, Series 2013B	2/15/2036 [(a)]	0.280%	$ 15,765,000	$ 15,765,000	8/15/2024 @ Par
	2/15/2037 [(a)]	0.280%	16,410,000	16,410,000	8/15/2024 @ Par
	2/15/2038 [(a)]	0.280%	17,075,000	17,075,000	8/15/2024 @ Par
			$ 49,250,000	$ 49,250,000	

[(a)] Mandatory sinking fund installment of term bond maturing February 15, 2038.

APPENDIX A
FINANCIAL INFORMATION REGARDING THE DISTRICT

Table 1
SELECTED FINANCIAL INFORMATION

2023 Certified Taxable Assessed Valuation… *(100% of taxable assessed value as of January 1, 2023)*	$32,418,488,603 [a]

Direct and Estimated Overlapping Debt:	
Outstanding Bonds *(as of March 31, 2024)*	$941,640,000
Plus: The Bonds	173,285,000
Less: The Refunded Bonds	(49,250,000)
Total Direct Tax Supported Debt	$1,065,675,000
Plus: Estimated Overlapping Debt *(as of March 31, 2024)*	1,059,780,780 [b]
Total Direct Tax Supported and Estimated Overlapping Debt	$2,125,455,780
Estimated Debt Service Fund Balance *(as of March 31, 2024; unaudited)*	$57,347,077 [c]

Debt Ratios [c]	% of 2023 Certified Taxable Assessed Valuation	2023/24 Est. Population [d] (234,621)	2023/24 Enrollment [e] (40,100)
Direct Tax Supported Debt…	3.29%	$4,542	$26,575
Direct Tax Supported Debt and Estimated Overlapping Debt…	6.56%	$9,059	$53,004

Debt Service Requirements [c]	
Average Annual Requirements (2024/25 – 2043/44)…	$72,983,702
Maximum Annual Requirement (2027/28)…	$103,135,842

Tax Collections		
Arithmetic Average	Current Years…	99.2%
(Tax Years 2019 – 2023)	Current and Prior Years…	100.4%

(a) Certified by the Harris Central Appraisal District and the Galveston Central Appraisal District (collectively, the "Appraisal Districts"). See “AD VALOREM TAX PROCEDURES.” Values may differ from those shown in the District’s prior financial statements and elsewhere in this Official Statement due to subsequent adjustments. Includes approximately $618,768,356 of taxable assessed valuation that is under review by the Appraisal Review Boards. Includes an increase in the State-mandated general residence homestead exemption for school districts from $40,000 to $100,000 pursuant to a constitutional amendment approved by voters at a statewide election held on November 7, 2023.
(b) See "Table 2 – ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT" for more information.
(c) Represents unaudited information as provided by the District. Such unaudited information has not been prepared or reviewed by the District’s independent auditor and is subject to revision upon completion of the District’s annual audit.
(d) Source: Municipal Advisory Council of Texas.
(e) Source: Texas Education Agency - Public Education Information Management System.

Table 2
ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

Taxing Jurisdiction	Gross Tax Debt as of March 31, 2024	Percentage Overlapping	Overlapping Amount
Bacliff MUD	$9,545,000	2.09%	$199,491
Bay Colony West MUD	24,185,000	1.33%	321,661
Baybrook MUD # 1	20,450,000	100.00%	20,450,000
Bayview MUD	3,865,000	100.00%	3,865,000
Brazoria Co MUD # 18	14,870,000	47.45%	7,055,815
Clear Brook City MUD	81,095,000	58.95%	47,805,503
Clear Lake City Water Auth	131,245,000	87.12%	114,340,644
El Lago, City of	460,000	100.00%	460,000
Friendswood, City of	83,990,000	17.04%	14,311,896
Galveston Co	158,754,635	23.81%	37,799,479
Galveston Co Management District # 1	3,045,000	100.00%	3,045,000
Galveston Co MUD # 6	5,635,000	100.00%	5,635,000
Galveston Co MUD # 39	15,290,000	100.00%	15,290,000
Galveston Co MUD # 43	25,545,000	70.69%	18,057,761
Galveston Co MUD # 45	50,455,000	99.28%	50,091,724
Galveston Co MUD # 46	32,805,000	100.00%	32,805,000
Galveston WC&ID # 12	17,635,000	100.00%	17,635,000
Harris Co	1,994,511,319	3.34%	66,616,678
Harris Co Dept of Ed	28,960,000	3.34%	967,264
Harris Co Flood Control Dist	991,095,000	3.34%	33,102,573
Harris Co Hosp Dist	65,285,000	3.34%	2,180,519
Harris Co MUD # 55	21,490,000	100.00%	21,490,000
Harris Co MUD # 373	865,000	100.00%	865,000
Harris Co MUD # 481	26,780,000	100.00%	26,780,000
Harris Co Road Improvement Dist # 1	4,380,000	100.00%	4,380,000
Harris Co WC&ID # 50	10,300,000	100.00%	10,300,000
Harris Co WC&ID # 161	43,625,000	100.00%	43,625,000
Houston, City of	2,967,085,000	2.42%	71,803,457
League City, City of	267,685,000	83.42%	223,302,827
Nassau Bay, City of	9,170,000	100.00%	9,170,000
Pasadena, City of	164,955,000	11.58%	19,101,789
Pearland, City of	445,335,000	2.18%	9,708,303
Pt of Houston Auth	426,134,397	3.34%	14,232,889
San Jacinto CCD	520,862,492	1.53%	7,969,196
Seabrook, City of	30,575,499	100.00%	30,575,499
S Shore Harbour MUD # 7	18,785,000	100.00%	18,785,000
Texas City, City of	11,565,000	0.22%	25,443
Webster, City of	34,745,000	100.00%	34,745,000
West Ranch Management District	17,285,000	0.06%	10,371
Westwood Management District	20,875,000	100.00%	20,875,000
Total Estimated Overlapping Debt			1,059,780,780
Clear Creek ISD			1,065,675,000 [a]
Total Direct and Overlapping Debt			$2,125,455,780

Total Direct and Overlapping Debt % of 2023 Assessed Valuation	6.56%
Total Direct and Overlapping Debt per Capita	$9,059
Total Direct and Overlapping Debt per Student	$53,004

Source: Municipal Advisory Council of Texas.
[a] Includes the Bonds and excludes the Refunded Bonds.

Table 3

PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Assessed Valuation [a]	Tax Rate Per $100 of Assessed Valuation	Adjusted Tax Levy	% of Collections Current Year	% of Collections Current and Prior Years	Fiscal Year Ending
2014	$17,579,659,641	$1.4000	$240,690,351	99.9%	100.6%	8-31-2015
2015	18,802,933,610	1.4000	255,846,421	99.9%	100.9%	8-31-2016
2016	20,386,888,091	1.4000	276,194,978	99.9%	100.8%	8-31-2017
2017	22,082,361,520	1.4000	297,653,348	99.9%	100.9%	8-31-2018
2018	22,755,729,111	1.4000	306,638,606	99.8%	100.9%	8-31-2019
2019	24,558,048,087	1.3100	309,834,993	99.8%	101.1%	8-31-2020
2020	26,161,696,254	1.2659	319,033,506	99.8%	101.1%	8-31-2021
2021	28,562,726,799	1.1797	319,870,347	99.8%	101.5%	8-31-2022
2022	31,183,983,270	1.1146	333,326,439	99.7%	101.2%	8-31-2023
2023	32,418,488,603 [b]	0.9746	289,189,949	96.6%	97.5%	8-31-2024

Source: District records as of March 31, 2024.

[a] Values may differ from those shown in the District’s prior financial statements and elsewhere in this Official Statement due to subsequent adjustments.

[b] Includes approximately $618,768,356 of taxable assessed valuation that is under review by the Appraisal Review Boards. Includes an increase in the State-mandated general residence homestead exemption for school districts from $40,000 to $100,000 pursuant to a constitutional amendment approved by voters at a statewide election held on November 7, 2023.

Table 4

TAX RATE DISTRIBUTION

Tax Year	2023 [a][b]	2022 [b]	2021 [b]	2020 [b]	2019 [b]
Maintenance	$0.7046	$0.8446	$0.8897	$0.9359	$0.9700
Debt Service	0.2700	0.2700	0.2900	0.3300	0.3400
Total	$0.9746	$1.1146	$1.1797	$1.2659	$1.3100

Source: The Appraisal Districts.

[a] The adopted tax rate reflects the passage of a voter approval tax rate election ("VATRE") held on November 7, 2023 that increased the District's tax rate by $0.03. See "THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT" for additional information regarding the VATRE.

[b] See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for information regarding the legislatively-mandated compression of the District's M&O tax rate.

Table 5

HISTORICAL STATEMENT OF DELINQUENT TAXES

Tax Year	Delinquent Taxes Outstanding as of March 31, 2024	Adjusted Tax Levy	Percentage of Tax Levy
2014	$228,019	$240,690,351	0.09%
2015	269,499	255,846,421	0.11%
2016	360,524	276,194,978	0.13%
2017	380,049	297,653,348	0.13%
2018	721,023	306,638,606	0.24%
2019	465,005	309,834,993	0.15%
2020	506,588	319,033,506	0.16%
2021	602,033	319,870,347	0.19%
2022	1,118,563	333,326,439	0.34%
2023	9,851,072	289,189,949	3.41%
Total	$14,502,376		

Source: District records as of March 31, 2024.

Table 6
ANALYSIS OF TAX BASE

Type of Property	2023 Tax Roll [a] Amount	%	2022 Tax Roll [a] Amount	%	2021 Tax Roll [a] Amount	%
Residential	$28,686,740,905	66.23%	$25,630,215,183	66.81%	$23,138,375,506	66.94%
Platted Lots/Tracts	489,100,604	1.13%	439,285,535	1.14%	433,978,815	1.26%
Acreage	32,597,701	0.08%	36,835,369	0.10%	117,798,218	0.34%
Farm/Ranch Improvements	73,643,779	0.17%	60,701,885	0.16%	51,632,202	0.15%
Commercial & Industrial	10,169,579,536	23.48%	8,771,075,281	22.86%	7,591,747,747	21.97%
Oil, Gas & Other Minerals	100,332,953	0.23%	51,581,284	0.13%	46,720,304	0.14%
Utilities	462,466,802	1.07%	419,376,529	1.09%	369,622,130	1.07%
Inventory	128,842,983	0.30%	119,049,932	0.31%	100,530,889	0.29%
Other	3,164,415,578	7.31%	2,843,008,241	7.41%	2,711,257,161	7.84%
Total A.V.	$43,307,720,841	100.00%	$38,371,129,239	100.00%	$34,561,662,972	100.00%
Less: Exemptions	(10,889,232,238)		(7,187,145,969)		(5,998,936,173)	
Total Taxable A.V. [a]	$32,418,488,603 [b]		$31,183,983,270		$28,562,726,799	

Source: The Appraisal Districts.
[a] Values may differ from those shown in the District's prior financial statements and elsewhere in this Official Statement due to subsequent adjustments.
[b] Includes approximately $618,768,356 of taxable assessed valuation that is under review by the Appraisal Review Boards. Includes an increase in the State-mandated general residence homestead exemption for school districts from $40,000 to $100,000 pursuant to a constitutional amendment approved by voters at a statewide election held on November 7, 2023.

Table 7
HISTORICAL TOP TEN TAXPAYERS

Principal Taxpayer	Type of Property	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation
Total Petrochemicals	Oil & Gas	$771,525,000	$525,710,787	$275,859,444
LBC Houston LP	Chemical/Oil & Gas Storage	332,216,187	305,704,245	283,402,949
Baybrook Mall LP	Shopping Center/Mall	208,085,289	216,630,201	217,765,474
Seabrook Logistics	Oil & Gas	184,163,290	184,771,153	171,516,703
Baytank Houston Inc.	Chemical/Oil & Gas Storage	178,498,786	159,505,971	147,567,794
Clear Lake Regional Medical Center	Medical/Surgical Facility	139,962,562	192,196,464	157,879,329
HC 200 Blossom Street LLC	Hospital	121,242,661	109,892,614	97,836,796
Kinder Morgan	Oil & Gas Pipeline	106,827,384	[a]	95,453,773
KV Bradford Apartments LLC	Apartments	100,005,123	[a]	[a]
Baybrook LPC LLC	Strip Mall/Plaza	97,562,249	106,826,088	103,336,885
Center Point Energy Inc.	Electric Utility/Power Plant	[a]	127,585,725	113,470,566
GSMV Village on the Lake Owner LLC	Apartments	[a]	116,619,646	[a]
Total Ten Principal Taxpayers……		$2,240,088,531	$2,045,442,894	$1,664,089,713
Percentage of Tax Roll Comprised of Ten Principal Taxpayers……		6.91%	6.56%	5.83%

Source: The Appraisal Districts.
[a] Not a principal taxpayer in respective year.

Table 8
OUTSTANDING UNLIMITED TAX DEBT SERVICE

Fiscal Year Ending (8/31)	Outstanding Debt Service Requirements[(a)]	Less: The Refunded Bonds[(b)]	Plus: The Bonds Principal	Plus: The Bonds Interest	Plus: The Bonds Total	Total Debt Service Requirements
2024	$19,721,296 [(c)]	($68,950)	-	-	-	$19,652,346
2025	90,823,756	(1,970,000)	$3,415,000	$8,970,059	$12,385,059	101,238,814
2026	92,817,431	(1,970,000)	4,105,000	8,106,975	12,211,975	103,059,406
2027	92,886,031	(1,970,000)	4,315,000	7,896,475	12,211,475	103,127,506
2028	92,895,617	(1,970,000)	4,535,000	7,675,225	12,210,225	103,135,842
2029	92,617,617	(1,970,000)	4,770,000	7,442,600	12,212,600	102,860,217
2030	91,083,267	(1,970,000)	5,010,000	7,198,100	12,208,100	101,321,367
2031	90,930,448	(1,970,000)	5,270,000	6,941,100	12,211,100	101,171,548
2032	91,149,176	(1,970,000)	5,540,000	6,670,850	12,210,850	101,390,026
2033	90,714,512	(1,970,000)	5,825,000	6,386,725	12,211,725	100,956,237
2034	64,215,300	(1,970,000)	6,120,000	6,088,100	12,208,100	74,453,400
2035	64,150,150	(1,970,000)	6,435,000	5,774,225	12,209,225	74,389,375
2036	64,100,250	(17,419,700)	20,510,000	5,100,600	25,610,600	72,291,150
2037	64,170,500	(17,421,200)	21,565,000	4,048,725	25,613,725	72,363,025
2038	64,123,400	(17,416,500)	22,665,000	2,942,975	25,607,975	72,314,875
2039	46,726,100	-	7,860,000	2,179,850	10,039,850	56,765,950
2040	36,314,525	-	8,265,000	1,776,725	10,041,725	46,356,250
2041	32,312,400	-	8,690,000	1,352,850	10,042,850	42,355,250
2042	-	-	9,085,000	953,900	10,038,900	10,038,900
2043	-	-	9,460,000	583,000	10,043,000	10,043,000
2044	-	-	9,845,000	196,900	10,041,900	10,041,900
	$1,281,751,778	($73,996,350)	$173,285,000	$98,285,959	$271,570,959	$1,479,326,387

(a) Interest on Series 2013B variable rate bonds is estimated at 4.00% after each respective current rate period.
(b) Interest on the Refunded Bonds is estimated at 4.00% after the current rate period ending August 15, 2024.
(c) Excludes $48,910,000 of principal and $19,810,994 of interest paid by the District on February 15, 2024.

Table 9

AUTHORIZED BUT UNISSUED BONDS

Voters in the District authorized an aggregate of $302,000,000 of school building bonds in November of 2023, for the construction, acquisition and equipment of school buildings in the District (including the rehabilitation, renovation, expansion and improvement thereof) and the purchase of necessary sites for school buildings, the purchase of new school busses, and the purchase of new technology. After the issuance of the Bonds, the District will have $162,000,000 of voter authorized but unissued bonds remaining. Depending on the rate of development within the District, changes in assessed valuation, and the amounts, interest rates, maturities and the timing of issuance of any additional bonds, increases in the District's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on the District's outstanding bonds, and any such future bonds. In addition to unlimited tax bonds, the District may incur other financial obligations payable from its collection of taxes and other sources of revenues, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contracted obligations, delinquent tax notes and leases for various purposes payable from State appropriations and surplus maintenance taxes.

Table 10

TAX ADEQUACY

Average Annual Debt Service Requirements (2024/25 – 2043/44)…………………………………………...…………………	$72,983,702 [(a)]
$0.2298 Tax Rate on the 2023 Certified Taxable Assessed Valuation at 98% Collections Produces………………………	$73,007,733
Maximum Annual Debt Service Requirements (2027/28)…………………………………………...……………………………	$103,135,842 [(a)]
$0.3247 Tax Rate on the 2023 Certified Taxable Assessed Valuation at 98% Collections Produces………………………	$103,157,576

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[(a)] Includes the Bonds and excludes the Refunded Bonds.

Table 11
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Year Ended August 31,				
	2023	2022	2021	2020	2019
Revenues:					
Local and Intermediate Sources	$ 262,298,709	$ 247,233,772	$ 242,272,137	$ 236,208,519	$ 238,284,750
State Sources	85,232,966	91,153,409	107,353,549	114,526,990	111,880,352
Federal Sources	12,072,507	11,492,281	7,994,222	6,401,484	9,787,092
Total Revenues	$ 359,604,182	$ 349,879,462	$ 357,619,908	$ 357,136,993	$ 359,952,194
Expenditures:					
Instruction Related Services	$ 228,251,217	$ 232,314,385	$ 222,162,813	$ 221,366,418	$ 213,870,669
Instructional Resources and Media Services	4,367,534	4,390,115	4,372,855	4,363,148	4,129,161
Curriculum and Instructional Development	8,376,317	8,537,672	8,988,357	8,410,824	7,518,680
Instructional Leadership	3,564,040	3,414,727	3,253,659	3,132,749	2,896,213
School Leadership	22,867,826	22,532,570	22,552,798	22,338,323	20,895,733
Guidance, Counseling & Evaluation Services	14,246,037	14,050,817	13,837,702	14,050,411	12,821,477
Social Work Services	480,023	719,994	857,447	692,868	639,252
Health Services	3,776,394	3,671,075	3,691,243	3,582,554	3,374,039
Student Transportation	12,664,307	13,302,937	11,825,937	11,169,649	11,022,248
Food Services	394,218	444,917	401,816	301,726	292,241
Extra-curricular Activities	7,925,909	7,765,318	7,063,004	7,110,150	7,398,713
General Administration	8,367,504	7,831,185	7,243,641	7,349,760	7,387,504
Plant Maintenance and Operations	26,200,531	23,341,148	28,758,810	28,315,493	28,698,935
Security and Monitoring Services	6,154,908	5,593,726	5,416,066	5,003,318	4,960,750
Data Processing Services	7,372,188	7,046,151	7,741,496	7,498,672	6,766,249
Community Services	232,504	219,900	204,685	216,781	218,181
Debt Service	655,092	600,501	-	-	-
Capital Outlay	-	-	-	6,000	-
Payments Related to SSA	796,862	682,603	728,272	764,471	716,694
Other Intergovernmental Charges	2,577,360	2,493,355	2,404,240	2,410,503	2,231,949
Total Expenditures	$ 359,270,771	$ 358,953,096	$ 351,504,841	$ 348,083,818	$ 335,838,688
Other Financing Sources (Uses):					
Other Resources	$ 5,081,856	$ 9,548,660	$ 398,090	$ 249,679	$ 285,791
Other Uses	(300,000)	(300,000)	(6,300,000)	(9,086,189)	(18,600,000)
Total Other Financing Sources (Uses)	$ 4,781,856	$ 9,248,660	$ (5,901,910)	$ (8,836,510)	$ (18,314,209)
Net Change in Fund Balance	$ 5,115,267	$ 175,026	$ 213,157	$ 216,665	$ 5,799,297
Beginning Fund Balance – September 1 [(a)]	75,314,409	75,139,383	74,926,226	74,709,561	68,910,264
Ending Fund Balance – August 31 [(b)]	$ 80,429,676	$ 75,314,409	$ 75,139,383	$ 74,926,226	$ 74,709,561

Source: The District's audited financial statements.
[(a)] In addition to general fund balance, the District has created the Capital and Contingency Fund which is accounted for in the Capital Projects Fund. At the end of each fiscal year, the District evaluates revenue, expenditures, and fund balance requirements. The District then transfers available funds into the Capital and Contingency Fund. All funds in the Capital and Contingency Fund are available to support the District's operations. As of May 31, 2024, the fund balance in the Capital and Contingency Fund was approximately $46.3 million. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – The School Finance System as Applied to the District" for information about an expected transfer out of the Capital and Contingency Fund to support the fiscal year 2024-2025 budget.
[(b)] See "RESPONSE TO COVID-19" for a discussion of the impact of declines in enrollment and attendance on the District's finances.

Table 12
COMPARATIVE STATEMENT OF DEBT SERVICE FUND REVENUES AND EXPENDITURES

	Fiscal Year Ended August 31,				
	2023	2022	2021	2020	2019
Revenues:					
Local Taxes for Debt Service	$ 83,154,828	$ 79,085,355	$ 84,381,227	$ 81,820,914	$ 75,622,481
State Sources	3,097,239	1,209,386	1,397,837	1,378,917	3,022,824
Total Revenues	$ 86,252,067	$ 80,294,741	$ 85,779,064	$ 83,199,831	$ 78,645,305
Expenditures:					
Principal	$ 45,760,000	$ 42,255,000	$ 42,140,000	$ 39,140,000	$ 32,890,000
Interest	40,575,026	40,413,632	36,210,242	40,901,630	41,867,155
Bond Issuance Fees	185,277	309,656	1,417,450	342,319	255,577
Total Expenditures	$ 86,520,303	$ 82,978,288	$ 79,767,692	$ 80,383,949	$ 75,012,732
Other Financing Sources (Uses):					
Other Sources	$ 47,424,188	$ 48,111,052	$ 237,337,515	$ 63,556,459	$ 47,820,000
Other Uses	(47,400,000)	(47,820,000)	(236,163,820)	(63,525,000)	(47,820,000)
Total Other Financing Sources (Uses)	$ 24,188	$ 291,052	$ 1,173,695	$ 31,459	$ -
Excess (Deficiency) of Revenues and Other Resources Over Expenditures & Other Uses	$ (244,048)	$ (2,392,495)	$ 7,185,067	$ 2,847,341	$ 3,632,573
Beginning Fund Balance – September 1	38,239,813	40,632,308	33,447,241	30,599,900	26,967,327
Ending Fund Balance – August 31	$ 37,995,765	$ 38,239,813	$ 40,632,308	$ 33,447,241	$ 30,599,900

Source: The District's audited financial statements.

APPENDIX B
GENERAL INFORMATION REGARDING
THE DISTRICT AND ITS ECONOMY

Description of the District

The District was formed in 1948 by consolidating four school districts - Kemah, League City, Seabrook and Webster and is accredited by the Texas Education Agency and the Southern Association of Colleges and Schools. The District contains an area of approximately 120 square miles and is located midway between Houston, Texas and Galveston, Texas. Interstate Highway 45 bisects the District which is readily accessible to the Houston Metropolitan Area. Historical enrollment data is provided below:

School Year	Enrollment
2014-15	40,640
2015-16	41,061
2016-17	41,652
2017-18	42,008
2018-19	42,043
2019-20	42,234
2020-21	40,526
2021-22	40,686
2022-23	40,445
2023-24	40,100

The physical plant of the District consists of 27 elementary schools, 10 intermediate schools, an educational alternative high school campus, an early college high school campus, and 5 comprehensive high schools, all air conditioned and equipped with the latest teaching aids and equipment.

The District currently employs approximately 5,360 persons. All members of the teaching staff hold bachelor's degrees as a minimum requirement with 1,289 holding master's degrees and 41 who have earned doctorates. Each year the District has a significant number of high school seniors qualified as National Merit Scholarship semi-finalists.

The regular instructional program is enhanced by extra-curricular activities at all levels including field trips and interscholastic competition of all kinds. At the elementary levels, special music and physical education teachers are part of each school staff. Certified librarians and nurses are on duty in all schools. At the secondary levels, vocational education and college preparation courses are offered. For the atypical student, a full range of programs and services are provided for the handicapped, ages three through twenty-one, as well as the gifted and talented students of the District. The total school program is supported by 145 guidance counselors and diagnosticians. Psychiatric and psychological services are available through contract.

Economic and Demographic Characteristics

The following information has been derived from various sources, including the Texas Municipal Reports published by the Municipal Advisory Council of Texas, U.S. Census data, area Chamber of Commerce and District officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

Industrial Economic Base

The economy of the District and its surrounding area is diversified, with oil and gas as the base of industrial activity. The abundance of key natural resources along the Texas Gulf Coast has facilitated the creation of the country's greatest concentration of petrochemical complexes. Though District industries are largely petrochemical in nature, they are not exclusively so. Originally a rice farming and ranching area, the lakes and waterways of the District offer not only boating and fishing sports and revenues from recreational tourist facilities, but also represent a hub of industrial development lining the nearby Houston Ship Channel shuttle and space station projects, is an important part of the Clear Lake area economy, both as an employer of more than 3,000 civil service employees and approximately 15,000 local contractors. In addition, Space Center Houston, a visitor complex and educational facility, has approximately 800,000 visitors annually. The rate and extent of continued development within the Clear Lake Area could be influenced by the degree of continued federal funding of Johnson Space Center projects.

A major employment base in the general area has been the Bayport Industrial Development ("Bayport"), a planned industrial development of approximately 10,750 acres with approximately 62 industrial plants in operation. Bayport is located in southeast Harris County approximately 23 miles from the central business district of the City of Houston. It includes a 40-foot deep water port and channel facility connected to the Houston Ship Channel, barge dock facilities, a pipeline network and railroad service lines.

The Baybrook Mall serves the southeast metropolitan Houston Area and Galveston County. The mall contains 1.1 million leasable square feet and is anchored by four major department stores.

The Clear Lake area is served by five general hospitals, Clear Lake Reginal Medical Center in the City of Webster with 482 beds; Memorial Hermann Southeast Hospital in the City of Houston with 256 beds; Houston Methodist Clear Lake Hospital in the City of Nassau Bay with 135 beds; UTMB Health League City Campus in League City with 119 beds and UTMB Health Clear Lake Campus in the City of Webster with 149 beds.

Harris County Economic Base

A significant portion of the District is located in Harris County (the "County"), the most populous county in the State of Texas, with a 2020 census population of 4,731,145, an increase of 15.6% since 2010. The County's economy is based on industry, mineral production, shipping and agriculture.

Harris County is a highly industrialized county with manufacturing plants producing petroleum refining, chemicals, food, fabricated metal products, non-electric machinery, primary metals, scientific instruments, paper and allied products and printing and publishing. Harris County is also a corporate management center, a center of energy, space and medical research centers and a center of international business. Harris County contains the nation's largest concentration of petrochemical plants and the largest U.S. wheat exporting port which is among the top U.S. ports in the value of foreign trade and total tonnage.

Galveston County Economic Base

Galveston County abuts the Gulf Coast and is traversed by Interstate Highway 45, State Highways 3, 6 and 146 and four Farm-to-Market Roads. Port activities dominate the economy but also included are insurance and finance centers, petrochemical plants, varied manufacturing, tourism, medical educational center, oceanographic research center, ship building, and commercial fishing. Galveston County had a 2020 census population of 350,682, an increase of 20.4% since 2010.

ECONOMIC AND GROWTH INDICATORS

U.S. Census of Population

	Galveston County		City of Houston		Harris County	
	Number	% Change	Number	% Change	Number	% Change
1930	64,401	21.17%	292,352	11.43%	359,328	92.50%
1940	81,173	26.04%	384,514	31.52%	528,961	47.21%
1950	113,066	39.29%	596,163	55.04%	806,701	52.51%
1960	140,364	24.14%	938,219	57.38%	1,243,158	54.10%
1970	169,812	20.98%	1,232,802	31.40%	1,741,912	40.12%
1980	195,940	15.39%	1,594,086	29.31%	2,409,544	38.33%
1990	217,339	10.92%	1,637,859	2.75%	2,818,199	16.96%
2000	250,158	15.10%	1,953,631	19.28%	3,400,578	20.66%
2010	291,309	16.45%	2,099,451	7.46%	4,092,459	20.35%
2020	350,682	20.38%	2,304,580	9.77%	4,728,030	15.53%

Source: Census of Population and Housing, U.S. Dept. of Commerce, Bureau of the Census

Employment Statistics

Harris County	2024[(a)]	2023	2022	2021	2020
Labor Force	2,455,397	2,414,902	2,339,651	2,295,634	2,277,130
Employed	2,348,990	2,312,228	2,240,795	2,149,355	2,072,308
Unemployed	106,407	102,674	98,856	146,279	204,822
Rate	4.3%	4.3%	4.2%	6.4%	9.0%

Galveston Co.	2024[(a)]	2023	2022	2021	2020
Labor Force	177,005	174,213	169,058	165,872	163,981
Employed	169,448	166,796	161,647	154,992	149,565
Unemployed	7,557	7,417	7,411	10,880	14,416
Rate	4.3%	4.3%	4.4%	6.6%	8.8%

State of Texas	2024[(a)]	2023	2022	2021	2020
Labor Force	15,276,869	15,067,153	14,662,558	14,311,029	13,955,332
Employed	14,653,971	14,472,524	14,092,833	13,503,671	12,883,803
Unemployed	622,898	594,629	569,725	807,358	1,071,529
Rate	4.1%	3.9%	3.9%	5.6%	7.7%

Source: Texas Workforce Commission.
(a) As of March 31, 2024.

APPENDIX C
FORM OF LEGAL OPINION OF BOND COUNSEL

July 16, 2024

We have acted as Bond Counsel for the Katy Independent School District (the "District") in connection with the issuance of $173,285,000 aggregate principal amount of bonds designated as "CLEAR CREEK INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024." The Bonds are authorized by an order (the "Order") adopted by the Board of Trustees of the District (the "Board") on April 15, 2024. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed the Order, the tax certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, and others, a transcript of certain certified proceedings pertaining to the issuance of the Bonds and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the District.

2. The Board of the District has power and is obligated to levy an annual ad valorem tax, without legal limit as to rate or amount, upon taxable property located within the District,

which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

3. The Escrow Agreement between the District and the Escrow Agent has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Verification Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the order authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest in the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

JACKSON WALKER LLP

APPENDIX D
EXCERPTS FROM THE ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Independent Auditor's Report

To the Board of Trustees of
Clear Creek Independent School District
League City, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clear Creek Independent School District (the District), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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.

The Board of Trustees of
Clear Creek Independent School District

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the 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.

The Board of Trustees of
Clear Creek 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, as listed in the table of contents, 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 and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 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

Management is responsible for the other information included in the Annual Comprehensive Financial Report. 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 January 19, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

The Woodlands, Texas
January 19, 2024

CLEAR CREEK
INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

As management of the Clear Creek Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii to ix of this report.

Financial Highlights

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at year-end by $111,846,747 (net position/deficit). This deficit is primarily due to the recognition of net pension liability and net OPEB liability as required by GASB 68 and GASB 75, respectively.
- The District's total net position increased by $7,676,419 due to current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of $219,371,100, an increase of $6,283,593, from the preceding year.
- At the end of the year, unassigned fund balance of the general fund was $73,976,028, or 21 percent of the year's total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves, including schedules required by the state oversight agency, the Texas Education Agency (TEA).

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position/(deficit). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position/(deficit) changed during the most recent fiscal year. All changes in net position/(deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The *government-wide financial statements (*governmental and business-type activities*)* of the District are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest and fiscal charges, Facilities Repairs and Maintenance, Payments Related to Shares Service Arrangements, Payments to Juvenile Justice Alternative Education programs, and Other Intergovernmental Charges.

The business-type activities include National School Breakfast and Lunch Program, Athletics Concessions and Advertising.

The government-wide financial statements can be found as noted in the table of contents.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help control and manage money for particular purposes (such as campus activities).

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements, therefore it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains individual governmental funds for general, special revenue, debt service, and capital projects funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and the National School Breakfast and Lunch Program fund (an enterprise fund).

The basic governmental fund financial statements are noted in the table of contents.

Proprietary funds

The District maintains two types of proprietary funds. An internal service fund is a type of proprietary fund that uses an accounting process which accumulates and allocates costs internally among the District's various funds and functions. The District uses internal service funds to account for its Dental Insurance fund, Workers' Compensation Insurance fund and Disability Insurance fund. Because these service predominantly benefits governmental operations, their financial activities have been included within governmental activities in the government-wide financial statements.

Enterprise funds are used to report activities for which fees are charged to external users for goods or services (business-type activities). The District's enterprise funds are the National School Breakfast and

Lunch Program fund, Athletics Concessions fund and Advertising fund. A fee is charged for these services.

Proprietary funds provide essentially the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary fund

A fiduciary fund is used to account for resources held for the benefit of students and employees. The District's *custodial fund* is used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. The fiduciary fund is *not* reflected in the government-wide financial statement because the resources of that fund are *not* available to support the District's own programs. A statement of fiduciary net position and a statement of changes in fiduciary net position are presented for fiduciary funds, as noted in the table of contents.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government- wide and fund financial statements. The notes to the financial statements are noted in the table of contents.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue fund. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The required supplementary information also provides information on the District's cost-sharing multiple employer pension and OPEB plans of which the District is a participant. The required supplementary information can be found as noted in the table of contents of this report.

Supplementary and Other Information

The supplementary information is presented immediately following the required supplementary information and can be found as noted in the table of contents of this report. Other information includes the introductory section and statistical section as noted in the table of contents of this report.

Government-Wide Financial Analysis

As noted earlier, net position/(deficit) may, over time, serve as a useful indicator of a District's financial position. In the close of the District's most recent fiscal year. The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources by $111,846,747 at the close of the most recent fiscal year.

Clear Creek Independent School District's Net Position/(Deficit)

	Governmental Activities		Business-type Activities		Total	
	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Current and other assets	$ 297,368,308	$ 289,945,036	$ 14,314,054	$ 12,879,538	$ 311,682,362	$ 302,824,574
Capital assets, net of depreciation	986,252,101	980,958,566	3,914,468	3,509,639	990,166,569	984,468,205
Total assets	1,283,620,409	1,270,903,602	18,228,522	16,389,177	1,301,848,931	1,287,292,779
Total deferred outflows of resources	92,342,257	74,584,570	1,520,071	1,108,409	93,862,328	75,692,979
Long-term liabilities outstanding	1,311,195,280	1,266,003,086	3,864,616	3,032,887	1,315,059,896	1,269,035,973
Other liabilities	69,659,107	66,749,268	1,266,545	1,193,319	70,925,652	67,942,587
Total liabilities	1,380,854,387	1,332,752,354	5,131,161	4,226,206	1,385,985,548	1,336,978,560
Total deferred inflows of resources	119,345,912	142,958,150	2,226,546	2,572,214	121,572,458	145,530,364
Net position (deficit):						
Net investment in capital assets	(13,039,536)	(10,058,624)	3,914,468	3,509,639	(9,125,068)	(6,548,985)
Restricted	38,684,890	38,979,662	7,908,648	6,935,122	46,593,538	45,914,784
Unrestricted	(149,882,987)	(159,143,370)	567,770	254,405	(149,315,217)	(158,888,965)
Total net position (deficit)	$ (124,237,633)	$ (130,222,332)	$ 12,390,886	$ 10,699,166	$ (111,846,747)	$ (119,523,166)

The District's net position of ($9,125,068) is net investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment, right to use lease assets and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position that is restricted for debt service and grants totaled $46,593,538.

Unrestricted net position of ($149,315,217) is reported as a deficit resulting from the recognition net pension and net OPEB liabilities, as well as related deferred outflows and deferred inflows, as required by GASB Statement No. 68, *Pension*, and GASB Statement No. 75, *OPEB*.

Governmental Activities. Governmental activities increased the District's net position by $5,984,699 from current operations. Key elements of this change are as follows:

Clear Creek Independent School District's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Revenues						
Program revenues:						
Charges for services	$ 14,253,244	$ 13,561,896	$ 11,299,773	7,646,211	$ 25,553,017	$ 21,208,107
Operating grants and contributions	51,385,898	41,174,115	8,238,693	14,684,751	59,624,591	55,858,866
General revenues:						
Property taxes, levied for general purposes	249,573,468	241,074,782	-	-	249,573,468	241,074,782
Property taxes, levied for debt service	80,671,702	78,852,530	-	-	80,671,702	78,852,530
Grants and contributions not restricted to specific programs	75,848,292	81,149,874	-	-	75,848,292	81,149,874
Investment earnings	14,426,178	264,808	608,519	75,916	15,034,697	340,724
Miscellaneous	1,826,812	1,494,209	-	-	1,826,812	1,494,209
Total revenues	487,985,594	457,572,214	20,146,985	22,406,878	508,132,579	479,979,092
Expenses						
Instruction	271,064,277	273,101,068	-	-	271,064,277	273,101,068
Instructional resources and media services	4,821,164	4,771,702	-	-	4,821,164	4,771,702
Curriculum and instructional staff development	14,289,300	13,018,109	-	-	14,289,300	13,018,109
Instructional leadership	4,605,051	4,309,187	-	-	4,605,051	4,309,187
School leadership	25,018,886	24,091,658	-	-	25,018,886	24,091,658
Guidance, counseling, and evaluation services	19,599,124	18,405,444	-	-	19,599,124	18,405,444
Social work services	987,569	1,017,943	-	-	987,569	1,017,943
Health services	4,329,780	4,363,693	-	-	4,329,780	4,363,693
Student transportation	14,070,351	14,621,875	-	-	14,070,351	14,621,875
Food services	393,934	476,802	-	-	393,934	476,802
Extracurricular activities	17,441,530	16,429,731	-	-	17,441,530	16,429,731
General administration	9,268,190	8,862,352	-	-	9,268,190	8,862,352
Plant maintenance and operations	36,522,329	36,333,401	-	-	36,522,329	36,333,401
Security and monitoring services	7,008,115	6,535,355	-	-	7,008,115	6,535,355
Data processing services	10,790,122	10,239,319	-	-	10,790,122	10,239,319
Community services	1,189,644	1,157,743	-	-	1,189,644	1,157,743
Interest on long-term debt	33,224,480	33,879,566	-	-	33,224,480	33,879,566
Issuance costs and fees	731,431	309,656	-	-	731,431	309,656
Facilities repair and maintenance	3,271,396	2,911,022	-	-	3,271,396	2,911,022
Payments related to shared services arrangements	796,862	682,603	-	-	796,862	682,603
Payments to juvenile justice alternative education programs	7,479	-	-	-	7,479	-
Other intergovernmental charges	2,569,881	2,493,355	-	-	2,569,881	2,493,355
National School Breakfast/Lunch Program	-	-	18,029,805	15,827,457	18,029,805	15,827,457
Athletics Concessions	-	-	248,190	224,108	248,190	224,108
Advertising	-	-	177,270	183,262	177,270	183,262
Total expenses	482,000,895	478,011,584	18,455,265	16,234,827	500,456,160	494,246,411
Change in net position	5,984,699	(20,439,370)	1,691,720	6,172,051	7,676,419	(14,267,319)
Net position - beginning	(130,222,332)	(109,782,962)	10,699,166	4,527,115	(119,523,166)	(105,255,847)
Net position (deficit) - ending	$ (124,237,633)	$ (130,222,332)	$ 12,390,886	$ 10,699,166	$ (111,846,747)	$ (119,523,166)

Revenues, aggregating $487,985,594, were generated primarily from two sources. Property taxes of $330,245,170 represent 68 percent of total revenues, while grants and contributions (program and general) totaling $127,234,190 represent 26 percent of total revenues. The remaining six percent is generated from investment earnings, charges for services, and miscellaneous revenues. Revenues increased primarily due to an increase in investment earnings of approximately $14.2M and an increase in TRS pension and OPEB on-behalf and Non-Employer Contributing Entity contributions of approximately $10.8M.

The primary functional expense of the District is Instruction ($271,064,277), which represents 56 percent of total expenses. The remaining expense categories are individually less than 10 percent of total expenses. There were no significant changes in expenses from the prior year.

Business-type Activities. Business-type activities increased the District's net position by $1,691,720, primarily due to an increase in charges for services for student lunches and interest earnings.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $219,371,100, an increase of $6,283,593 in comparison with the prior year. Comments as to each individual major fund's change in fund balance follows.

The *general fund* is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $73,976,028 while the total fund balance was $80,429,676. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21 percent of total general fund expenditures, and total fund balance represents 22 percent of that same amount. The fund balance of the District's general fund increased by $5,115,267 during the current fiscal year. The increase was achieved primarily due to an increase in property tax revenue.

The *debt service fund* has a total fund balance of $37,995,765, all of which is restricted for debt service. The decrease in fund balance during the current year of $244,048 resulted from required debt service expenditures exceeding revenue.

The capital projects fund has a total fund balance of $91,500,791, which is comprised of $41,121,184 restricted for future construction projects and $50,379,607 committed for construction and capital expenditures for equipment.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year.

There were no significant variations between the originally adopted budget and final amended budget.

The most significant variance between the final budget and actual amounts were local and intermediate revenues which were approximately $5,447,527 more than budget due to an increase in interest earnings and property tax collections.

Capital Asset and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of August 31, 2023, includes land, land improvements, buildings and improvements, furniture and equipment, right-to-use assets – equipment and construction in progress. The investment in capital assets for the current year was $990,166,569. The following table summarizes the investment in capital assets as of August 31, 2023 and 2022.

Clear Creek Independent School District's Capital Assets
(net of depreciation/amortization)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	$ 62,573,205	$ 62,573,205	$ -	$ -	$ 62,573,205	$ 62,573,205
Land improvements	35,437,635	35,149,499	-	-	35,437,635	35,149,499
Buildings and improvements	1,487,056,553	1,430,261,303	4,063,827	4,009,642	1,491,120,380	1,434,270,945
Furniture and equipment	132,319,111	133,737,345	5,231,440	5,637,151	137,550,551	139,374,496
Right-to-use assets - equipment	1,781,859	1,781,859	-	-	1,781,859	1,781,859
Construction in progress	7,496,887	8,031,685	2,500	-	7,499,387	8,031,685
Total	1,726,665,250	1,671,534,896	9,297,767	9,646,793	1,735,963,017	1,681,181,689
Accumulated depreciation/amortization	(740,413,149)	(690,576,330)	(5,383,299)	(6,137,154)	(745,796,448)	(696,713,484)
Net Capital Assets	$ 986,252,101	$ 980,958,566	$ 3,914,468	$ 3,509,639	$ 990,166,569	$ 984,468,205

Commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled $3,171,008.

Additional information on the District's capital assets can be found in Note 6 to the financial statements.

Long-term Liabilities. At year-end, the District had the following long-term liabilities:

Clear Creek Independent School District's Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds (net)	$ 1,100,734,064	$ 1,092,859,354	$ -	$ -	$ 1,100,734,064	$ 1,092,859,354
Leases payable	637,690	1,244,342	-	-	637,690	1,244,342
Compensated absences payable	5,084,800	5,323,979	-	-	5,084,800	5,323,979
Net pension liability	136,119,297	56,550,258	2,571,229	1,016,133	138,690,526	57,566,391
Net OPEB liability	68,619,429	110,025,153	1,293,387	2,016,754	69,912,816	112,041,907
Totals	$ 1,311,195,280	$ 1,266,003,086	$ 3,864,616	$ 3,032,887	$ 1,315,059,896	$ 1,269,035,973

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Bond Guarantee Program or by a municipal bond insurance policy. State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval by the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term liabilities can be found in Note 7 to the financial statements per the table of contents.

Economic Factors and Next Year's Budgets and Rates

Economic factors can have a significant impact on the District's finances. The average unemployment rate for both Harris and Galveston counties is 4.4% and 4.4% respectively, while the state and national averages are 4.1% and 3.6%, respectively. Inflationary trends in the region tend to be somewhat lower than the national consumer price index (CPI). In general, this positive factor helps the District keep costs lower than other parts of the country.

The District's elected and appointed officials considered many factors when setting the 2023-24 fiscal year general fund budget and tax rate. The adopted budget is based on the following significant assumptions:

- The District's enrollment was projected at 40,108.
- Property values were budgeted to increase 10.0% while the M&O tax rate was budgeted to decrease from $0.8446 to $0.7046.
- General fund expenditures are budgeted to increase by approximately $14.8 million from the 2022-23 original budget due to:

    - Salary increases of 1.0% for exempt (salaried) staff and 2.0% for non-exempt (hourly) staff totaling $5.0 million,
    - Increase of $6.8 million in payroll accrual due to an earlier school start date,
    - Increase of $2.1 million for the reclassification of ESSER and IDEA-B grant expenditures back to the general fund,
    - Various compensation and benefit increases of $1.1 million,
    - Increase of $1.6 million for property and casualty insurance premiums,
    - Increase of $0.6 million for contracted police officer salary increases,
    - Other increases of $1.6 million for election costs, inflationary factors, and safety contingencies,
    - Decreases of $0.5 million from department level budgets, and
    - Decreases of $3.5 million to align staffing with post-pandemic enrollment.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Clear Creek Independent School District, 2425 East Main Street, League City, Texas, 77573.

Basic Financial Statements

CLEAR CREEK
INDEPENDENT SCHOOL DISTRICT

Clear Creek Independent School District

Exhibit A-1

Statement of Net Position
August 31, 2023

Data Control Codes		1	2	3
		Primary Government		
		Governmental Activities	Business-type Activities	Total
	ASSETS			
1110	Cash and cash equivalents	$ 59,996,574	$ 8,976,633	$ 68,973,207
1120	Investments	212,971,123	4,928,934	217,900,057
1220	Property taxes receivables	12,145,246	-	12,145,246
1230	Allowance for uncollectable taxes	(5,465,361)	-	(5,465,361)
1240	Due from other governments	9,006,728	296,864	9,303,592
1250	Accrued interest	590,730	-	590,730
1260	Internal balances	272,711	(272,711)	-
1290	Other receivables	202,909	31,050	233,959
1300	Inventories	1,876,271	353,284	2,229,555
1410	Prepaid items	4,577,377	-	4,577,377
1800	Restricted cash	1,194,000	-	1,194,000
	Capital assets not subject to depreciation/amortization:			
1510	Land	62,573,205	-	62,573,205
1580	Construction in progress	7,496,887	2,500	7,499,387
	Capital assets net of depreciation/amortization:			
1515	Land improvements (net)	8,827,252	-	8,827,252
1520	Buildings and improvements (net)	888,630,332	2,260,575	890,890,907
1530	Furniture and equipment (net)	18,164,412	1,651,393	19,815,805
1,550	Right-to-use asset - equipment (net)	560,013	-	560,013
1000	Total assets	1,283,620,409	18,228,522	1,301,848,931
	DEFERRED OUTFLOWS OF RESOURCES			
1705	Deferred outflows - pension	58,334,564	1,101,913	59,436,477
1706	Deferred outflows - OPEB	22,185,007	418,158	22,603,165
1710	Deferred charge on refunding	11,822,686	-	11,822,686
1700	Total deferred outflows of resources	92,342,257	1,520,071	93,862,328
	LIABILITIES			
2110	Accounts payable	17,718,414	900,280	18,618,694
2140	Interest payable	1,842,312	-	1,842,312
2150	Payroll deductions and withholdings	3,385,009	-	3,385,009
2160	Accrued wages payable	21,696,776	366,265	22,063,041
2180	Due to other governments	22,093,183	-	22,093,183
2190	Due to student groups	173,720	-	173,720
2200	Accrued expenditures	1,078,468	-	1,078,468
2300	Unearned revenue	1,671,225	-	1,671,225
	Noncurrent liabilities:			
2501	Due within one year	50,269,765	-	50,269,765
	Due in more than one year:			
2502	Bonds, leases and compensated absences payable	1,056,186,789	-	1,056,186,789
2540	Net pension liability	136,119,297	2,571,229	138,690,526
2545	Net OPEB liability	68,619,429	1,293,387	69,912,816
2000	Total liabilities	1,380,854,387	5,131,161	1,385,985,548
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflows - pension	11,436,558	216,031	11,652,589
2606	Deferred inflows - OPEB	106,665,994	2,010,515	108,676,509
2610	Deferred gain on refunding	1,243,360	-	1,243,360
2600	Total deferred inflows of resources	119,345,912	2,226,546	121,572,458
	NET POSITION (DEFICIT)			
3200	Net investment in capital assets	(13,039,536)	3,914,468	(9,125,068)
3820	Restricted for grants	845,562	-	845,562
3820	Restricted for food service	-	7,908,648	7,908,648
3850	Restricted for debt service	37,839,328	-	37,839,328
3900	Unrestricted	(149,882,987)	567,770	(149,315,217)
3000	**TOTAL NET POSITION (DEFICIT)**	$ (124,237,633)	$ 12,390,886	$ (111,846,747)

The Notes to the Financial Statements are an integral part of this statement.

Clear Creek Independent School District
Statement of Activities
For the Fiscal Year Ended August 31, 2023

		1	3	4
			Program Revenues	
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
	PRIMARY GOVERNMENT			
	Governmental activities:			
0011	Instruction	$ 271,064,277	$ 3,205,179	$ 26,290,392
0012	Instructional resources and media services	4,821,164	4,470	91,330
0013	Curriculum and instructional staff development	14,289,300	17,432	5,357,949
0021	Instructional leadership	4,605,051	471,259	414,007
0023	School leadership	25,018,886	-	557,762
0031	Guidance, counseling, and evaluation services	19,599,124	109,483	4,331,076
0032	Social work services	987,569	-	463,497
0033	Health services	4,329,780	-	302,256
0034	Student transportation	14,070,351	-	453,336
0035	Food services	393,934	-	7,105
0036	Extracurricular activities	17,441,530	9,325,295	152,778
0041	General administration	9,268,190	-	3,896,193
0051	Plant maintenance and operations	36,522,329	659,824	6,989,517
0052	Security and monitoring services	7,008,115	-	19,267
0053	Data processing services	10,790,122	299,397	682,852
0061	Community services	1,189,644	160,905	851,711
0072	Interest and fiscal charges	33,224,480	-	2,918
0073	Issuance costs and fees	731,431	-	-
0081	Facilities repair and maintenance	3,271,396	-	521,952
0093	Payments related to shared services arrangements	796,862	-	-
0095	Payments to juvenile justice alternative education programs	7,479	-	-
0099	Other intergovernmental charges	2,569,881	-	-
TG	Total governmental activities	482,000,895	14,253,244	51,385,898
	Business-type activities:			
35	National School Breakfast/Lunch Program	18,029,805	10,709,034	8,238,693
02	Athletics Concessions	248,190	182,124	-
03	Advertising	177,270	408,615	-
	Total business-type activities	18,455,265	11,299,773	8,238,693
TP	**TOTAL PRIMARY GOVERNMENT**	$ 500,456,160	$ 25,553,017	$ 59,624,591
	General revenues:			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			
MI	Miscellaneous			
GS	Gain on sale of capital asset			
TR	Total general revenues and transfers			
CN	Change in net position			
NB	Net position(deficit) - beginning			
NE	**NET POSITION (DEFICIT) - ENDING**			

The Notes to the Financial Statements are an integral part of this statement.

6	7	8
Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Business-type Activities	Total
$ (241,568,706)	$ -	$ (241,568,706)
(4,725,364)	-	(4,725,364)
(8,913,919)	-	(8,913,919)
(3,719,785)	-	(3,719,785)
(24,461,124)	-	(24,461,124)
(15,158,565)	-	(15,158,565)
(524,072)	-	(524,072)
(4,027,524)	-	(4,027,524)
(13,617,015)	-	(13,617,015)
(386,829)	-	(386,829)
(7,963,457)	-	(7,963,457)
(5,371,997)	-	(5,371,997)
(28,872,988)	-	(28,872,988)
(6,988,848)	-	(6,988,848)
(9,807,873)	-	(9,807,873)
(177,028)	-	(177,028)
(33,221,562)	-	(33,221,562)
(731,431)	-	(731,431)
(2,749,444)	-	(2,749,444)
(796,862)	-	(796,862)
(7,479)	-	(7,479)
(2,569,881)	-	(2,569,881)
(416,361,753)	-	(416,361,753)
-	917,922	917,922
-	(66,066)	(66,066)
-	231,345	231,345
-	1,083,201	1,083,201
(416,361,753)	1,083,201	(415,278,552)
249,573,468	-	249,573,468
80,671,702	-	80,671,702
75,848,292	-	75,848,292
14,426,178	608,519	15,034,697
1,753,535	-	1,753,535
73,277	-	73,277
422,346,452	608,519	422,954,971
5,984,699	1,691,720	7,676,419
(130,222,332)	10,699,166	(119,523,166)
$ (124,237,633)	$ 12,390,886	$ (111,846,747)

Clear Creek Independent School District
Balance Sheet
Governmental Funds
August 31, 2023

Data Control Codes		199 General Fund	599 Debt Service Fund	699 Capital Projects Fund
	ASSETS			
1110	Cash and cash equivalents	$ 18,248,465	$ 6,919,144	$ 18,920,800
1120	Investments	102,386,610	31,604,696	78,979,817
1220	Property taxes receivables	9,188,712	2,956,534	-
1230	Allowance for uncollectable taxes	(4,134,920)	(1,330,441)	-
1240	Due from other governments	6,286,102	-	-
1250	Accrued interest	386,752	76,971	127,007
1260	Due from other funds	1,504,436	37,311	4,371,379
1290	Other receivables	3,916	895	110,292
1300	Inventories	1,876,271	-	-
1410	Prepaid items	4,577,377	-	-
1810	Restricted cash	-	-	1,194,000
1000	Total assets	140,323,721	40,265,110	103,703,295
1000a	**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**	$ 140,323,721	$ 40,265,110	$ 103,703,295
	LIABILITIES			
2110	Accounts payable	$ 3,521,627	$ 219	$ 12,124,997
2150	Payroll deduction and withholdings	3,385,009	-	-
2160	Accrued wages payable	21,508,769	-	-
2170	Due to other funds	4,552,770	-	77,507
2180	Due to other governments	21,507,867	583,251	-
2190	Due to student groups	173,720	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	54,649,762	583,470	12,202,504
	DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue - property taxes	5,244,283	1,685,875	-
	Total deferred inflows of resources	5,244,283	1,685,875	-
	FUND BALANCES			
	Nonspendable:			
3410	Inventories	1,876,271	-	-
3430	Prepaid items	4,577,377	-	-
	Restricted for:			
3450	Grants	-	-	-
3470	Capital acquisitions and contractual obligations	-	-	41,121,184
3480	Debt service	-	37,995,765	-
	Committed to:			
3510	Construction	-	-	49,273,889
3530	Capital expenditures for equipment	-	-	1,105,718
3545	Other	-	-	-
3600	Unassigned	73,976,028	-	-
3000	Total fund balances	80,429,676	37,995,765	91,500,791
4000	**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**	$ 140,323,721	$ 40,265,110	$ 103,703,295

The Notes to the Financial Statements are an integral part of this statement.

Total Nonmajor Funds	98 Total Governmental Funds
$ 11,693,632	$ 55,782,041
-	212,971,123
-	12,145,246
-	(5,465,361)
2,720,626	9,006,728
-	590,730
912	5,914,038
45,212	160,315
-	1,876,271
-	4,577,377
-	1,194,000
14,460,382	298,752,508
$ 14,460,382	$ 298,752,508
$ 1,980,416	$ 17,627,259
-	3,385,009
188,007	21,696,776
1,173,801	5,804,078
2,065	22,093,183
-	173,720
1,671,225	1,671,225
5,015,514	72,451,250
-	6,930,158
-	6,930,158
-	1,876,271
-	4,577,377
845,562	845,562
-	41,121,184
-	37,995,765
-	49,273,889
-	1,105,718
8,599,306	8,599,306
-	73,976,028
9,444,868	219,371,100
$ 14,460,382	$ 298,752,508

Clear Creek Independent School District

Exhibit C-1R

Reconciliation of the Balance Sheet for Governmental Funds
to the Statement of Net Position
August 31, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)		$ 219,371,100
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	$ 1,726,665,250	
Accumulated depreciation/amortization of governmental capital assets	(740,413,149)	986,252,101
Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		6,930,158
Long-term liabilities, including bonds payable, leases payable, compensated absences and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:		
Bonds payable, at original par	$ (993,980,000)	
Premium on bonds payable	(106,754,064)	
Accrued interest on the bonds	(1,842,312)	
Leases payable	(637,690)	
Compensated absences	(5,084,800)	
Net pension liability	(136,119,297)	
Net OPEB liability	(68,619,429)	(1,313,037,592)
Internal service funds are used by the District to charge the costs of workers' compensation, dental and disability insurance benefits to the individual funds. The assets and liabilities of the internal service funds are included with governmental activities.		3,250,255
Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the governmental funds due to it is not a current financial resource available to pay for current expenditures.		11,822,686
Deferred gain on refunding is reported as deferred inflow in the statement of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(1,243,360)
Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		58,334,564
Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(11,436,558)
Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		22,185,007
Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(106,665,994)
TOTAL NET POSITON (DEFICIT) - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)		$ (124,237,633)

The Notes to the Financial Statements are an integral part of this statement.

Clear Creek Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended August 31, 2023

Data Control Codes		199 General Fund	599 Debt Service Fund	699 Capital Projects Fund
	REVENUES			
5700	Local and intermediate sources	$ 262,298,709	$ 83,154,828	$ 5,850,573
5800	State program revenues	85,232,966	3,097,239	56,173
5900	Federal program revenues	12,072,507	-	283,628
5020	Total revenues	359,604,182	86,252,067	6,190,374
	EXPENDITURES			
	Current:			
0011	Instruction	228,251,217	-	232,723
0012	Instructional resources and media services	4,367,534	-	575
0013	Curriculum and instructional staff development	8,376,317	-	-
0021	Instructional leadership	3,564,040	-	-
0023	School leadership	22,867,826	-	-
0031	Guidance, counseling, and evaluation services	14,246,037	-	-
0032	Social work services	480,023	-	-
0033	Health services	3,776,394	-	-
0034	Student transportation	12,664,307	-	430,577
0035	Food services	394,218	-	-
0036	Extracurricular activities	7,925,909	-	206,345
0041	General administration	8,367,504	-	-
0051	Plant maintenance and operations	26,200,531	-	496,020
0052	Security and monitoring services	6,154,908	-	354,631
0053	Data processing services	7,372,188	-	2,140,663
0061	Community services	232,504	-	-
	Debt service:			
0071	Principal on long-term debt	606,652	45,760,000	-
0072	Interest on long-term debt	48,440	40,575,026	-
0073	Issuance costs and fees	-	185,277	546,154
	Capital outlay:			
0081	Facilities acquisition and construction	-	-	59,200,554
	Intergovernmental:			
0093	Payments related shares services arrangements	796,862	-	-
0095	Payments to juvenile justice alternative education programs	7,479	-	-
0099	Other intergovernmental charges	2,569,881	-	-
6030	Total expenditures	359,270,771	86,520,303	63,608,242
1100	Excess (deficiency) of revenues over expenditures	333,411	(268,236)	(57,417,868)
	OTHER FINANCING SOURCES (USES)			
7901	Issuance of remarketing bonds	-	47,400,000	-
7911	Capital-related debt issued (regular bonds)	-	-	56,980,000
7912	Sale of real and personal property	81,640	-	-
7915	Transfers in	5,000,216	-	300,000
7916	Premium on issuance of bonds	-	24,188	5,566,154
8911	Transfers out	(300,000)	-	(5,000,216)
8940	Payment to escrow agent	-	(47,400,000)	-
7080	Total other financing sources (uses)	4,781,856	24,188	57,845,938
1200	Net change in fund balances	5,115,267	(244,048)	428,070
0100	Fund balances - beginning	75,314,409	38,239,813	91,072,721
3000	**FUND BALANCES - ENDING**	$ 80,429,676	$ 37,995,765	$ 91,500,791

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

Total Nonmajor Funds	98 Total Governmental Funds
$ 12,432,801	$ 363,736,911
6,208,105	94,594,483
32,038,405	44,394,540
50,679,311	502,725,934
21,512,297	249,996,237
18,438	4,386,547
5,080,379	13,456,696
703,726	4,267,766
27,822	22,895,648
3,968,813	18,214,850
443,071	923,094
201,727	3,978,121
278,166	13,373,050
-	394,218
8,763,103	16,895,357
13,735	8,381,239
6,781,169	33,477,720
-	6,509,539
711,320	10,224,171
985,544	1,218,048
-	46,366,652
-	40,623,466
-	731,431
205,697	59,406,251
-	796,862
-	7,479
-	2,569,881
49,695,007	559,094,323
984,304	(56,368,389)
-	47,400,000
-	56,980,000
-	81,640
-	5,300,216
-	5,590,342
-	(5,300,216)
-	(47,400,000)
-	62,651,982
984,304	6,283,593
8,460,564	213,087,507
$ 9,444,868	$ 219,371,100

Clear Creek Independent School District — Exhibit C-3

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended August 31, 2023

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)		$ 6,283,593
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation/amortization expense.		
Capital assets *increased*	$ 57,994,598	
Depreciation/amortization expense	(52,692,700)	5,301,898
The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.		(8,363)
Because property taxes will be collected after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable tax revenues increased (decreased) by this amount this year.		(1,781,923)
Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Par value	$ (104,380,000)	
Premium on issuance of bonds	(5,590,342)	(109,970,342)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		45,760,000
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		606,652
Payment to escrow agent to refund bonds from refunding proceeds.		47,400,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase (decrease) in interest reported in the statement of activities consist of the following:		
Accrued interest on current interest bonds payable *(increased) decreased*	$ (102,187)	
Amortization of bond premium	8,935,632	
Amortization of deferred gain on refunding	146,278	
Amortization of deferred charge on refunding	(1,580,737)	7,398,986
The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		239,179
Internal service funds are used by the District to charge the costs of workers' compensation, dental and disability insurance benefits to the individual funds. The net activity of the internal service funds were reported in the government-wide statements.		113,950
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ 22,245,362	
Deferred inflows (increased) decreased	51,476,388	
Net pension liability (increased) decreased	(79,569,039)	(5,847,289)
The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ (2,906,938)	
Deferred inflows (increased) decreased	(28,010,428)	
Net OPEB liability (increased) decreased	41,405,724	10,488,358
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)		$ 5,984,699

The Notes to the Financial Statements are an integral part of this statement.

Clear Creek Independent School District

Exhibit D-1

Statement of Net Position
Proprietary Funds
August 31, 2023

	Business-type Activities			Governmental Activities
	National School Breakfast/Lunch Program	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 8,420,112	$ 556,521	$ 8,976,633	$ 4,214,533
Investments	4,928,934	-	4,928,934	-
Receivables:				
Due from other governments	296,864	-	296,864	-
Due from other funds	86,933	-	86,933	162,751
Other receivables	50	31,000	31,050	42,594
Inventories	353,284	-	353,284	-
Total current assets	14,086,177	587,521	14,673,698	4,419,878
Noncurrent assets:				
Building and improvements, net of accumulated depreciation	2,202,070	58,505	2,260,575	-
Furniture and equipment, net of accumulated depreciation	1,391,417	259,976	1,651,393	-
Construction in progress	2,500	-	2,500	-
Total noncurrent assets	3,595,987	318,481	3,914,468	-
Total assets	17,682,164	906,002	18,588,166	4,419,878
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	1,101,913	-	1,101,913	-
Deferred outflows - OPEB	418,158	-	418,158	-
Total deferred outflows of resources	1,520,071	-	1,520,071	-
LIABILITIES				
Current liabilities:				
Accounts payable	889,955	10,325	900,280	91,155
Accrued wages payable	366,265	-	366,265	-
Due to other funds	350,218	9,426	359,644	-
Accrued expenses	-	-	-	1,078,468
Total current liabilities	1,606,438	19,751	1,626,189	1,169,623
Noncurrent liabilities:				
Net pension liability	2,571,229	-	2,571,229	-
Net OPEB liability	1,293,387	-	1,293,387	-
Total noncurrent liabilities	3,864,616	-	3,864,616	-
Total liabilities	5,471,054	19,751	5,490,805	1,169,623
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	216,031	-	216,031	-
Deferred inflows - OPEB	2,010,515	-	2,010,515	-
Total deferred inflows of resources	2,226,546	-	2,226,546	-
NET POSITION				
Investment in capital assets	3,595,987	318,481	3,914,468	-
Restricted for grants	7,908,648	-	7,908,648	-
Unrestricted	-	567,770	567,770	3,250,255
TOTAL NET POSITION	$ 11,504,635	$ 886,251	$ 12,390,886	$ 3,250,255

The Notes to the Financial Statements are an integral part of this statement.

Clear Creek Independent School District **Exhibit D-2**

Statement of Revenues, Expenses, and Changes
in Net Position
Proprietary Funds
For the Fiscal Year Ended August 31, 2023

	Business-type Activities			Governmental Activities
	National School Breakfast/Lunch Program	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Charges for services	$ 10,709,034	$ 590,739	$ 11,299,773	$ 3,401,321
Total operating revenues	10,709,034	590,739	11,299,773	3,401,321
OPERATING EXPENSES				
Payroll costs	6,605,156	123,857	6,729,013	14,248
Professional and contracted services	261,779	11,620	273,399	223,012
Supplies and materials	10,616,850	136,524	10,753,374	3,984
Other operating costs	25,662	5,373	31,035	-
Claims expense	-	-	-	3,101,517
Depreciation	376,702	141,370	518,072	-
Total operating expenses	17,886,149	418,744	18,304,893	3,342,761
Operating income (loss)	(7,177,115)	171,995	(7,005,120)	58,560
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	608,519	-	608,519	55,390
National School Breakfast Program	1,174,221	-	1,174,221	-
National School Lunch Program	6,020,001	-	6,020,001	-
Donated commodities	976,432	-	976,432	-
State program revenue	68,039	-	68,039	-
Loss on sale of real and personal property	(143,656)	(6,716)	(150,372)	-
Total nonoperating revenues (expenses)	8,703,556	(6,716)	8,696,840	55,390
Change in net position	1,526,441	165,279	1,691,720	113,950
Net position - beginning	9,978,194	720,972	10,699,166	3,136,305
NET POSITION - ENDING	$ 11,504,635	$ 886,251	$ 12,390,886	$ 3,250,255

The Notes to the Financial Statements are an integral part of this statement.

Clear Creek Independent School District

Exhibit D-3

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended August 31, 2023

	Business-type Activities			Governmental Activities
	National School Breakfast/Lunch Program	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 9,971,517	$ 556,026	$ 10,527,543	$ -
Cash received from user charges	-	-	-	3,392,912
Cash payments for employees' services and benefits	-	-	-	(3,118,975)
Cash payments to suppliers for goods and services	(10,269,937)	(145,835)	(10,415,772)	-
Cash payments for payroll costs	(6,613,264)	(123,857)	(6,737,121)	(14,248)
Cash payments for other operating expenses	(25,662)	(5,373)	(31,035)	(237,467)
Net cash provided by (used for) operating activities	(6,937,346)	280,961	(6,656,385)	22,222
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating grants received	7,405,771	-	7,405,771	-
Net cash provided by noncapital financing activities	7,405,771	-	7,405,771	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(545,806)	-	(545,806)	-
Proceeds from sale of capital assets	49,999		49,999	-
Net cash (used for) capital and related financing activities	(495,807)	-	(495,807)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received on investments	608,519	-	608,519	55,390
Purchase of investments	(4,928,934)	-	(4,928,934)	-
Net cash provided by (used for) investing activities	(4,320,415)	-	(4,320,415)	55,390
Net increase (decrease) in cash and cash equivalents	(4,347,797)	280,961	(4,066,836)	77,612
Cash and cash equivalents at beginning of year	12,767,909	275,560	13,043,469	4,136,921
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 8,420,112	$ 556,521	$ 8,976,633	$ 4,214,533
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	$ (7,177,115)	$ 171,995	$ (7,005,120)	$ 58,560
Depreciation	376,702	141,370	518,072	-
Donated commodities	976,432	-	976,432	-
Change in assets and liabilities:				
(Increase)decrease in due from other funds	(73,794)	-	(73,794)	(5,700)
(Increase)decrease in other receivables	(50)	(31,000)	(31,050)	(2,709)
(Increase)decrease in inventories	56,302	-	56,302	-
(Increase)decrease in deferred outflows - pension	(453,438)	-	(453,438)	-
(Increase)decrease in deferred outflows - OPEB	41,776	-	41,776	-
Increase(decrease) in accounts payable	(424,042)	2,309	(421,733)	(27,929)
Increase(decrease) in accrued wages payable	(82,507)	-	(82,507)	-
Increase(decrease) in due to other funds	(663,673)	(3,713)	(667,386)	-
Increase(decrease) in net pension liability	1,555,096	-	1,555,096	-
Increase(decrease) in net OPEB liability	(723,367)	-	(723,367)	-
Increase(decrease) in deferred inflows - pension	(914,431)	-	(914,431)	-
Increase(decrease) in deferred inflows - OPEB	568,763	-	568,763	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (6,937,346)	$ 280,961	$ (6,656,385)	$ 22,222

The Notes to the Financial Statements are an integral part of this statement.

Clear Creek Independent School District **Exhibit E-1**

Statement of Fiduciary Net Position
Fiduciary Funds
August 31, 2023

	865 Custodial Fund
ASSETS	
Cash and cash equivalents	$ 683,165
Total assets	683,165
LIABILITIES	
Accounts payable	7,962
Total liabilities	7,962
NET POSITION	
Restricted for:	
Student activities	675,203
TOTAL NET POSITION	$ 675,203

The Notes to the Financial Statements are an integral part of this statement.

Clear Creek Independent School District **Exhibit E-2**

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended August 31, 2023

	865 Custodial Fund
ADDITIONS	
Contributions of gifts	$ 921,730
Total additions	921,730
DEDUCTIONS	
Payroll costs	11,945
Student activities	812,486
Total deductions	824,431
Net change in fiduciary net position	97,299
Net position - beginning	577,904
NET POSITION - END OF YEAR	$ 675,203

The Notes to the Financial Statements are an integral part of this statement.

CLEAR CREEK
INDEPENDENT SCHOOL DISTRICT

Note 1. Summary of Significant Accounting Policies

Clear Creek Independent School District (the "District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified by the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

The District's Financial Statements are in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures*, which changes the note disclosure requirements in the financial statements for governmental entities.

GASB Statement No. 34 established a financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, is an essential part of financial reporting. The GASB also determined that government wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The GASB Statement No. 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The District is considered an independent entity for financial reporting purposes 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. Based on these considerations, the District's basic financial statements do not include any other entities. 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.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 61, *The Financial Reporting Entity*. The District has also implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The District receives support from various PTO, booster clubs and foundation organizations. None of these organizations meet the criteria specified by GASB 39 to be included in the District's financial statements. Therefore, there are no component units included within the reporting entity.

B. Government-Wide and Fund 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual *basis of accounting*, as are the proprietary fund financial statements. 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 fiduciary fund financial statements reflect the District's custodial fund and are reported using the *economic resources measurement focus* and the *accrual basis* of accounting.

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.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- 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 *debt service fund* is used to account for revenues from debt service taxes and earnings on investments which are used for payment of interest and principal on the District's bonded indebtedness.
- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

The District reports the following nonmajor governmental fund:

- The *special revenue funds* are used to account for resources restricted to, or committed for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods.

The District reports the following major enterprise fund:

- The *national school breakfast/lunch program* is used to account for allowable expenses as determined under the National School Breakfast and Lunch Program for the operations and improvement of Child Nutrition programs.

The District reports the following nonmajor enterprise funds:

- The *athletic concessions fund* and the *advertising fund*. These enterprise funds account for District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities.

Additionally, the District reports the following fund types:

- The *internal service funds* account for the District's dental, workers compensation, and disability insurance benefits provided to employees of the District.
- The *custodial fund* is used to account for resources held in custodial capacity by the District and consists of funds that are the property of students or others.

During the course of operations the government 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 (governmental and the internal service fund) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, grants and contributions not restricted to specific programs, investment earnings, miscellaneous and gain on sale of assets.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds and/or employees for self-funded health insurance services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Implementation of New Accounting Standards

GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91), provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2020; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 91 to reporting periods beginning after December 15, 2021, with earlier application encouraged. GASB 91 was implemented in the District's fiscal year 2023 financial statements with no impact to amounts previously reported.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 94 was implemented in the District's fiscal year 2023 financial statements with no impact to amounts previously reported.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. 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; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 96 was implemented in the District's 2023 financial statements with no impact to amounts previously reported.

E. Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investment pools, and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments, with maturity of three months or less when purchased, to be cash equivalents. For cash management purposes, the District transfers balances to either a money market or an externally pooled investment account. The cash is transferred back to the District as needed.

Investments consist primarily of U.S. government agency securities, U.S. treasury bonds, certificates of deposit, commercial paper and municipal bonds. The District's investments are carried at fair value based on quoted market prices at year end, in accordance with U.S. generally accepted accounting principles.

The District categorizes fair value measurements of its investments based on the 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. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value: 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. The District's local government investment pools are recorded at amortized cost or net asset value as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants.* The investment pools held by the District are not subject to the fair value hierarchy.

F. Receivables and Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as "due from other funds" or "due to other funds" on the combined balance sheet.

Property taxes are levied by October 1st in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Appraised values are established by the Central Appraisal District (CAD) of Galveston County, Texas. Taxes are levied by the District's Board of Trustees based on the appraised values received from Galveston Central Appraisal District. Billing and collection of tax levies are performed by the District.

Property tax rates, established in accordance with state law, are levied on real and personal property within the District's boundaries for use in financing general government and debt service expenditures. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes susceptible to accrual and recognized as revenue if they are collected within 60 days of the end of the current fiscal period. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements.

Tax rates levied to finance general government and debt service expenditures for the fiscal year were $0.8446 and $0.2700, respectively, based on an assessed property valuation of approximately $30.2 billion resulting in an adjusted tax levy of approximately $336.3 million. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

G. Inventories and Prepaid Items

Inventories consisting of supplies and materials are stated at cost (average cost method) and they include consumable custodial, maintenance, transportation, instructional and office supplies. Inventories of governmental funds are recorded as expenditures when the supplies and materials are used or consumed (consumption method) rather than when purchased. Inventories of food commodities inventory are recorded at fair market value supplied by the Texas Department of Agriculture on the date received. Commodity inventory items are recorded as expenditures when distributed to individual campuses and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method of accounting.

H. Capital Assets

Capital assets are tangible and intangible assets, which include land, construction in progress, land improvements, buildings and improvement, furniture and equipment, and right-to-use assets - equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the District as tangible and intangible assets with an initial individual cost of more than $5,000 and $200,000, respectively, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of the Facilities Acquisition and Construction function that relate to overall planning of District facilities, managing overall District assets and overall construction projects are treated as period costs and are not capitalized unless related to specific assets. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Land and construction in progress are not depreciated. Land improvements, buildings and improvements, furniture and equipment, and right-to-use assets – equipment of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Class	Lives
Land improvements	10-25
Buildings and improvements	20-40
Furniture and equipment	5-20
Right-to-use assets - equipment	Shorter of lease term or useful life

I. Leases

The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset – equipment, reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $200,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

J. Compensated Absences

The District maintains a policy allowing employees meeting established requirements to be compensated for unused sick leave at retirement and resignation. The estimated liability for accumulated sick leave is reported in the government-wide statement of net position for the portion that is not currently payable from available financial resources at year end. The current portion of compensated absences payable is reported in the governmental funds and represents the amount payable to employees who retired prior to August 31st but are paid for unused sick leave in the next fiscal year. Annual vacation time which is unused lapses at the end of each fiscal year. There are no other compensated absences allowed under the District's personnel policies.

K. Long-Term Obligations

The District's long-term obligations consist of bonded indebtedness, leases payable, compensated absences, and net pension and other postemployment benefits liabilities. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for pension and other postemployment benefit plans are accounted for in the general fund and proprietary funds. Other unfunded long-term liabilities are generally liquidated with resources of the general fund.

L. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net assets that applies to a future period(s) and 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 and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized as a reduction of the applicable liability in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

M. Pension

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 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.

N. Other Postemployment Benefits (OPEB)

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

O. 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.

P. Fund Balance Classifications and Assumptions

The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for grant funds are classified as restricted.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The amount reported in this category includes capital projects fund committed for construction and capital equipment, nonmajor governmental funds committed for campus activity, student device insurance fund, District special events, and music enrichment.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority.

Unassigned fund balance - amounts that are available for any purpose.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Per Policy CE local, assigned fund balance amounts are established by the Superintendent or his designee.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Q. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

R. Use of Estimates

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

S. Recent Accounting Pronouncements

GASB Statement No. 99, *Omnibus 2022* (GASB 99), enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB statements and 2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases were implemented in Clear Creek ISD's fiscal year 2022 financial statements in conjunction with GASB 87. The requirements related to PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. These requirements for GASB 99 were implemented in the District's fiscal year 2023 financial statements in conjunction with GASB 94 and GASB 96 as described in Note 1. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. These requirements for GASB 99 will be implemented in the District's fiscal year 2024 financial statements and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100), enhances 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 1) defines accounting changes and corrections of errors; 2) prescribes the accounting and financial reporting for each type of accounting change and error corrections; and 3) clarifies required note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2023, with earlier application encouraged. GASB 100 will be implemented in the District's fiscal year 2024 financial statements and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 will be implemented in District's fiscal year 2025 financial statements and the impact has not yet been determined.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

The Board adopts an appropriated budget for the general fund, debt service fund, and the National School Breakfast and Lunch Program proprietary fund on a basis consistent with generally accepted accounting principles. Budgetary information for the general fund appears in the required supplementary information subsection where the District compares the final amended budget to actual revenues and expenditures. Per regulatory requirements, the debt service fund and the National School Breakfast and Lunch Program proprietary fund are required to be reported with the original budget, final amended budget and actual revenues and expenditures. These schedules are included in supplementary information subsection. All other governmental funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

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

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

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The District made several supplemental budgetary appropriations throughout the year, primarily in the general fund.

Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Encumbrances are reported in the financial statements as restricted, committed, or assigned for specific purposes in the governmental funds. As of August 31, 2023, significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:	
	Restricted Fund Balance	Committed Fund Balance
Capital projects fund	$ 18,810,434	$ 2,692,045
Total encumbrances	$ 18,810,434	$ 2,692,045

Note 3. Cash, Cash Equivalents, and Investments

A. Cash Deposits

Deposits and investment transactions of the District are regulated by State statutes through provisions of Chapter 23, Subchapter E, Sections 23.71 through 23.8 (the School Depository Act) of the Texas Education Code and other Code sections referenced therein and through provisions of the Texas Revised Civil Statutes, Title 47, Articles 2529c, and 2548a regarding security for District funds in depository institutions.

In accordance with applicable statutes, the District has a depository contract with an area bank (depository) providing for interest to be earned on deposited funds and for banking charges the District incurs as a result of banking services received. All depository contracts have a term of two years, commencing with the start of every odd-numbered fiscal year. Depository contacts are awarded on the basis of competitive bids received from area banks and can be awarded to more than one bank if the bids received are relatively equal.

The District may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require that all funds in the depository institution be fully secured by federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The collateral securities must be delivered to the District or placed with an independent trustee institution with safekeeping receipts delivered to the District. In accordance with State statutes pertaining to lawful collateralization of District deposits, safekeeping receipts are issued in the name of the depository with proper indication that the collateral securities are pledged by the depository to secure funds of the District.

Acceptable collateral securities include direct obligations of the United States of America (U.S.), bonds of any agency of the U.S. (except Farmers Home Administration Insured Notes), Bonds of the State of Texas or of any county, school district, city, or town of the State of Texas that have been rated A or better by Moody's Investors Service, Inc., as authorized by Chapter 2257 Collateral for Public Funds of the Government Code. The District must approve all collateral securities prior to the security being pledged. The depository can change collateral securities pledged to secure District funds only upon obtaining the written approval of the District.

At August 31, 2023, the carrying amount of the District’s cash on deposit was $5,240,769 and the bank balances were $8,650,372. The District’s deposits were secured with $46,405,869 of pledged collateral and $250,000 of FDIC coverage.

B. Restricted Cash

The District has an unused line of credit of $1,194,000 available at one of the financial institutions where it holds its deposits, and extends through November 1, 2023. The purpose of the line of credit is to meet the owner controlled insurance program self-insured retention collateral requirement for ongoing capital projects. As of August 31, 2023, there have been no cash advances drawn on the line of credit.

The District's cash deposits held at the financial institution secures any cash advances to the District under the line of credit. As of August 31, 2023, the District's capital projects fund reported restricted cash of $1,194,000.

C. Cash Equivalents

At August 31, 2023, the District's cash equivalents consist of local government investment pools measured at amortized cost or net asset value, with maturities of three months or less from the date of acquisition.

Local Government Investment Pools
TexPool Prime, measured at amortized cost, is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Hermes, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; money market mutual funds; commercial paper and certificates of deposit.

The investment pool transacts at a net asset value of $1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. The investment pool 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.

Lone Star is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, a subsidiary of the Texas Association of School Boards, and managed by Mellon Investments Corporation and American Beacon Advisors. State Street Bank and Trust Company is the custodial bank.

The investment pool 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.

The objective of the Lone Star Corporate Overnight Fund, which is measured at amortized cost, is to provide safety of principal, daily liquidity, and the highest possible rate of return. This fund seeks to maintain a net asset value of one dollar, and its dollar-weighted average maturity is 60 days or fewer. The fund may invest in all securities authorized under the Public Funds Investment Act; however, the fund has additional restrictions for SEC regulated money market mutual funds and fully collateralized repurchase agreements.

Texas CLASS was created in accordance with the requirements contained in section 2256.016 of the Public Funds Investment 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.

Texas Fixed Income Trust Cash Pool (TX-FIT CP) and Texas Fixed Income Trust Government Pool (TX-FIT GP), which are measured at net asset value, were established as authorized local government investment pools under Texas Government Code and are held in trust under the U.S. Fixed Income Trust, a Delaware statutory trust. U.S Bank National Association serves as the custodial bank, U.S. Bank Global Fund Services serves as the Administrator, and Water Walker Investments serves as the pools' investment advisor. The TX-FIT CP portfolio consists primarily of commercial paper; FDIC insured deposits; certificates of deposit; municipal bonds; and money market mutual funds. The TX-FIT GP portfolio consists primarily of U.S. Government securities; FDIC insured deposits, certificates of deposit; municipal bonds; and money market mutual funds.

The investment pools transact at a stable net asset value of $1.00 per share, have a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, and can meet reasonably foreseeable redemptions. The investment pools have no limitations or restrictions on participant withdrawals, do not charge liquidity fees, and have not put in place a redemption gate.

D. Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, or repurchase agreements.

The State Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. It requires the District to adopt, implement, and publicize an investment policy. The investment policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the United States Treasury, certain United States agencies, and obligations of the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. Management of the District believes it is in compliance with the requirements of the Act and with local policies.

At August 31, 2023, the District's unrestricted and restricted cash, cash equivalents, and investment balances, including fiduciary funds, were as follows:

	Balance	Percent of Total Portfolio	Credit Risk*
Cash deposits	$ 5,240,769	1.90%	N/A
Petty cash	36,462	0.00%	N/A
Investment pools:			
LoneStar Corporate Overnight Fund	16,841,008	5.80%	AAAm
Texpool Prime	32,591,677	11.30%	AAAm
Texas CLASS	14,931,148	5.20%	AAAm
Texas FIT Cash Pool	1,198,925	0.40%	AAAf/S1
Texas FIT Government Pool	10,383	0.00%	AAAmmf
Total cash and cash equivalents	70,850,372	24.6%	
Certificates of Deposit	25,533,774	8.80%	Not Rated**
Federal Home Loan Mortgage Corp.	82,582,733	28.60%	AA+/AAA
US Treasury Notes	14,407,032	5.00%	AAA
US Treasury Bills	63,246,432	21.90%	AAA
Municipal Bonds	4,973,400	1.70%	AAA/AA/AA-
Commercial Paper	27,156,686	9.40%	A-1+/A-1
Total investments	217,900,057	75.4%	
Total cash, cash equivalents, and investments	$ 288,750,429	100.0%	

*Standard & Poor's Rating
**Certificates of deposit is collateralized and/or insured.

At August 31, 2023, the District had the following investments:

Investment Type		August 31, 2023		Markets for Identical Assets (Level 1)		Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments not subject to fair value:								
Investment measured at amortized cost:								
Commercial paper	$	27,156,686	$	-	$	-	12.50%	193
Certificates of Deposit		25,533,774		-		-	11.70%	143
Investments subject to fair value:								
Federal Home Loan Mortgage Corp.		82,582,733		-		82,582,733	37.90%	77
US Treasury Notes		14,407,032		14,407,032		-	6.60%	289
US Treasury Bills		63,246,432		58,317,498		-	29.00%	81
Municipal Bonds		4,973,400		-		4,973,400	2.30%	76
Total investments	$	217,900,057	$	72,724,530	$	87,556,133	100.00%	
Investment portfolio weighted average maturity								114

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over- concentration of assets in a specific class of investments, specific maturity, or specific issuer.

At year-end, the District's investments were rated as noted in the preceding tables. All credit ratings met acceptable levels required by legal guidelines prescribed in both the PFIA and the District's investment policy.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. In accordance with the Investment Policy, the District reduces its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolio to no more than 180 days, with the exception of debt service and capital projects funds which are limited to no more than 24 months without specific board approval.

At August 31, 2023, the District's exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized below:

			Investment Maturity in Years			
Investments		Carrying Value		Less than 1		1-5
Certificates of deposit	$	25,533,775	$	25,533,775	$	-
Federal Home Loan Mortgage Corp.		82,582,733		82,582,733		-
US Treasury Notes		14,407,032		14,407,032		
US Treasury Bills		63,246,431		63,246,431		-
Municipal Bonds		4,973,400		4,973,400		-
Commercial Paper		27,156,686		27,156,686		-
Total investments	$	217,900,057	$	217,900,057	$	-

Concentration of Credit Risk
The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial Credit Risk – Deposits
In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2023, the District's bank balance at the local bank were insured and collateralized with securities held by the District's agent in the District's name.

Custodial Credit Risk – Investments
For an investment, this is the risk that, in the event of the failure of the counterparty, 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. The District is not exposed to custodial risk due to the investments are insured or registered in the District's name, or the investments are held by the District or its agent.

Note 4. Receivables and Unearned Revenue

Tax revenues of the general and debt service funds are reported net of uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in uncollectibles related to general fund property taxes	$ 2,888,834
Change in uncollectibles related to debt service fund property taxes	926,522
Increase (decrease) in revenues due to change in uncollectibles	$ 3,815,356

The District expects to collect the delinquent taxes receivable within a period of greater than one year.

Governmental funds do not recognize revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenues reported in the governmental funds were as follows:

	Unearned Revenues
Unearned federal grant revenue	$ 7,314
Unearned local and state revenue	1,663,911
Total unearned revenues	$ 1,671,225

Note 5. Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

	Receivable Fund						
Payable Fund	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Child Nutrition Fund	Total
Governmental activities							
General fund	$ -	$ 37,311	$ 4,371,379	$ 611	$ 143,469	$ -	$ 4,552,770
Capital projects fund	-	-	-	-	-	77,507	77,507
Nonmajor governmental fund	1,173,500	-	-	301	-	-	1,173,801
Total governmental activities	1,173,500	37,311	4,371,379	912	143,469	77,507	5,804,078
Business-type activities							
Child Nutrition Fund	330,936	-	-	-	19,282	-	350,218
Nonmajor Enterprise Funds	-	-	-	-	-	9,426	9,426
Total business-type activities	330,936	-	-	-	19,282	9,426	359,644
Totals	$ 1,504,436	$ 37,311	$ 4,371,379	$ 912	$ 162,751	$ 86,933	$ 6,163,722

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The following is a summary of the District's transfers for the fiscal year ended August 31, 2023:

	Transfers In		
Transfers Out	General Fund	Capital Projects Fund	Total
Governmental activities			
General fund	$ -	$ 300,000	$ 300,000
Capital projects fund	5,000,216	-	5,000,216
Total governmental activities	$ 5,000,216	$ 300,000	$ 5,300,216

The $5M transfer from the capital projects fund to the general fund is to maintain the fund balance in the general fund to meet board policy reserve requirements utilizing available capital project funds which initially originated from the general fund. The $300,000 transfer from the general fund to the capital projects fund is an annual transfer to cover small capital requests from campuses and departments.

Note 6. Capital Assets

Capital asset activity for the governmental activities of the District for the year ended August 31, 2023, are as follows:

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 62,573,205	$ -	$ -	$ 62,573,205
Construction in progress	8,031,685	45,870,595	(46,405,393)	7,496,887
Total capital assets, not being depreciated/amortized	70,604,890	45,870,595	(46,405,393)	70,070,092
Capital assets, being depreciated/amortized:				
Land improvements	35,149,499	288,136	-	35,437,635
Buildings and improvements	1,430,261,303	10,389,857	46,405,393	1,487,056,553
Furniture and equipment	133,737,345	1,446,010	(2,864,244)	132,319,111
Right-to-use assets - equipment	1,781,859	-	-	1,781,859
Total capital assets, being depreciated/amortized	1,600,930,006	12,124,003	43,541,149	1,656,595,158
Less accumulated depreciation/amortization for:				
Land improvements	(25,263,778)	(1,346,605)	-	(26,610,383)
Buildings and improvements	(552,460,929)	(45,965,292)	-	(598,426,221)
Furniture and equipment	(112,240,700)	(4,769,880)	2,855,881	(114,154,699)
Right-to-use assets - equipment	(610,923)	(610,923)	-	(1,221,846)
Total accumulated depreciation/amortization	(690,576,330)	(52,692,700)	2,855,881	(740,413,149)
Total capital assets, being depreciated/amortized, net	910,353,676	(40,568,697)	46,397,030	916,182,009
Governmental activities capital assets, net	$ 980,958,566	$ 5,301,898	$ (8,363)	$ 986,252,101

Capital asset activity for the business-type activities of the District for the year ended August 31, 2023, are as follows:

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	$ -	$ 2,500	$ -	$ 2,500
Total capital assets, not being depreciated	-	2,500	-	2,500
Capital assets, being depreciated:				
Buildings and improvements	4,009,642	54,185	-	4,063,827
Furniture and equipment	5,637,151	1,066,587	(1,472,298)	5,231,440
Total capital assets, being depreciated	9,646,793	1,120,772	(1,472,298)	9,295,267
Less accumulated depreciation for:				
Buildings and improvements	(1,647,780)	(155,472)	-	(1,803,252)
Furniture and equipment	(4,489,374)	(362,600)	1,271,927	(3,580,047)
Total accumulated depreciation	(6,137,154)	(518,072)	1,271,927	(5,383,299)
Total capital assets, being depreciated, net	3,509,639	602,700	(200,371)	3,911,968
Business-type activities capital assets, net	$ 3,509,639	$ 605,200	$ (200,371)	$ 3,914,468

Depreciation/amortization expense of the governmental and business-type activities were charged to the functions/programs as follows:

Governmental activities:	
11 Instruction	$ 33,893,947
12 Instructional resources and media services	648,552
13 Curriculum and instructional staff development	1,243,833
21 Instructional leadership	529,238
23 School leadership	3,395,735
31 Guidance, counseling, and evaluation services	2,115,452
32 Social work services	71,280
33 Health services	560,772
34 Student transportation	1,880,574
36 Extracurricular activities	1,176,951
41 General administration	1,242,525
51 Plant maintenance and operations	3,890,623
52 Security and monitoring services	913,968
53 Data processing services	1,094,725
61 Community services	34,525
Total governmental activities	52,692,700
Business-type activities:	
35 Food services	376,702
36 Extracurricular activities	141,370
Total business-type activities	518,072
Total depreciation/amortization expense	$ 53,210,772

Construction Commitments

The District has active construction projects as of August 31, 2023. At year-end, the District's commitments with contractors are as follows:

Project	Approved Construction Budget	Completed to Date	Estimated Remaining Commitment
Governmental activities:			
Multi-Campus HVAC Replacements	$ 8,361,051	$ 6,078,483	$ 2,282,568
Victory Lakes Intermediate HVAC Upgrades	2,218,484	1,405,086	813,398
Multi-Campus Intercom Systems	88,360	13,318	75,042
Total	$ 10,667,895	$ 7,496,887	$ 3,171,008

The remaining construction commitments will be provided by the fund balance in the capital project fund. The construction and equipment of school facilities is being financed by general obligation bonds.

Note 7. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, leases payable, compensated absences, and net pension liability and net OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Current funding requirements for pension and OPEB plans are accounted for in the governmental and proprietary funds. Other unfunded long-term liabilities are generally liquidated with resources of the general fund.

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 952,350,000	$ 104,380,000	$ (88,365,000)	$ 968,365,000	$ 44,130,000
Direct placement general obligation bonds	30,410,000	-	(4,795,000)	25,615,000	4,780,000
Bond premiums/discounts	110,099,354	5,590,342	(8,935,632)	106,754,064	-
Total bonds payable	1,092,859,354	109,970,342	(102,095,632)	1,100,734,064	48,910,000
Leases payable	1,244,342	-	(606,652)	637,690	637,690
Compensated absences	5,323,979	513,646	(752,825)	5,084,800	722,075
Net pension liability	56,550,258	90,319,161	(10,750,122)	136,119,297	-
Net OPEB liability	110,025,153	3,381,535	(44,787,259)	68,619,429	-
Governmental activities long-term liabilities	$ 1,266,003,086	$ 204,184,684	$ (158,992,490)	$ 1,311,195,280	$ 50,269,765

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Net pension liability	$ 1,016,133	$ 1,706,086	$ (150,990)	$ 2,571,229	$ -
Net OPEB liability	2,016,754	63,738	(787,105)	1,293,387	-
Business-type activities long-term liabilities	$ 3,032,887	$ 1,769,824	$ (938,095)	$ 3,864,616	$ -

General Obligation Bonds

The District issues general obligation bonds to provide funds for the renovation, acquisition and construction of major capital facilities. The general obligation bonds are direct obligations and pledge the full faith and credit of the District.

In August 2023, the District remarketed $47,400,000 of Variable Rate Unlimited Tax School Building Bonds - Series 2013B (2035 Term Bond Remarketing). The remarketed bonds carry a fixed rate of 3.60 percent until maturity, February 15, 2035.

General obligation bonds currently outstanding are as follows:

Series	Original Issue	Interest Rate	Maturity Date	Debt Outstanding
Governmental activities:				
General obligation bonds:				
Unlimited Tax Refunding Bonds - Series 2012B	37,830,000	0.19-3.70%	2026	$ 28,720,000
Unlimited School Building Bonds - Series 2013A	9,990,000	2.00-5.00%	2029	5,110,000
Variable Rate Unlimited Tax School Building Bonds - Series 2013B	137,065,000	2.00-3.00%	2038	137,065,000
Unlimited Tax School Building and Refunding Bonds - Series 2014	72,565,000	2.00-5.00%	2039	70,430,000
Unlimited Tax School Building and Refunding Bonds - Series 2015A	158,140,000	2.25-5.00%	2040	155,610,000
Unlimited Tax Refunding Bonds - Series 2015B	11,600,000	5.00%	2029	11,600,000
Unlimited Tax Refunding Bonds - Series 2016	38,580,000	2.00-5.00%	2033	35,795,000
Unlimited Tax School Building Bonds - Series 2018	141,380,000	3.00-5.00%	2041	136,745,000
Unlimited Tax School Building Bonds - Series 2019A	96,600,000	3.00-5.00%	2041	93,365,000
Unlimited Tax Refunding Bonds - Series 2020A	79,850,000	1.73-5.00%	2033	79,850,000
Unlimited Tax Refunding Bonds - Series 2020B	62,630,000	5.00%	2028	54,630,000
Unlimited Tax School Building Bonds - Series 2021	106,120,000	3.00-5.00%	2041	103,075,000
Unlimited Tax School Building Bonds - Series 2022	29,105,000	4.00-5.00%	2041	28,495,000
Unlimited Tax School Building Bonds - Series 2022A	27,875,000	4.00-5.00%	2041	27,875,000
Total general obligation bonds:				968,365,000
Direct placement general obligation bonds				
Unlimited Tax Refunding Bonds - Series 2019	16,125,000	3.00-5.00%	2027	16,085,000
Unlimited Tax Refunding Bonds - Series 2020	15,500,000	0.88%	2025	9,530,000
Total direct placement general obligation bonds				25,615,000
Totals				$ 993,980,000

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Bonds			Governmental Activities Direct Placement General Obligation Bonds		
Year Ending August 31,	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2024	$ 44,130,000	$ 40,241,219	$ 84,371,219	$ 4,780,000	$ 406,988	$ 5,186,988
2025	46,500,000	39,964,914	86,464,914	4,770,000	364,842	5,134,842
2026	55,500,000	37,737,997	93,237,997	10,000	343,684	353,684
2027	42,070,000	35,365,117	77,435,117	16,055,000	171,789	16,226,789
2028	60,880,000	32,791,367	93,671,367	-	-	-
2029-2033	340,530,000	116,738,896	457,268,896	-	-	-
2034-2038	269,570,000	51,189,600	320,759,600	-	-	-
2039-2041	109,185,000	6,168,025	115,353,025	-	-	-
Totals	$ 968,365,000	$ 360,197,135	$ 1,328,562,135	$ 25,615,000	$ 1,287,303	$ 26,902,303

Defeased Debt

In previous years, the District defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for re bonds are not included in the District's financial statements. At August 31, 2023, there was $42,760,000 of defeased debt outstanding.

Federal Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. The District has estimated that it does not have any arbitrage liability as of August 31, 2023.

Leases Payable

The District has entered into a lease agreement as lessee. The lease allows the right-to-use asset copiers over the term of the lease. The District is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term and ending lease liability is as follows:

Description	Interest Rate	Maturity Date	Ending Balance
Copiers	5%	2024	$ 637,690

The future principal and interest lease payments as of fiscal year end are as follows:

Year Ending August 31,	Principal	Interest	Total
2024	$ 637,690	$ 17,402	$ 655,092
	$ 637,690	$ 17,402	$ 655,092

Compensated Absences

During the fiscal year ended August 31, 2023, the District paid out a total of $752,825 in compensated absences and the District redeemed the liability for compensated absences used. The total ending amount of accrued compensated absences at year-end is $5,084,800. The District pays any accrued compensated absences out of the General Fund.

Note 8. Fund Balance and Net Position

Committed Fund Balance

The other committed fund balance in the governmental funds consists of the following:

	Nonmajor Governmental Funds
Campus Activities	$ 7,019,881
Student Tablet Insurance	1,465,696
District Special Events	33,546
Music Enrichment	80,183
Total other committed fund balances	$ 8,599,306

Note 9. Revenues from Local, Intermediate and Out-of-State Sources

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

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Totals
Property taxes	$ 249,301,885	$ 80,643,801	$ -	$ -	$ 329,945,686
Penalties, interest and other tax related revenue	2,777,674	473,053	-	-	3,250,727
Investment income (loss)	6,926,514	2,037,974	5,037,701	368,599	14,370,788
Co-curricular student activities	665,874	-	-	8,651,946	9,317,820
Donations	9,182	-	-	610,689	619,871
Facility rentals	659,824	-	-	-	659,824
SSA - Member districts	57,439	-	-	2,478,484	2,535,923
Tuition and fees	806,724	-	-	-	806,724
E-Rate	162,931	-	-	-	162,931
Student tablet insurance	-	-	-	299,397	299,397
Insurance proceeds	-	-	812,872	-	812,872
Other	930,662	-	-	23,686	954,348
Totals	$ 262,298,709	$ 83,154,828	$ 5,850,573	$ 12,432,801	$ 363,736,911

Note 10. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

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 where 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 previously noted in the Plan Description above.

Contributions

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

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

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2023	2022
Member	8.00%	8.00%
Non-employer contributing entity (State)	8.00%	7.75%
Employers (District)	8.00%	7.75%

The contribution amounts for the District's fiscal year 2023 are as follows:

District contributions	$ 11,555,861
Member contributions	23,446,478
NECE on-behalf contributions (State)	15,753,021

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

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

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

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment-after-retirement surcharge.
- Public education employer contribution - all public schools, charter schools and regional education service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2.0% in fiscal year 2025.

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

On August 31, 2023, the District reported a liability of $138,690,526 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the net pension liability	$ 138,690,526
State's proportionate share of the net pension liability associated with the District	189,860,902
Total	$ 328,551,428

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

At the measurement date of August 31, 2022, the District's proportion of the collective net pension liability was 0.2336138% which was an increase of 0.0075660% from its proportion measured as of August 31, 2021.

For the fiscal year ended August 31, 2023, the District recognized pension expense of $35,738,927 and revenue of $18,148,550 for support provided by the State.

On August 31, 2023, the District reported 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 experience	$ 2,011,001	$ 3,023,716
Changes of assumptions	25,842,559	6,440,687
Difference between projected and actual earnings on pension plan investments	13,702,180	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	6,324,876	2,188,186
District contributions paid subsequent to the measurement date	11,555,861	-
Totals	$ 59,436,477	$ 11,652,589

$11,555,861 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	
2024	$ 10,009,330
2025	5,368,745
2026	1,634,121
2027	16,569,961
2028	2,645,870
Total	$ 36,228,027

Actuarial Methods and Assumptions
The actuarial valuation of the total pension liability was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.00%
Long-term expected rate of return	7.00%
Municipal bond rate as of August 2023	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
Active mortality rates	The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale (“U-MP”). The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2021 and adopted in July 2022.

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

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

The long-term expected rate of return on pension plan investments 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's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation**	Long-term Expected Geometric Real Rate of Return***	Expected Contribution to Long-term Portfolio Returns
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*	-	3.70%	-
Stable value hedge funds	5.00%	3.40%	0.18%
Real return:			
Real estate	15.00%	4.10%	0.94%
Energy, natural resources and infrastructure	6.00%	5.10%	0.37%
Commodities	-	3.60%	-
Risk parity:			
Risk parity	8.00%	4.60%	0.43%
Asset allocation leverage:			
Cash	2.00%	3.00%	0.01%
Asset allocation leverage cash	-6.00%	3.60%	-0.05%
Inflation expectation			2.70%
Volatility drag****			-0.91%
Total	100.00%		8.21%

* Absolute return includes credit sensitive investments.
** Target allocations are based on the FY 2022 policy model.
*** Capital market assumptions come from Aon Hewitt (as of 8/31/2022).
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis
The following table presents the District's proportionate share of the TRS net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	$ 215,749,872	$ 138,690,526	$ 76,230,308

Change of Assumptions Since the Prior Measurement Date

New assumptions were adopted in conjunction with an actuarial experience study since the prior measurement date that affected measurement of the total pension liability during the measurement period. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

Change of Benefit Terms Since the Prior Measurement Date

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

Note 11. Defined Other Postemployment Benefit Plans

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Postemployment Benefit (OPEB) plan that has a special funding situation. TRS-Care was established in 1986 by the Texas Legislature and is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees in accordance with the Texas Insurance Code, Chapter 1575. 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 on the Internet at http://www.trs.texas.gov/Pages/about_archive_acfr.aspx ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public 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 Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). The Board of Trustees of TRS is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052.

The premium rates for retirees are reflected in the following

TRS-Care Monthly Plan Premium Rates

	Medicare	Non-medicare
Retiree and surviving spouse	$ 135	$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

Contributions

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

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

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2023	2022
Active employee	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.

The contribution amounts for the District's fiscal year 2023 are as follows:

District contributions	$ 2,392,710
Member contributions	1,905,022
NECE on-behalf contributions (State)	3,468,931

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of $535 per retiree.

The State of Texas also contributed $1,592,680, $1,229,208 and $1,277,091 in 2023, 2022, and 2021, respectively, for on-behalf payments for Medicare Part D.

TRS-Care received a supplemental appropriation 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.

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

On August 31, 2023, the District reported a liability of $69,912,816 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided by 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 are as follows:

District's proportionate share of the net OPEB liability	$ 69,912,816
State's proportionate share of the net OPEB liability associated with the District	85,282,652
Total	$ 155,195,468

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

At the measurement date of August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.2919846% which was an increase of 0.0015285% from its proportion measured as of August 31, 2021.

For the fiscal year ended August 31, 2023, the District recognized net OPEB revenue of ($20,310,773) due to recognition of deferred inflows in excess of deferred outflows and current year expense. OPEB revenue of ($12,102,297) was recognized for support provided by the State.

At August 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,886,905	$ 58,243,651
Changes of assumptions	10,649,107	48,571,266
Difference between projected and actual earnings on OPEB plan investments	208,251	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	5,466,192	1,861,592
District contributions paid subsequent to the measurement date	2,392,710	-
Totals	$ 22,603,165	$ 108,676,509

$2,392,710 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31,	
2024	$ (16,167,609)
2025	(16,166,853)
2026	(13,202,086)
2027	(9,188,322)
2028	(11,511,948)
Thereafter	(22,229,236)
Total	$ (88,466,054)

Actuarial Methods and Assumptions
The actuarial valuation of the total OPEB liability 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 of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

Demographic Assumptions	Economic Assumptions
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	
Rates of disability	

See Note 10 for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Actuarial cost method	Individual entry age normal
Single discount rate	3.91%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 62% participation prior to age 65 and 25% after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc postemployment benefit changes	None

Discount Rate

A single discount rate of 3.91% was used to measure the total OPEB liability at August 31, 2022. This was an increase of 1.96% in the discount rate since the August 31, 2021 measurement date. The plan is essentially a "pay-as-you-go" plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current plan members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2022.

Sensitivity Analysis of Rates

Discount Rate

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (3.91%) in measuring the net OPEB liability.

	1% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
District's proportionate share of the net OPEB liability	$ 82,432,754	$ 69,912,816	$ 59,770,059

Healthcare Cost Trend Rates
The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 57,608,475	$ 69,912,816	$ 85,863,810

Change of Assumptions Since the Prior Measurement Date
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 changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the total OPEB liability.
- Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased the total OPEB liability.

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

Note 12. Risk Management

The District is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from the previous year.

In addition, the District is a member of the Texas Association of School Board's Joint Account Self-insurance Fund ("TASB Fund"). The TASB Fund was created to formulate, develop and administer a program of modified self-funding for the property and/or liability coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the TASB Fund for its general and educators' liability coverage. The District's provides that the TASB Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts.

Dental Coverage
The District participates in a self-funded dental coverage program. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported ("IBNR"). The result of the process to estimate the claims liability is based upon the District's historical experience.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claim Payments	End of Year Accrual
2022	$ 150,000	$ 1,770,992	$ (1,770,992)	$ 150,000
2023	150,000	1,810,037	(1,810,037)	150,000

The claims liability at year-end represents amount due for dental plan claim liabilities.

Workers Compensation
During the year ended August 31, 2023, employees of the District were provided with workers' compensation benefits which were self-funded from accumulated assets, provided directly from the District, which is the plan sponsor. All claims were submitted, processed, and approved by a third-party administrator acting as an agent of the District. The plan is documented by contractual agreement.

Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported ("IBNR"). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these factors. The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claim's liability estimate. An excess coverage insurance policy covers individual claims in excess of $500,000 up to the statutory limits for any given claim. There were no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage for each of the past three fiscal years.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claim Payments	End of Year Accrual
2022	$ 815,468	$ 512,445	$ (512,445)	$ 815,468
2023	815,468	678,031	(678,031)	815,468

Disability Coverage
The District participates in a self-funded short-term disability program. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported ("IBNR"). The result of the process to estimate the claims liability is based upon the District's historical experience.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claim Payments	End of Year Accrual
2022	$ 113,000	$ 642,910	$ (642,910)	$ 113,000
2023	113,000	612,903	(612,903)	113,000

The claims liability at year-end represents amount due for disability claim liabilities.

Note 13. Litigation, Commitments and Contingencies

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

The District received significant financial assistance from federal and state governmental agencies in the form of grants. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies and the TEA. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at year end.

Note 14. Shared Service Arrangements

The District participates in a Shared Service Arrangement (SSA) for the Galveston-Brazoria Co-op for the Hearing Impaired with eight other school districts. Approximately $561,583 of the total SSA expenditures are attributable to the District. According to guidance provided in the Texas Education Agency's Financial Accountability and Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 458, SSA- Regional Day School Deaf (Local), and will be accounted for using Model 3 in the SSA section of the resource guide.

Presented below are the revenues and expenditures attributable to the District's participation.

Revenues	
5700 Local revenue from member districts	$ 2,478,484
	$ 2,478,484
Expenditures	
6100 Payroll costs	$ 1,518,374
6200 Contracted services	132,862
6300 Supplies and materials	280,088
6400 Miscellaneous operating costs	47,159
	$ 1,978,483

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides a system of direct and support services to eligible hearing-impaired students of member districts. In addition to the District, other member districts include Alvin ISD, Dickinson ISD, Friendswood ISD, Galveston ISD, Hitchcock ISD, Pearland ISD, Santa Fe ISD and Texas City ISD. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in the Texas Education Agency's Financial Accountability and Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the special revenue funds listed below and will be accounted for using Model 3 in the SSA section of the resource guide.

Expenditures of the SSA are summarized below:

	315	340
	SSA -IDEA B - Discretionary (Deaf)	SSA -IDEA C - Early Intervention (Deaf)
Alvin Independent School District	$ 50,699	$ 1,495
Clear Creek Independent School District	46,643	1,376
Dickinson Independent School District	20,279	598
Friendswood Independent School District	2,028	60
Galveston Independent School District	6,084	179
Hitchcock Independent School District	61	2
Pearland Independent School District	19,266	568
Santa Fe Independent School District	11,154	329
Texas City Independent School District	8,112	239
Totals	$ 164,326	$ 4,846

Note 15. Related Organizations

The Clear Creek Education Foundation ("Foundation"), a non-profit entity which was organized in 1992 to provide funds for the advancement of teaching objectives, is a "related organization" of the District as defined by *Governmental Accounting Standards Board Statement No. 39*. The members of the Board of the Foundation serve without financial compensation. The operations of the Foundation are not financially significant to the overall operations of the District, and therefore are not reported in the District's financial statements. The nonmajor governmental fund 493, reported in the District's financial statements is for activity related to the grants received by the District from the Foundation.

Note 16. Nonmonetary Transactions

During 2023, the District received commodities purchased by the Texas Department of Agriculture with a value of $970,482. The commodities purchased by the State on behalf of the District, have been recorded in the National School Breakfast and Lunch Program special revenue fund as both federal revenue and expenditures, and reported on the schedule of expenditures of federal awards.

Note 17. Tax Abatement

The District entered into a property tax abatement agreement with a local business under Texas Tax Code, Title 3. Subtitle B. Chapter 313. Texas Economic Development Act (the Act) beginning tax year 2021 (fiscal year 2022) through 2030 (fiscal year 2031). Under the Act, Texas school districts may grant property tax abatements according to the category of taxable value of property in the District for the preceding tax year. The qualified property is limited to the lesser of the market value of the qualified property or $100,000,000. The qualified property is limited only from maintenance and operation (M&O) property tax. The tax abatement, which is approved by the Texas Comptroller's office and the District's Board, are granted for the purpose of enhancing the local community; improving the public education system; creating high-paying jobs; and advancing economic development goals.

For the fiscal year ended August 31, 2023, the District foregoes collecting property taxes totaling $3,211,290 resulting from the M&O tax rate of $0.8446 per $100 of taxable value. The qualified property per the agreements had a taxable value of $480,214,300 and was limited to a taxable value of $100,000,000. However, in foregoing the property tax revenue, the local business receiving such property tax abatement has committed to compensate the District for the loss of M&O revenue.

Note 18. Subsequent Events

Issuance of Refunding Bonds
In November 2023, the District issued $64,760,000 of Unlimited Tax Refunding Bonds, Series 2023. The issue will refund $68,190,000 of the District's Series 2014 Unlimited Tax School Building and Refunding Bonds and are scheduled to mature on February 15, 2039.

APPENDIX E
THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

During the 87th Regular Session of the Texas Legislature (the "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	-	-	-	-	-	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: PSF 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	Range Max
Cash	2.0%	0.0%	7.0%
Core Bonds	10.0%	5.0%	15.0%
High Yield	2.0%	0.0%	7.0%
Bank Loans	4.0%	0.0%	9.0%
Treasury Inflation Protected Securities	2.0%	0.0%	7.0%
Large Cap Equity	14.0%	9.0%	19.0%
Small/Mid-Cap Equity	6.0%	1.0%	11.0%
Non-US Developed Equity	7.0%	2.0%	12.0%
Absolute Return	3.0%	0.0%	8.0%
Real Estate	12.0%	7.0%	17.0%
Private Equity	20.0%	10.0%	30.0%
Private Credit	8.0%	3.0%	13.0%
Natural Resources	5.0%	0.0%	10.0%
Infrastructure	5.0%	0.0%	10.0%

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

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 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	89.15	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: PSF Annual Report for year ended August 31, 2023.

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

Investment Schedule - PSF(SLB) (1)

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 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 table below.

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 May 10, 2023.

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

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017, and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

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

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

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

Charter District Risk Factors

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

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

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

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

Infectious Disease Outbreak

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

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

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

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. See "RATINGS" herein.

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]

	School District Bonds		Charter School 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
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 June 30, 2023 (based on unaudited data, which is subject to adjustment), there were $117,374,697,034 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,369 school district issues, aggregating $113,174,765,034 in principal amount and 105 charter district issues, aggregating $4,199,932,000 in principal amount. At December 31, 2023 the projected guarantee capacity available was $26,935,589,587 (based on unaudited data, which is subject to adjustment).

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

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

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

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

PSF Returns Fiscal Year Ended 8-31-2023[1]

Portfolio	Return	Benchmark 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)	(9.96)
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 PSF 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.