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

RATINGS: Moody's (PSF): "Aaa"
S&P Global Ratings (PSF): "AAA"
(See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D")

PRELIMINARY OFFICIAL STATEMENT
Dated: June 30, 2025

NEW ISSUE: BOOK-ENTRY-ONLY
In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 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 the purposes of the federal individual alternative minimum tax. Bond Counsel observes that 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 related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

TOMBALL INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Harris and Montgomery Counties, Texas)

$191,400,000*
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

Dated Date: August 1, 2025 **Due: February 15, as shown on page ii**
Interest Accrues from Delivery Date (defined below)

Tomball Independent School District (the "District") is issuing $191,400,000* Unlimited Tax School Building Bonds, Series 2025 (the "Bonds"), in accordance with the Constitution and general laws of the State of Texas (the "State"). The Bonds are authorized by Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on May 3, 2025 (the "Election") and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on June 3, 2025. In the Bond Order, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order"). The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable as to principal and interest from the proceeds of a continuing, direct annual ad valorem property tax levied, without legal limitation as to maximum rate or amount, against all taxable property located within the District. In addition, the District has received conditional approval for the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D").

Interest on the Bonds will accrue from the date of their initial delivery ("Delivery Date") to the underwriters named below (the "Underwriters"), and will be payable on August 15, 2025, and semiannually thereafter on February 15 and August 15 of each year until stated maturity or prior redemption. The Bonds will be issued as fully registered obligations in denominations of $5,000 of principal amount or any integral multiple thereof for any one stated maturity. 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 authorized denominations thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The principal of the Bonds and interest on the Bonds will be payable by the 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" herein. The initial paying agent/registrar (the "Paying Agent/Registrar") is The Bank of New York Mellon Trust Company, N.A. (see "TRANSFER, REGISTRATION AND EXCHANGE – Paying Agent/Registrar").

The Bonds scheduled to mature on or after February 15, 2036*, are subject to redemption, in whole or in part, prior to their scheduled maturities, at the option of the District, on February 15, 2035*, or any date thereafter, at par plus accrued interest to the date fixed for redemption (see "THE BONDS – Optional Redemption"). If two or more consecutive maturities are combined to create one or more term bonds, such term bonds shall be subject to mandatory sinking fund redemption as provided herein. See "THE BONDS – Mandatory Sinking Fund Redemption."

MATURITY SCHEDULE & 9 DIGIT CUSIP – See Schedule on Page ii

Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used for (i) the construction, acquisition, renovation and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; (ii) the acquisition, improvement and upgrading of technology, including related infrastructure, systems, and equipment; (iii) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of stadium facilities in the District; (iv) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of multi-program activity centers at Tomball High School, Tomball Memorial High School, and Tomball West High School; (v) capitalized interest; and (vi) the payment of costs of issuance related to the Bonds (see "THE BONDS – Purpose").

The Bonds are offered when, as and if issued by the District and accepted by the Underwriters, subject to the approval of the Attorney General of Texas and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Certain legal matters will be passed upon for the Underwriters by their counsel Bracewell LLP, Houston, Texas. Delivery of the Bonds is expected to be on or about August 5, 2025.

RAYMOND JAMES

CREWS & ASSOCIATES **FHN FINANCIAL CAPITAL MARKETS**

PIPER SANDLER & CO. **RBC CAPITAL MARKETS**

* Preliminary, subject to change.

MATURITY SCHEDULE

$191,400,000* Unlimited Tax School Building Bonds, Series 2025

Maturity Date (2/15) (a)	Principal Amount*	Interest Rate	Initial Yield (b)	CUSIP No. 889855 (c)	Maturity Date (2/15) (a)	Principal Amount*	Interest Rate	Initial Yield (b)	CUSIP No. 889855 (c)
2027	$10,905,000	%	%		2040	$ 9,775,000	%	%	
2028	5,040,000				2041	18,250,000			
2029	5,300,000				2042	7,205,000			
2030	5,575,000				2043	7,575,000			
2031	5,860,000				2044	7,590,000			
2032	6,155,000				2045	7,925,000			
2033	6,475,000				2046	8,335,000			
2034	6,805,000				2047	8,755,000			
2035	5,600,000				2048	9,210,000			
2036	5,885,000				2049	9,655,000			
2037	6,190,000				2050	6,790,000			
2038	6,505,000				2051	7,600,000			
2039	6,440,000								

(Interest Accrues from the Delivery Date)

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* Preliminary, subject to change.

(a) The Bonds maturing on and after February 15, 2036*, are subject to redemption prior to maturity at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035*, 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 – Optional Redemption"). If two or more consecutive maturities are combined to create one or more term bonds (the "Term Bonds"), such Term Bonds will additionally be subject to mandatory sinking fund redemption as provided herein (see "THE BONDS – Mandatory Sinking Fund Redemption").

(b) The initial yields will be 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. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. None of the District, the Financial Advisor (hereinafter defined) or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This document, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in the Rule.

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 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 "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, 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 DTC or its book-entry-only system described under "BOOK-ENTRY-ONLY SYSTEM" or the affairs of the TEA described under "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" or "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" as such information has been provided by DTC and TEA, respectively.

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.

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" herein.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purposes.

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

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the 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 Bonds	Tomball Independent School District (the "District") is issuing $191,400,000* Unlimited Tax School Building Bonds, Series 2025 (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 – Description of the Bonds").
The District	The District is a political subdivision of the State of Texas (the "State") located within Harris and Montgomery Counties, Texas (see "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and "APPENDIX B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY").
Authority for Issuance	The Bonds are being issued pursuant to the Constitution and general laws of the State. The Bonds are being issued for school building purposes and are authorized by Chapter 45, Texas Education Code, as amended; Chapter 1371, Texas Government Code, as amended; an election held in the District on May 3, 2025 (the "Election") and a bond order (the "Bond Order") adopted by the District's Board of Trustees (the "Board") of the District on June 3, 2025. In the Bond Order, the Board delegated to an officer (the "Pricing Officer") of the District authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will be approved and executed by the Pricing Officer and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order") (see "THE BONDS – Authorization").
Payment of Interest	Interest on the Bonds will accrue from the date of their initial delivery and will be payable August 15, 2025 and semiannually thereafter on February 15 and August 15 of each year until stated maturity or prior redemption (see "THE BONDS – Description of the Bonds").
Security	The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District (see "THE BONDS – Source of Payment"). 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, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Redemption Provisions*	The Bonds maturing on and after February 15, 2036*, are subject to redemption prior to maturity at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035*, 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 – Optional Redemption"). If two or more consecutive maturities are combined to create one or more term bonds (the "Term Bonds"), such Term Bonds will additionally be subject to mandatory sinking fund redemption as provided herein (see "THE BONDS – Mandatory Sinking Fund Redemption").
Use of Proceeds	Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used for (i) the construction, acquisition, renovation and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; (ii) the acquisition, improvement and upgrading of technology, including related infrastructure, systems, and equipment; (iii) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of stadium facilities in the District; (iv) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of multi-program activity centers at Tomball High School, Tomball Memorial High School, and Tomball West High School; (v) capitalized interest; and (vi) the payment of costs of issuance related to the Bonds (see "THE BONDS – Purpose").

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* Preliminary, subject to change.

Tax Exemption	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for the purposes of the federal individual alternative minimum tax. Bond Counsel observes that 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 related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds (see "TAX MATTERS").
Ratings	Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), have assigned municipal bond ratings of "Aaa" and "AAA" respectively to the Bonds based upon the Permanent School Fund Guarantee of the State of Texas. Moody's and S&P generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa" and "AAA", respectively (see "RATINGS," "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's underlying rating for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is "Aa1" by Moody's and "AA+" by S&P (see "RATINGS").
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 maturing principal amount of the Bonds or amounts due upon a prior redemption of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) 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").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. (see "TRANSFER, REGISTRATION AND EXCHANGE – Paying Agent/Registrar").
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 "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – 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.
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of Texas and the rendering of an opinion as to legality by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel.

For additional information regarding the District, please contact:

Zachery Boles Chief Financial Officer Tomball Independent School District 310 S. Cherry Street Tomball, Texas 77375 Phone: (281) 357-3100	or	John Robuck Managing Director BOK Financial Securities, Inc. 1401 McKinney Street, Suite 1000 Houston, Texas 77010 Phone: (713) 289-5897

TOMBALL INDEPENDENT SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Length of Service	Term Expires November	Occupation
Dr. Michael Pratt President	15 Years	2026	Marketing Manager
Mark Lewandowski Vice President	22 Years	2026	Engineer
John E. McStravick Secretary	25 Years	2026	Attorney
Tina Salem Assistant Secretary	3 Years	2026	Volunteer
Amanda Bass Trustee	1 Year	2028	Real Estate
Jennifer Kratky Trustee	1 Year	2028	Volunteer
Coco White Trustee	1 Year	2028	Law Enforcement - Sergeant

CERTAIN DISTRICT OFFICIALS

Name	Position	Length of Service with District
Dr. Martha Salazar-Zamora	Superintendent of Schools	11 Years
Dr. Amy Schindewolf	Chief of Staff and School Leadership	14 Years
Dr. Michael Webb	Chief Academic Officer	8 Years
Holly Sherman	General Counsel	3 Years
Dr. Steven Gutierrez	Chief Operating Officer	7 Years
Zachery Boles	Chief Financial Officer	15 Years

CONSULTANTS AND ADVISORS

Auditors .... Weaver and Tidwell, L.L.P.
Conroe, Texas

Bond Counsel .... Orrick, Herrington & Sutcliffe LLP
Houston, Texas

Financial Advisor .... BOK Financial Securities, Inc.
Houston, Texas

PRELIMINARY OFFICIAL STATEMENT RELATING TO

TOMBALL INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Harris and Montgomery Counties, Texas)

$191,400,000*
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and E, has been prepared by the Tomball Independent School District (the "District") located in Harris and Montgomery Counties, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2025 (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, BOK Financial Securities, Inc., 1401 McKinney Street, Suite 1000, Houston, Texas 77010.

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 and will be available through its Electronic Municipal Market Access ("EMMA") system. 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.

THE BONDS

Authorization

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"). The Bonds are authorized by Chapter 45, Texas Education Code, as amended; Chapter 1371, Texas Government Code, as amended; an election held in the District on May 3, 2025 (the "Election") and a bond order (the "Bond Order") adopted by the District's Board of Trustees (the "Board") on June 3, 2025. In the Bond Order, the Board delegated to an officer (the "Pricing Officer") of the District authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will be approved and executed by the Pricing Officer and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order"). Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

Purpose

Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used for (i) the construction, acquisition, renovation and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; (ii) the acquisition, improvement and upgrading of technology, including related infrastructure, systems, and equipment; (iii) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of stadium facilities in the District; (iv) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of multi-program activity centers at Tomball High School, Tomball Memorial High School, and Tomball West High School; (v) capitalized interest; and (vi) the payment of costs of issuance related to the Bonds.

Description of the Bonds

The Bonds are issued as serial bonds, as shown on page ii hereof, unless the underwriters listed on the cover page hereof (the "Underwriters") elect to combine one or more maturities into Term Bonds (as defined herein). The Bonds will accrue interest from the date of their initial delivery to the Underwriters, and such interest is payable on February 15 and August 15 in each year, commencing August 15, 2025, until maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page ii hereof, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

* Preliminary, subject to change.

Initially, the definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity for each series and 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-Only-Entry System described below. No physical delivery of the Bonds will be made to the beneficial owners. Principal of, premium, if any, 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" below for a more complete description of such system.

Source of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied, without legal limit as to maximum rate or amount, against all taxable property located within the District. In the Order, the District covenants to levy a tax sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's debt service fund and used to pay principal of and interest on the Bonds. 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 Texas.

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Texas Commissioner of Education for guarantee of the Bonds under the Texas Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to satisfying certain conditions discussed in "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas.

In the event of default of payment, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund. The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased. See "THE BONDS – Defeasance of Bonds" and "REGISTERED OWNERS' REMEDIES."

Optional Redemption*

The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2036*, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035*, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of such Bonds are to be redeemed, the District may select the maturities of Bonds (or mandatory sinking fund redemption amounts within a Term Bond (as defined herein)) to be redeemed. If less than all such Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption*

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on page ii hereof are combined to create term bonds (the "Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Bond and continuing on February 15 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on page ii hereof. Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed. The principal amount of the Term Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions of the Order and not previously credited to a mandatory sinking fund redemption.

* Preliminary, subject to change.

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 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 and the opinion of Orrick, Herrington & Sutcliffe 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 District reserves the right to redeem, refund, discharge or defease the Bonds in any manner now or hereafter permitted by law. The Permanent School Fund Guarantee will terminate with respect to Bonds that have been defeased.

Sources and Uses of Funds

Proceeds from the sale of the Bonds and money contributed by the District will be applied as follows:

Sources:	
Par Amount of Bonds	$
[Net] Premium on the Bonds	
Total Sources of Funds	**$**
Uses:	
Deposit to Construction Fund	$
Deposit to Capitalized Interest Fund	
Total Underwriters' Discount	
Costs of Issuance (a)	
Total Uses of Funds	**$**

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

* Preliminary, subject to change.

Future Borrowing*

At an election held on May 3, 2025, voters in the District approved $429,095,000 in school building bonds. After the sale of the Bonds, the District will have $229,095,000* of voter authorized but unissued bonds (see "APPENDIX A – Table 9 – AUTHORIZED BUT UNISSUED BONDS"). 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, the Bonds, and any bonds authorized at future elections.

Other Borrowing

A Texas school district such as the District may also issue the following obligations or enter into agreements obligating payments of district funds including the levy of maintenance and operations taxes and/or use of State funds as follows:

- Maintenance tax notes for renovations to existing school buildings, lawful maintenance and operations expenses of the school district, or the purchase of equipment which are payable from a levy of maintenance and operations ad valorem tax and/or state funds lawfully available, but such notes are limited in outstanding aggregate principal amount not to exceed 75% of the previous year's income.

- Delinquent maintenance tax notes for the maintenance, repair, rehabilitation, or equipping of existing school properties which are payable from delinquent taxes levied for maintenance purposes for specific past, current, and future school years.

- Time warrants to construct, repair, renovate, or purchase school buildings or purchase school equipment which are payable from "available funds" of a school district, but such notes are limited to a total principal amount outstanding of $1,000,000.

- Personal property finance contractual obligations for the use or the purchase or other acquisition of any personal property including equipment leases which are payable from the pledge of all or any part of any revenues, funds, or taxes available to the school district for its public purposes.

- Lease purchase agreements for the use or purchase or other acquisition of real property or an improvement to real property which are subject to annual appropriation and payable from a source other than ad valorem taxes; the payments under such agreements are not considered payment of indebtedness of the school district.

- Other types of revenue debt generally payable from revenues from the sale of surplus school district land or from revenues of specified revenue generating facilities.

At the current time, the District has no such obligations outstanding and no plans to issue any such obligations or to enter any such agreements obligating payment of District funds.

TRANSFER, REGISTRATION AND EXCHANGE

Paying Agent/Registrar

The Bank of New York Mellon Trust Company, N.A. has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Order, the District retains the right to replace the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor paying agent/registrar, and the successor paying agent/registrar must act in the same capacity as the previous Paying Agent/Registrar. Any successor paying agent/registrar selected by the District must be a commercial bank; a trust company organized under applicable law; or other entity duly qualified and legally authorized to serve and perform the duties of the paying agent/registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District will promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new paying agent/registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class, postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds at stated maturity or earlier redemption will be paid to the registered owner upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment

* Preliminary, subject to change.

of the principal or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payment of principal and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Registration if Book-Entry-Only System Should be Discontinued

In the event the Book-Entry-Only System is discontinued, printed Bonds will be delivered to the owners of the Bonds and thereafter the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment must be acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new 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 in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in a form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Record Date for Interest Payment

The record date for determining the person to whom the interest payable on any interest payment date for the Bonds means the close of business on the last business day of the month next preceding such interest payment date ("Record Date"). Notwithstanding the foregoing, the Record Date for the interest payable on the Bonds for the initial interest payment date of August 15, 2025, means the Delivery Date. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each 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.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange (i) any Bond during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation on transferability shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

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 the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General of the State 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, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants.

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 Bankruptcy Code.

See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event that the District fails to make a payment on the Bonds when due.

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, as set forth on page ii hereof, 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 on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by 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 on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, 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 D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in APPENDIX D is incorporated herein and made a part hereof for all purposes.

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 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 Orrick, Herrington & Sutcliffe 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," "Sources and Uses of Funds," "Future Borrowing," and "Other Borrowing," 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), excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, 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," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS," and "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, 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 their counsel, Bracewell LLP, Houston, Texas. The legal fee of such firm is 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 Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 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 individual alternative minimum tax. Bond Counsel observes that 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 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.

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

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

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 sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

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

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

Possible Effects of Changes in Law on District Bonds

The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Finance System was "undeniably imperfect." While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance

System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the public school finance system (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. 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.

2025 Legislative Session

The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). 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 a special session to begin on July 21, 2025. The initial agenda for the special session includes the following items: (i) regulation of products derived from hemp, (ii) real property recording requirements, (iii) impact and production fees for certain water projects and regulations of wells, (iv) affirmative defense to prosecution for victims of human trafficking or compelled prostitution, (v) operations of cement kilns and production of aggregates near semiconductor facilities, and (vi) the operation and administration of the judicial branch of state government. The Governor may add additional items to the call at any time.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System (as defined herein) and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Contingent on voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) the State mandated general homestead exemption from $100,000 to $140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000. Additionally, the Legislature authorized roughly $8.5 billion in funding for public schools and provided districts with a $55 per-student increase to their base funding, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or are homeschooled. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

The District is still in the process of reviewing legislation passed during the 89th Regular Session. At this time, the District cannot make any representations as to the full impact of such legislation. Further, the District can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

2023 Legislative Sessions

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

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

During the second called special session, legislation was passed to (i) reduce the Maximum Compressed Tax Rate for school districts by approximately $0.107 for the 2023-2024 school year; (ii) increase 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) adjust 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) prohibit 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) establish 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) except certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expand 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. A focus of the legislation passed during the second called special session was effecting a reduction in the amount of property taxes paid by homeowners and businesses. The implementation of this legislation will result in an increase to the State's share of the cost of funding public education.

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.

<u>State Compression Percentage</u>. 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%.

<u>Maximum Compressed Tax Rate</u>. 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's 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 2025-2026 school year, $0.6322 was established as the maximum tax rate and $0.5689 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 and $320 million for the 2024-2025 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, Instructional Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Education Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Education Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025 State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the Legislature did appropriate funds for new IFA awards will continue to be funded.

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

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

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

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

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

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of the 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 has not been designated as an "excess local revenue" district by the TEA in fiscal year 2024-2025. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's 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 Entitlement" herein).

The District's adopted budget for the 2024-2025 school year included an approximately $9 million deficit. Due to factors including higher than expected interest earnings on investments, the District currently anticipates ending fiscal year 2025 with a deficit of roughly $5 million, of which $2 million is tied to litigated tax refunds. With the additional State funding included approved during the 2025 Legislative Session, the District has adopted a balanced budget for the 2025-2026 school year.

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. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" for a discussion of certain legislation affecting ad valorem taxation.

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (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 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the 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, (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.

See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" herein for a discussion of a potential increase in the general State mandated homestead exemption from $100,000 to $140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from $10,000 to $60,000.

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 reducing or repealing 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 elderly or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the maximum compressed rate of the maintenance and operations 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.

House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the "production of income" from the current $2,500 to $250,000. This legislation is effective September 1, 2025 but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election.

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.

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. Section 11.35 Property Tax Code provides that "damage" for the purpose of the statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

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.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). During the Regular Session of the 88th Texas Legislature, House Bill 5 ("HB 5"), which was 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, 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.

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $59,562,331 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. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "– Temporary Exemption for Qualified Property Damaged by a Disaster" above for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units within its boundaries. The District's boundaries overlap Harris County and Montgomery County. The Property Tax Code requires taxing units to use the appraisal district for the county in which the property is located. The District uses two county appraisal districts. 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 Montgomery County. In addition to the state mandated exemptions, the District applies the Property Tax Code, as follows:

The District does grant a $22,000 local option exemption of the market value of the residence homestead of persons 65 years of age or older and the disabled.

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

The District does not tax non-business personal property.

The District does tax Freeport Property.

The District has taken action not to tax Goods-in-Transit.

The District does not offer tax abatements.

The District does not participate in a tax increment financing zone.

See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" herein for a discussion of a potential increase in the general State mandated homestead exemption from $100,000 to $140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from $10,000 to $60,000.

The Board of Trustees 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. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

Date	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	32(a)	6	38

(a) Includes additional penalty of 20% of the sum of the delinquent taxes plus the penalties and interest assessed after July 1 in order to defray attorney collection expenses.

Property within the District is assessed as of January 1 of each year (except business inventories which may be assessed as of September 1 and mineral values which are assessed on the basis of a twelve month average) and taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Split payments of taxes are not permitted. Discounts for the early payment of taxes are not permitted. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1.

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 April 15, 1961.

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 (subject to compression of the nine available copper pennies in a year in which the State increases the guaranteed yield on those pennies) and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is $0.93 (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

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

I&S Tax Rate Limitations

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 Existing Debt Allotment ("EDA") and Instructional Facilities Allotment ("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. Taxes levied to pay 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 are included in maximum annual debt service for calculation of the $0.50 threshold tax rate test when applied to subsequent bond issues. The Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code, as "new debt", and are therefore subject to the 50-Cent Test. The District does not expect to use State assistance or projected property values 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 (subject to compression of the nine available copper pennies in a year in which the State increases the guaranteed yield on those pennies) and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

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

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

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

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

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") have assigned municipal bond ratings of "Aaa" and "AAA" respectively to the Bonds based upon the Permanent School Fund Guarantee. Moody's and S&P generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa" and "AAA" respectively. The District's underlying rating on the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is "Aa1" by Moody's and "AA+" by S&P.

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.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

The District may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the District or obligations under a lease, installment sale, or other agreement of the District) in investments authorized by State law in accordance with investment policies approved by the governing body of the District. Both State law and the District's investment policies are subject to change.

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 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 or corporate bonds as described below, 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.

In addition to authorized investments described above, Texas law provides that the District may invest 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. As used herein, corporate bond means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm, and 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 such actions to authorize investment in corporate bonds.

Investment Policies

Under Texas 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 Texas 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.

Additional Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (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 Trustees; (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 purchase 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 May 31, 2025 (unaudited) the District's investable funds were invested in the following investment instruments:

Investment Instrument	Book Value	Market Value
TexPool Investment Pool	$267,989,009	$267,989,009
Texas CLASS Investment Pool	89,886,416	89,886,416
Lone Star Investment Pool	511,906	511,906
Total Portfolio	**$358,387,332**	**$358,387,332**

EMPLOYEES BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State. 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 June 30, 2024, the State contributed $8,740,246 to TRS on behalf of the District, District employees paid $12,953,689 and other contributions into the plan made from federal and private grants and the District for salaries above the statutory minimum were $6,338,242. For more detailed information concerning the Plan, see Note 4.C. to the District's audited financial statements attached hereto as APPENDIX E.

The Government Accounting Standards Board ("GASB") has issued GASB Statements No. 68, No. 73, and No. 82 regarding pension issues. The implementation of these statements is reflected in the financial statements and the notes to the financial statements.

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 4 to the District's audited financial statements attached hereto as APPENDIX E. See also Note 4.D. to the District's audited financial statements attached hereto as APPENDIX E for a description of the District's employee health coverage plan.

In June 2015, Government Accounting Standards Board (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, 2018. 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 4.D. to the District's audited financial statements attached hereto as APPENDIX E.

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.

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 Municipal Securities Rule Making Board ("MSRB").

Annual Reports

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 E. 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 United States Securities and Exchange Commission 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 by the required time and audited financial statements when and if such audited financial statements become available. Any financial statements will be prepared in accordance with the accounting principles described in APPENDIX E or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December 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 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) nonpayment 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 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 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. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports".

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

The term "financial obligation" shall mean, for purposes of the events in clauses (15) and (16) 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 (i) or (ii). The term "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. 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.

Availability of Information from MSRB

The District has agreed to provide the information only to the MSRB, accompanied by identifying information and in an electronic format, as prescribed by the MSRB. The MSRB has prescribed that such information must be filed with the MSRB pursuant to its EMMA system. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB 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. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

SEVERE 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 on several occasions in the last five years, 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. 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. 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.

EXPOSURE TO OIL AND GAS INDUSTRY

In the past, the greater Houston area has been 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 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. 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.

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.

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

BOK Financial Securities, Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering price to the public, as shown on page ii hereof, plus a [net] premium of $____________, less an underwriting discount of $____________. The Underwriters' obligations are subject to certain conditions precedent, and they 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 pursuant to their responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

Piper Sandler & Co. ("Piper"), 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.

RBC Capital Markets, LLC ("RBCCM") has provided the following information for inclusion in this Official Statement. RBCCM and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District.

RBCCM has entered into a distribution arrangement with its affiliate City National Securities, Inc. ("CNS"). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of CNS. As part of this arrangement, RBCCM may compensate CNS for its selling efforts with respect to the Bonds.

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. Weaver and Tidwell, L.L.P. has consented to the inclusion of its report relating to District’s financial statements for the fiscal year ended June 30, 2024 in this Official Statement as APPENDIX E; however, Weaver and Tidwell, L.L.P. has not performed any procedures on such financial statements since the date of such report, nor have they performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement. In connection with the District’s audited financial statements for the fiscal year ended June 30, 2023, the auditor identified finding "2023-001 Significant Deficiency in Internal Control Over Financial Reporting: Property Taxes." See "Annual Financial Report for the Fiscal Year Ended June 30, 2023 – Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2023," which is available on EMMA at https://emma.msrb.org/P11711758-P11315668-P11747925.pdf, for a description of finding 2023-001 and the recommendation of the auditor and the District’s corrective action plan related to finding 2023-001. In response to finding 2023-001, the District has conducted internal and external reviews of its internal controls and the operations and processes of its tax office and hired Weaver and Tidwell, L.L.P. to conduct a forensic audit. As a result of these reviews, the District changed staffing in the tax office, implemented operational and procedural changes, and reported its findings to law enforcement. See "APPENDIX E – EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024 – Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2024," for information regarding the resolution of the prior finding.

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.

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.

/s/ ____
President, Board of Trustees
Tomball Independent School District

ATTEST:

/s/ ____
Secretary, Board of Trustees
Tomball Independent School District

APPENDIX A
FINANCIAL INFORMATION REGARDING THE DISTRICT

Table 1
SELECTED FINANCIAL INFORMATION

2024 Certified Taxable Assessed Valuation ……… (100% of market value as of January 1, 2024) See "AD VALOREM TAX PROCEDURES."	$	17,749,595,242 (a)
Direct Debt:		
Outstanding Bonds (as of June 1, 2025) ………	$	902,780,000
Plus: The Bonds ………		191,400,000 *
Total Direct Debt ………	$	1,094,180,000 *
Estimated Overlapping Debt ………	$	727,216,285
Total Direct and Estimated Overlapping Debt ………	$	1,821,396,285
Debt Service Fund Balance (as of May 31, 2025) ………	$	29,098,609 (b)

Debt Ratios: (c)	% of 2024 Certified Taxable Assessed Valuation	2025 Estimated Population (96,474)	2024/25 Enrollment (23,012)
Direct Tax Supported Debt ………	5.09%	$9,358	$39,231
Direct Tax Supported and Estimated Overlapping Debt ………	10.26%	$18,880	$79,150

Estimated Debt Service Requirements: (c)		
Average (Fiscal Years 2025-2051) ………	$	63,925,454 *
Maximum (2026) ………	$	85,955,688 *

Tax Collections:		
Arithmetic Average, Tax Years (2018-2023)	- Current Years ………	98.05%
	- Current and Prior Years ………	99.18%

___

* Preliminary, subject to change.

(a) Certified by the Harris Central and Montgomery Central Appraisal Districts. See “AD VALOREM TAX PROCEDURES”.

(b) Unaudited, as of May 31, 2025. The unaudited information has not been prepared or reviewed by the District's independent auditor. The unaudited information is derived from internal account balances of the District calculated by the District. The unaudited information is subject to revision upon completion of the District's annual audit.

(c) Preliminary, subject to change. Includes the Bonds.

Table 2
ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

Taxing Jurisdiction	Gross Tax Debt as of June 1, 2025	Overlapping Percent	Overlapping Amount
Cypress Creek UD	$ 12,490,000	0.43%	$ 53,707
Decker Prairie MUD	9,900,000	100.00%	9,900,000
Faulkey Gully MUD	4,955,000	54.73%	2,711,872
Harris Co	2,424,019,039	2.51%	60,842,878
Harris Co Dept of Ed	28,960,000	2.51%	726,896
Harris Co Flood Control Dist	968,445,000	2.51%	24,307,970
Harris Co Hosp Dist	867,820,000	2.51%	21,782,282
Harris Co MUD # 1	62,160,000	26.19%	16,279,704
Harris Co MUD #281	7,890,000	100.00%	7,890,000
Harris Co MUD #282	15,005,000	100.00%	15,005,000
Harris Co MUD #416	12,090,000	100.00%	12,090,000
Harris Co MUD # 480	25,120,000	56.44%	14,177,728
Harris Co MUD # 542	29,100,000	100.00%	29,100,000
Harris Co MUD # 558	68,175,000	100.00%	68,175,000
Harris Co MUD # 572	3,660,000	100.00%	
Harris-Montgomery Counties MUD # 386 (Enclave)	4,250,000	100.00%	
Harris-Montgomery Cos MUD #386	149,935,000	100.00%	149,935,000
Lone Star College Sys	471,270,000	6.05%	28,511,835
Malcomson Road UD	11,590,000	100.00%	11,590,000
Montgomery Co	391,910,000	1.52%	5,957,032
NorthPointe WC&ID	10,630,000	100.00%	10,630,000
NW Harris Co MUD # 5	140,465,000	62.08%	87,200,672
NW Harris Co MUD # 15	10,410,000	100.00%	10,410,000
Pt of Houston Auth	406,509,397	2.51%	10,203,386
Southeast Regional Management District	79,520,000	15.11%	12,015,472
The Woodlands Township	15,280,000	14.86%	2,270,608
Tomball Business Improvement District # 1	10,885,000	100.00%	10,885,000
Tomball, City of	64,330,000	96.68%	62,194,244
Wood Trace MUD #1	42,370,000	100.00%	42,370,000
TOTAL ESTIMATED OVERLAPPING			$ 727,216,285
The District (a)			1,094,180,000
TOTAL DIRECT AND OVERLAPPING DEBT (a)			$ 1,821,396,285

		Direct Debt (a)	Direct and Estimated Overlapping Debt (a)
Per 2024 Certified Taxable Assessed Valuation	($17,749,595,242) (b)	5.09%	10.26%
Per Capita (96,474)		$9,358	$18,880
Per Student (23,012)		$39,231	$79,150

(a) Includes the Bonds. Preliminary, subject to change.
(b) Certified by the Harris Central and Montgomery Central Appraisal Districts. See “AD VALOREM TAX PROCEDURES”.

Table 3
PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Taxable 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	$ 7,652,629,504	$1.3600	$ 104,075,761	99.0%	99.9%	8/31/2015	
2015	8,871,926,210	1.3400	119,328,235	99.0%	99.9%	8/31/2016	
2016	9,878,658,622	1.3400	130,605,007	98.8%	99.9%	8/31/2017	
2017	10,148,779,530	1.3400	136,334,070	99.1%	99.9%	8/31/2018	
2018	10,708,945,921	1.3400	140,203,695	98.5%	99.8%	6/30/2019	(b)
2019	11,606,380,034	1.2900	146,086,838	98.3%	99.8%	6/30/2020	(b)
2020	12,237,719,584	1.2900	156,818,984	98.4%	99.7%	6/30/2021	(b)
2021	13,357,934,133	1.2500	164,274,063	98.4%	99.6%	6/30/2022	(b)
2022	15,179,060,353	1.2300	185,761,621	97.5%	99.1%	6/30/2023	(b)
2023	16,443,944,148	1.0652	166,499,001	97.7%	97.7%	6/30/2024	(b)
2024	17,749,595,242	1.0629	188,660,448	(In Process of Collection)		6/30/2025	(b)

(a) Values may differ from those shown in the District's financial statement and elsewhere in this Offiical Statement due to subsequent adjustments. Certified by the Harris Central and Montgomery Central Appraisal Districts. See "AD VALOREM TAX PROCEDURES".

(b) The District changed its fiscal year end to June 30 beginning with the fiscal year ending June 30, 2019.

Table 4
TAX RATE DISTRIBUTION (a)

Tax Rate Component	Tax Year 2024	2023	2022	2021	2020
Maintenance	$0.6669	$0.6692	$0.8540	$0.8950	$0.9400
Debt Service	0.3960	0.3960	0.3760	0.3550	0.3500
Total	$1.0629	$1.0652	$1.2300	$1.2500	$1.2900

(a) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of the legislatively-mandated compression of mainenance and oprerations tax rates.

Table 5
ANALYSIS OF DELINQUENT TAXES

Tax Year	Outstanding Delinquent Taxes as of June 30, 2024	Adjusted Tax Levy	Percentage of Tax Levy
2023	$ 3,473,928	$ 166,499,001	2.09%
2022	1,007,046	185,761,621	0.54%
2021	496,394	164,274,063	0.30%
2020	369,183	156,818,984	0.24%
2019	262,471	146,086,838	0.18%
2018	203,623	140,203,695	0.15%
2017	166,380	136,334,070	0.12%
2016	142,248	130,605,007	0.11%
2015	106,748	119,328,235	0.09%
2014 & Prior	764,921	(a)	(a)
	$ 6,992,942		

(a) Various levies and percentages.

Table 6
ANALYSIS OF TAX BASE

	2024 Tax Roll (a)		2023 Tax Roll (a)		2022 Tax Roll (a)	
Type of Property	Amount	%	Amount	%	Amount	%
Residential	$ 17,172,924,512	72.03%	$ 16,579,944,945	72.84%	$ 13,175,508,519	68.25%
Lots, Tracts & Acreage	614,131,901	2.58%	713,564,070	3.13%	1,096,620,423	5.68%
Commercial & Industrial	4,293,912,573	18.01%	3,988,515,058	17.52%	3,948,708,277	20.45%
Minerals	0	0.00%	13,428,380	0.06%	13,186,650	0.07%
Utilities	156,293,790	0.66%	132,851,253	0.58%	121,176,515	0.63%
Other	1,603,780,564	6.73%	1,333,549,015	5.86%	950,553,852	4.92%
Total A.V.	$ 23,841,043,340	100.00%	$ 22,761,852,721	100.00%	$ 19,305,754,236	100.00%
Less: Exemption	(6,091,448,098) (b)		(6,317,908,573) (b)		(4,126,693,883)	
Total Taxable A.V. (c)	$ 17,749,595,242		$ 16,443,944,148		$ 15,179,060,353	

(a) Source: State Property Tax Board - Report of Property Value and Harris Central and Montgomery Central Appraisal Districts.

(b) Includes the application of a $100,000 state-mandated general homestead exemption. See "AD VALOREM TAX PROCEDURES – State Mandated Homestead Exemption." See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" herein for a discussion of a potential increase in the general State mandated homestead exemption from $100,000 to $140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from $10,000 to $60,000.

(c) Values may differ from those shown in the District's financial statement and elsewhere in this Official Statement due to subsequent adjustments.

Table 7
HISTORICAL TOP TEN TAXPAYERS

Principal Taxpayer	Type of Property	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation
North Houston TRMC LLC	Hospital	$ 158,742,676	$ 159,470,162	$ 141,424,863
Chevron Chemical Co.	Real Estate	112,335,877	119,268,495	119,268,495
LIT Interchange 249 Phase 1	Real Estate	103,564,992	153,102,536	(b)
LIT Interchange 249 Business Park	Real Estate	100,988,133	(b)	(b)
Centerpoint Energy	Utilities	88,947,507	69,548,032	75,706,471
Huntress One LLC	Real Estate	78,500,000	(b)	(b)
CS Apartments II Holding Co.	Apartments	67,439,825	56,217,823	(b)
Chasewood TP LLC	Real Estate	60,408,130	66,651,207	67,038,510
CS Apartments Holding Co.	Apartments	53,474,227	62,052,049	99,298,799
PAC Northpointe LLC	Home Builder	49,993,103	(b)	49,281,666
TCH Northwest Association LLC	Land/Improvements	(b)	127,389,582	132,488,622
SYNC at Spring Cypress	Apartments	(b)	51,247,029	49,952,586
Fund Northpointe LLC	Commercial	(b)	49,889,547	45,715,787
Hewlett Packard Company (a)	Computer Manufacturing	(b)	(b)	122,476,377
Total Ten Principal Taxpayers		$ 874,394,470	$ 914,836,462	$ 902,652,176
Percentage Ten Principal Taxpayers Comprise of their Respective Tax Rolls		4.93%	5.56%	5.95%

(a) In 2020 Hewlett Packard announced plans to move their global headquarters to the new facility located outside of the District. In March 2022 Hewlett Packard sold its former property, located in the District, to Mexcor International, a national liquor and beverage distributor.

(b) Not included in top ten taxpayers for respective year as reported in the State Property Tax Board - Report of Property Value.

Table 8
PRO-FORMA OUTSTANDING UNLIMITED TAX DEBT SERVICE

FY Ending 8-31 (a)	Current Total Debt Service	Plus: The Bonds* Principal*	Interest*(b)	Total*	Total Debt Service Requirements*(c)
2025	$ 60,774,811		$ 265,833	$ 265,833	$ 61,040,644
2026	76,385,688		9,570,000	9,570,000	85,955,688
2027	65,554,835	$ 10,905,000	9,297,375	20,202,375	85,757,210
2028	65,557,385	5,040,000	8,898,750	13,938,750	79,496,135
2029	65,558,310	5,300,000	8,640,250	13,940,250	79,498,560
2030	65,554,035	5,575,000	8,368,375	13,943,375	79,497,410
2031	65,555,373	5,860,000	8,082,500	13,942,500	79,497,873
2032	65,559,560	6,155,000	7,782,125	13,937,125	79,496,685
2033	65,555,485	6,475,000	7,466,375	13,941,375	79,496,860
2034	65,557,119	6,805,000	7,134,375	13,939,375	79,496,494
2035	62,821,182	5,600,000	6,824,250	12,424,250	75,245,432
2036	62,826,878	5,885,000	6,537,125	12,422,125	75,249,003
2037	62,822,824	6,190,000	6,235,250	12,425,250	75,248,074
2038	62,825,734	6,505,000	5,917,875	12,422,875	75,248,609
2039	61,199,079	6,440,000	5,594,250	12,034,250	73,233,329
2040	58,273,581	9,775,000	5,188,875	14,963,875	73,237,456
2041	50,494,700	18,250,000	4,488,250	22,738,250	73,232,950
2042	61,907,591	7,205,000	3,851,875	11,056,875	72,964,466
2043	61,906,488	7,575,000	3,482,375	11,057,375	72,963,863
2044	52,308,913	7,590,000	3,103,250	10,693,250	63,002,163
2045	39,703,561	7,925,000	2,715,375	10,640,375	50,343,936
2046	33,101,147	8,335,000	2,308,875	10,643,875	43,745,022
2047	33,104,095	8,755,000	1,881,625	10,636,625	43,740,720
2048	23,302,459	9,210,000	1,432,500	10,642,500	33,944,959
2049	4,803,900	9,655,000	960,875	10,615,875	15,419,775
2050	4,804,200	6,790,000	549,750	7,339,750	12,143,950
2051		7,600,000	190,000	7,790,000	7,790,000
Totals	$ 1,397,818,930	$ 191,400,000	$ 136,768,333	$ 328,168,333	$ 1,725,987,263

Estimated Average Annual Requirements (2025-2051) .... $ 63,925,454 (c)
Estimated Maximum Annual Requirement (2026) .... $ 85,955,688 (c)

* Preliminary, subject to change.
(a) Represents debt service payments from September 1 through August 31. The District's fiscal year ends on June 30. Due to timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31.
(b) Interest is estimated at market rates for illustrative purposes only.
(c) Includes the Bonds. Preliminary, subject to change.

Table 9
AUTHORIZED BUT UNISSUED BONDS

After the sale of the Bonds, the District will have $229,095,000* of voter authorized but unissued bonds. 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, the 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.

The following table illustrates the bonds authorized, issued, and remaining authorized but unissued by proposition.

Date Authorized	Proposition/Purpose	Amount Authorized	Amount Issued to Date	Amount Being Issued*(a)	Authorized But Unissued*
5/3/2025	A - School Bldg & Athletics	$ 331,595,000	$ -	$ 157,520,000	$ 174,075,000
5/3/2025	B - Technology	18,000,000	-	9,000,000	9,000,000
5/3/2025	C - Athletic Improvements	2,800,000	-	2,800,000	-
5/3/2025	D - Multi-Purpose Center	76,700,000	-	30,680,000	46,020,000
	Totals:	$ 429,095,000	$ -	$ 200,000,000	$ 229,095,000

* Preliminary, subject to change.
(a) Includes the Bonds and an allocation of the original issue premium relating to the Bonds and applied towards the amount of authorization.

Table 10
TAX ADEQUACY

Estimated Average Annual Debt Service Requirements (2025-2051)…………	$ 63,925,454	(b)
$0.368 Tax Rate on the 2024 Certified Taxable Assessed Valuation at 98% collection produces (a)…………	$ 64,012,140	
Estimated Maximum Annual Debt Service Requirements (2026)…………	$ 85,955,688	(b)
$0.495 Tax Rate on the 2024 Certified Taxable Assessed Valuation at 98% collection produces (a)…………	$ 86,103,287	

(a) Current year collections have exceeded 98% in each of the last ten years.
(b) Includes the Bonds. Preliminary, subject to change.

Table 11
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Year Ended - June 30,				
	2025 (a)	2024	2023	2022	2021
Beginning Fund Balance	$ 111,123,469	$ 113,562,747	$ 107,281,967	$ 95,870,231	$ 91,584,827
Revenues:					
Local and Intermediate Sources	$ 121,882,251	$ 112,562,442	$ 134,851,916	$ 121,131,837	$ 115,623,401
State Sources	105,426,928	98,616,942	63,561,648	59,918,624	47,202,681
Federal Sources	1,225,000	1,802,100	2,641,276	3,251,385	1,393,718
Total Revenues	$ 228,534,179	$ 212,981,484	$ 201,054,840	$ 184,301,846	$ 164,219,800
Expenditures:					
Instruction	$ 141,866,373	$ 131,907,323	$ 119,360,334	$ 108,480,289	$ 99,991,963
Resources and Media Services	2,474,404	2,167,625	2,114,015	1,946,947	1,886,756
Staff Devleopment	1,806,326	1,132,018	939,600	1,164,969	945,754
Instructional Leadership	5,597,768	4,605,300	4,214,042	3,790,328	3,146,728
School Leadership	12,887,980	12,425,616	10,879,224	9,765,441	9,613,625
Guidance and Counseling	7,955,875	7,223,766	6,013,800	4,944,033	6,266,037
Social Work Services	90,456	74,412	71,446	67,664	67,010
Health Services	2,480,688	2,337,698	2,114,461	1,246,522	2,108,619
Transportation	11,483,301	9,920,774	9,029,423	7,898,772	6,908,977
Extra-curricular Activities	4,474,008	4,338,195	4,228,742	3,838,512	3,490,914
General Administration	8,212,819	7,529,014	6,270,233	5,943,842	4,968,787
Maintenance and Operations	23,708,184	22,170,816	18,363,718	16,485,995	14,566,114
Security and Monitoring Services	3,252,229	2,808,883	1,634,885	1,063,561	884,801
Data Processing	3,758,609	4,407,317	2,940,101	2,576,859	2,423,200
Community Services	1,000	136,182	68,278	0	332
Capital Leases	368,169	315,744	348,014	342,179	0
Capital Outlay	35,000	20,461	7,258	0	0
Intergovernmental	1,370,000	1,494,209	1,334,231	1,223,859	1,135,711
Total Expenditures	$ 231,823,189	$ 215,015,353	$ 189,931,805	$ 170,779,772	$ 158,405,328
Other Resources and (Uses):					
Other Resources	$ -	$ 962,018	$ -	$ 64,381	$ -
Other (Uses)	(2,094,341)	(1,367,427)	(4,842,255)	(2,174,719)	(1,529,068)
Total Other Resources (Uses)	(2,094,341)	(405,409)	(4,842,255)	(2,110,338)	(1,529,068)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(5,383,351) (b)	(2,439,278)	6,280,780	11,411,736	4,285,404
Ending Fund Balance	$ 105,740,118	$ 111,123,469	$ 113,562,747	$ 107,281,967	$ 95,870,231

Source: The District's audited financial statements for fiscal years ending 2020 through 2023.

(a) Unaudited, as of May 31, 2025. The unaudited information reported herein has not been prepared or reviewed by the District's independent auditor. The unaudited information is derived from internal account balances of the District calculated by the District. The unaudited information is subject to revision upon completion of the District's annual audit.

(b) See "THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT" for a discussion of the District's budget and expected use of General Fund Balance.

Table 12
COMPARATIVE STATEMENT OF DEBT SERVICE FUND REVENUES AND EXPENDITURES

	Fiscal Year Ended - June 30,				
	2025 (a)	2024	2023	2022	2021
Revenues					
Local Taxes for Debt Service	$ 68,583,460	$ 62,317,531	$ 56,951,641	$ 46,673,124	$ 42,455,438
State Revenues	7,403,355	9,377,731	1,377,046	495,793	482,766
Total Revenues	$ 75,986,815	$ 71,695,262	$ 58,328,687	$ 47,168,917	$ 42,938,204
Expenditures					
Principal	$ 38,065,125	$ 34,000,000	$ 30,190,000	$ 20,925,000	$ 16,680,000
Interest	36,152,471	36,871,803	26,616,411	23,034,374	22,842,689
Bond Issuance Fees	1,724,445	415,715	2,220,361	1,246,666	731,572
Total Expenditures	$ 75,942,041	$ 71,287,518	$ 59,026,772	$ 45,206,040	$ 40,254,261
Excess (Deficiency) of Revenues Over Expenditures	$ 44,774	$ 407,744	$ (698,085)	$ 1,962,877	$ 2,683,943
Fund Balance					
Beginning Balance	$ 29,053,835	$ 28,646,091	$ 21,850,708	$ 18,766,179	$ 16,082,236
Excess (Deficiency of Revenues Over Expenditures)	44,774	407,744	(698,085)	1,962,877	2,683,943
Other Sources (Uses)	0	0	7,493,468	1,121,652	0
Ending Balance	$ 29,098,609	$ 29,053,835	$ 28,646,091	$ 21,850,708	$ 18,766,179

Source: The District's audited financial statements for fiscal years ending 2020 through 2024.

(a) Unaudited, as of May 31, 2025. The unaudited information reported herein has not been prepared or reviewed by the District's independent auditor. The unaudited information is derived from internal account balances of the District calculated by the District. The unaudited information is subject to revision upon completion of the District's annual audit.

APPENDIX B
GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

Description of the District

The District operates eight elementary schools (grades K-4), three elementary schools (grades K-5), three intermediate schools (grades 5-6), one junior high school (grades 6-8), three junior high schools (grades 7-8), two high schools (grades 9-12) and two alternative learning campuses. All schools are fully accredited by the Texas Education Agency and the Southern Association of Colleges and Schools. The current enrollment and capacities of such schools are as follows:

Facility	Current Enrollment (a)	Student Capacity
Pre-Kindergarten (Pre-K)	805	500
Elementary Schools (K-4)	6,075	7,036
Elementary Schools (K-5)	2,549	2,554
Intermediate Schools (5-6)	3,213	2,994
Junior Schools (7-8)	3,634	5,442
High Schools (9-12)	6,736	6,611

(a) As of May 22, 2025.

The District currently employs approximately 1,759 professional personnel, 288 educational aids and 721 auxiliary personnel.

The following table lists historical enrollments by grade groups recorded by the District in October of each year:

Year	K-4	5-6	7-8	9-12	Other	Total
2017/18	6,334	2,579	2,417	4,283	318	15,933
2018/19	6,622	2,770	2,617	4,602	376	16,987
2019/20	7,017	2,982	2,879	4,936	345	18,159
2020/21	7,112	3,011	2,981	5,297	266	18,667
2021/22	7,726	3,115	3,289	5,693	429	20,252
2022/23	8,109	3,372	3,391	6,138	436	21,446
2023/24	8,172	3,514	3,491	6,597	441	22,215
2024/25 (a)	8,101	3,654	3,634	6,845	689	22,923
2025/26 (b)	8,125	3,679	3,779	7,122	665	23,370
2026/27 (b)	8,081	3,795	3,971	7,178	685	23,710
2027/28 (b)	8,189	3,831	4,014	7,395	715	24,144

(a) As of the 53rd Day of Instruction.
(b) Projected by the District.

ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

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

- Harris County Demographics -

Ninety-nine percent of the District is located in Harris County (the "County"), the most populous county in the State of Texas, with a 2020 population of approximately 4,731,145, an increase of approximately 15.61% 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 second largest U.S. port which in the value of foreign trade and total tonnage.

Montgomery County, Texas (the "County"), a component of the Houston metropolitan area, has a historic economy based on mineral production (oil, gas, sand, and gravel), agriculture (horses, cattle, and greenhouse nurseries), and lumbering (timber products). Recently, the economy has shifted toward an urban-rural mix, including energy, education, health and social services, with retail trade and manufacturing. The County was created and organized in 1837 and consists of approximately 1,044 square miles of rolling, densely forested land. Many residents of the County work in the City of Houston. According to the U.S. Census Bureau, the County had a population of 620,443 in 2020, an increase of approximately 36.14% from 2010.

Cities within the County are Chateau Woods, Conroe, Cut ‘n Shoot, Magnolia, Montgomery, New Caney, Oak Ridge North, Panorama Village, Patton Village, Pinehurst, Porter, Porter Heights, Roman Forest, Shenandoah, Splendora, Stagecoach, Willis, Woodbranch Village, Woodloch and Woodlands Township. School districts within the County are Cleveland ISD, Conroe ISD, Magnolia ISD, Montgomery ISD, New Caney ISD, Richards ISD, Splendora ISD, Tomball ISD and Willis ISD. The largest school district is Conroe ISD, comprising approximately 348 square miles, located in south central Montgomery County adjacent to the northern boundary of Harris County, and includes such communities as the City of Conroe, The Woodlands, Shenandoah, Oak Ridge North, and Cut ‘n Shoot, as well as several other smaller towns, communities and unincorporated areas.

Employment Statistics

Harris County, Texas

	2025 (a)	2024	2023	2022	2021
Labor Force	2,526,772	2,497,420	2,342,184	2,360,859	2,319,413
Employed	2,418,325	2,386,885	2,327,972	2,260,680	2,173,458
Unemployed	108,447	110,535	104,212	100,179	145,955
Rate	4.3%	4.4%	4.3%	4.2%	6.3%

Montgomery County

	2025 (a)	2024	2023	2022	2021
Labor Force	363,029	358,512	349,039	327,549	310,147
Employed	348,778	344,299	335,808	315,088	292,920
Unemployed	14,251	14,213	13,231	12,461	17,227
Rate	3.9%	4.0%	3.8%	3.8%	5.6%

Source: Texas Workforce Commission.
(a) As of May 31, 2025.

APPENDIX C
FORM OF LEGAL OPINION OF BOND COUNSEL

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August __, 2025

We have acted as bond counsel to the Tomball Independent School District (the "District") in connection with the issuance of $___________ aggregate principal amount of bonds designated as "Tomball Independent School District Unlimited Tax School Building Bonds, Series 2025" (the "Bonds"). The Bonds are authorized by an order adopted by the Board of Trustees of the District (the "Board") on June 3, 2025 and the pricing certificate executed of the date of the sale of the Bonds finalizing the terms thereof (together, the "Order"). 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, 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 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. 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 federal alternative minimum tax. We observe that, for tax years beginning after December 31, 2025, 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.

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D
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.

The regular session of the 89th Texas Legislature (the "Legislature") convened on January 14, 2025, and is scheduled to conclude on June 2, 2025. As of the date of this disclosure, the regular session is underway. The Texas Governor may call one or more special sessions at the conclusion of the regular session. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the State Board of Education (the "SBOE"), the Permanent School Fund Corporation (the "PSF Corporation"), the Act, 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"). The Texas School Land Board's (the "SLB") 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 From 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, 2024, 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, 2024, 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, 2024, and for a description of the financial results of the PSF for the year ended August 31, 2024, the most recent year for which audited financial information regarding the Fund is available. The 2024 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2024 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 and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation's web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

Management and Administration of the Fund

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

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

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

For each biennium, beginning with the 2024-2025 State biennium, 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 2026 and 2027. 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" approach 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	2015	2016	2017	2018	2019	2020	2021	2022	2023[2]	2024
PSF(CORP) Distribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$2,076	$2,156
PSF (SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	0	0	0	0	300	600	600[3]	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	432	440	430

1 In millions of dollars. Source: Annual Report for year ended August 31, 2024.
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 2024, the SBOE approved a $3.6 billion distribution to the ASF for State fiscal biennium 2026-2027. In making its determination of the 2026-2027 Distribution Rate, the SBOE took into account the planned distribution to the ASF by the PSF Corporation 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	2010-11	2012-13	2014-15	2016-17	2018-19	2020-21	2022-23	2024-25	2026-27
SBOE Distribution Rate[1]	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

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 PSF Corp approved transfers of $600 million per year directly to the ASF for fiscal biennium 2026-27.

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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. 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 strategic asset allocation of the Fund that was adopted September 2024 (which is subject to change from time to time):

Asset Class	Strategic Asset Allocation	Range	
		Min	Max
Cash	2.0%	0.0%	n/a
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, 2023 and 2024, as set forth in the Annual Report for the 2024 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF(SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

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Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2024 and 2023				
ASSET CLASS	August 31, 2024	August 31, 2023	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 3,651.3	$ 2,975.1	$ 676.2	22.7%
Domestic Large Cap	8,084.6	7,896.5	188.1	2.4%
Total Domestic Equity	11,735.9	10,871.6	864.3	8.0%
International Equity	4,131.1	7,945.5	(3,814.4)	-48.0%
TOTAL EQUITY	15,867.0	18,817.1	(2,950.1)	-15.7%
FIXED INCOME				
Domestic Fixed Income	-	5,563.7	-	-
U.S. Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market Debt	-	869.7	-	-
TOTAL FIXED INCOME	13,415.2	8,602.5	4,812.7	55.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,106.0	3,175.8	(69.8)	-2.2%
Real Estate	6,101.0	6,525.2	(424.2)	-6.5%
Private Equity	8,958.8	8,400.7	558.1	6.6%
Emerging Manager Program	-	134.5	-	-
Real Return	-	1,663.7	-	-
Private Credit	2,257.9	-	-	-
Real Assets	4,648.1	4,712.1	(64.0)	-1.4%
TOT ALT INVESTMENTS	25,071.8	24,612.0	459.8	1.9%
UNALLOCATED CASH	2,583.2	348.2	2,235	641.9%
TOTAL PSF(CORP) INVESTMENTS	$56,937.2	$52,379.8	$ 4,557.4	8.7%

Source: Annual Report for year ended August 31, 2024.

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The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2024.

Investment Schedule - PSF(SLB)1

Fair Value (in millions) August 31, 2024

	As of 8-31-24	
Investment Type		
Investments in Real Assets		
Sovereign Lands	$ 277.47	
Discretionary Internal Investments	457.01	
Other Lands	153.15	
Minerals (2), (3)	4,540.61	(6)
Total Investments (4)	5,428.23	
Cash in State Treasury (5)	0	
Total Investments & Cash in State Treasury	$ 5,428.23	

1 Unaudited figures from Table 5 in the FY 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

2 Historical Cost of investments at August 31, 2024 was: Sovereign Lands $838,730.24; Discretionary Internal Investments $318,902,420.97; Other Lands $37,290,818.76; 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 as and when may become 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, as applicable. 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. The SDBGP Rules are 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"). The CDBGP Rules are 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 2025 fiscal year, the ratio is 7.86%. At February 27, 2025, there were 188 active open-enrollment charter schools in the State and there were 1,222 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 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 as and when they become 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, as applicable. 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, as applicable. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of January 31, 2025 the cost value of the Guarantee Program was $48,560,433,760 (unaudited), thereby producing an IRS Limit of $242,802,168,800 in principal amount of guaranteed bonds outstanding.

As of January 31, 2025, the estimated State Capacity Limit is $169,961,518,160, 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 7.86% in February 2025. 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, 2025, the Charter District Reserve Fund contained $120,355,020, which represented approximately 2.44% 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.

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.

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Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[1]	Market Value[1]
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	43,915,792,841	59,020,536,667
2024[2]	46,276,260,013	56,937,188,265

(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, 2024, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately $13.4 million, $0.8 million, $37.2 million, and $318.9 million, respectively, and market values of approximately $4,540.6 million, $277.4 million, $153.1 million, and $457.0 million, respectively.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2020	$ 90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603[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, 2024 (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 $196,294,405,488, of which $70,478,423,885 represents interest to be paid. As shown in the table above, at August 31, 2024, there were $125,815,981,603 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $169,961,518,160 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of January 31, 2025, 7.69% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	Number of Issues	Principal Amount ($)	Number of Issues	Principal Amount ($)	Number of Issues	Principal Amount ($)
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	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682
2024[2]	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603

(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 January 31, 2025 (based on unaudited data, which is subject to adjustment), there were $129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating $124,794,149,121 in principal amount and 109 charter district issues, aggregating $4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was $39,780,221,830 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2024

The following discussion is derived from the Annual Report for the year ended August 31, 2024, 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 PSF Corporation 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 2024, the PSF(CORP) net position was $57.3 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 and illiquid 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, 2024, net of fees, were 10.12%, 7.31%, and 6.32%, 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, 2024.

Effective February 1, 2024, Texas PSF transitioned into a new strategic asset allocation. The new allocation of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include private credit, absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2024 Annual Report which is included by reference herein.

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PSF Returns Fiscal Year Ended 8-31-2024[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(CORP) Portfolio	10.12	9.28
Domestic Large Cap Equities	27.30	27.14
Domestic Small/Mid Cap Equities	18.35	18.37
International Equities	18.82	18.08
Private Credit	1.41	0.93
Core Bonds	7.08	7.30
Absolute Return	11.50	8.87
Real Estate	(6.42)	(7.22)
Private Equity	4.62	4.23
High Yield	12.03	12.53
Natural Resources	12.36	6.42
Infrastructure	4.41	3.63
Bank Loans	3.02	3.23
Short Term Investment Portfolio	2.42	2.28

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(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, 2024.

(2) Benchmarks are as set forth in the Annual Report for year ended August 31, 2024.

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, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2024 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 2024, $2.2 billion was distributed to the ASF, $600 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, 2024, 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

As of March 1, 2023, the TEA’s undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program, 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 reports as a special-purpose government engaged in business-type activities and reports to the State of Texas as a discretely presented component unit accounted for on an economic resources measurement focus and the accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the 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 and PSF Corporation 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. On March 31, 2025, the TEA and the PSF Corporation became aware that the 2022 operating data was not timely filed with EMMA due to an administrative oversight. TEA and PSF Corporation took corrective action and filed a notice of late filing with EMMA on April 4, 2025. The annual operating data was previously posted to EMMA on March 31, 2023.

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.

APPENDIX E
EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

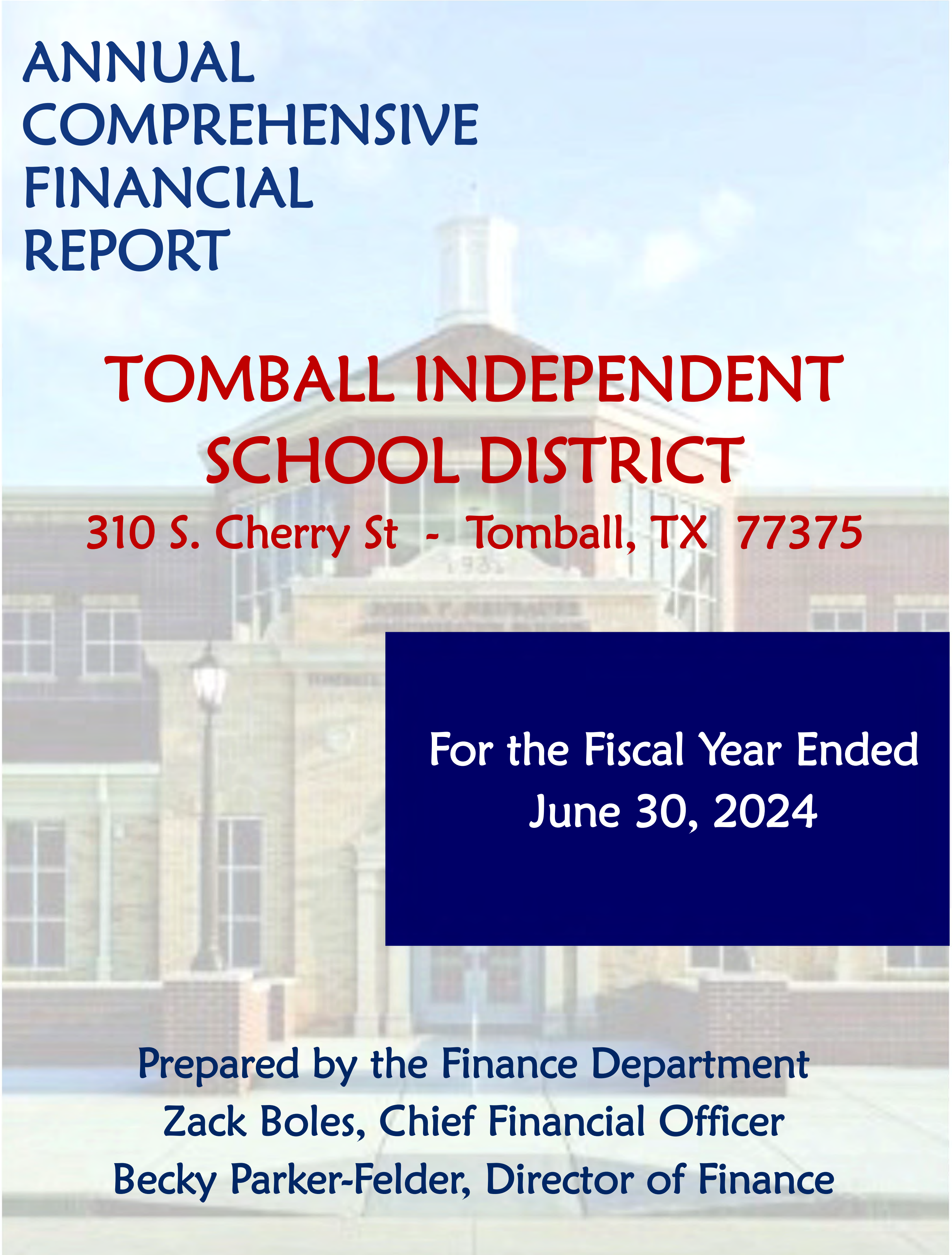
The information contained in this Appendix consists of excerpts from the Tomball Independent School District Annual Financial Report for the Year Ended June 30, 2024, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

TOMBALL
INDEPENDENT SCHOOL DISTRICT

For the Fiscal Year Ended
June 30, 2024

Tomball, TX



ANNUAL COMPREHENSIVE FINANCIAL REPORT

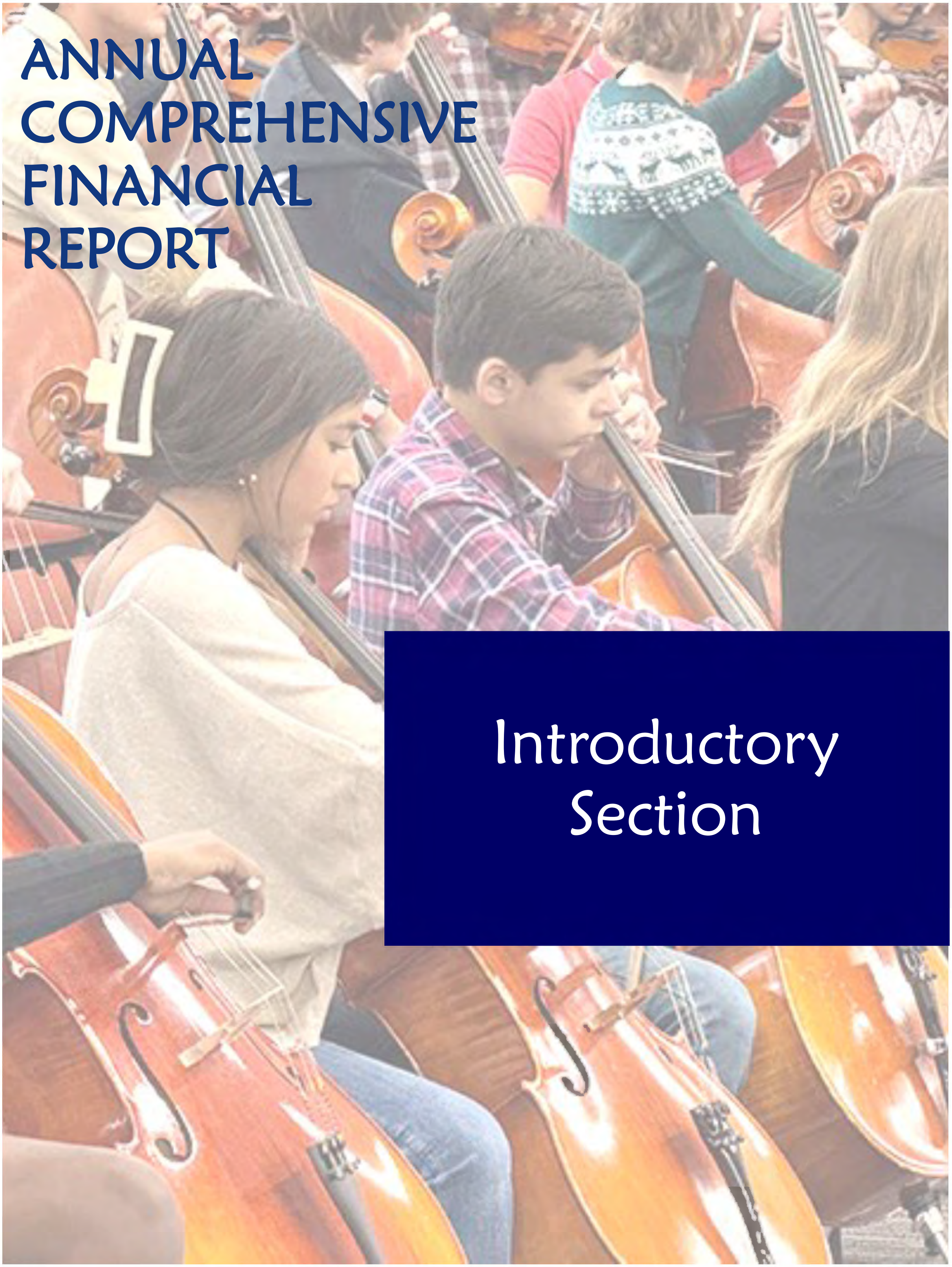
TOMBALL INDEPENDENT SCHOOL DISTRICT

310 S. Cherry St - Tomball, TX 77375

For the Fiscal Year Ended
June 30, 2024

Prepared by the Finance Department
Zack Boles, Chief Financial Officer
Becky Parker-Felder, Director of Finance

ANNUAL COMPREHENSIVE FINANCIAL REPORT



Introductory Section

December 12, 2024

Board of Trustees and Citizens
Tomball Independent School District
310 S. Cherry Street
Tomball, Texas 77375

Dear Board of Trustees:

State law requires that each school district have its fiscal accounts audited annually. A copy of the annual financial report, approved by the Board of Trustees, must be filed with the Texas Education Agency (TEA) by the 150th day after the end of the fiscal year. The independent audit of the financial statements was submitted as prescribed by law. This Annual Comprehensive Financial Report of the Tomball Independent School District (Tomball ISD or the District) is published to provide additional information for the fiscal year ended June 30, 2024.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

The Annual Comprehensive Financial Report consists of management's representations concerning the finances of the District. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District's administration. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Weaver & Tidwell LLP, a firm of licensed certified public accountants, has issued an unmodified opinion based upon the audit of the District's financial statements for the fiscal year ended June 30, 2024. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE DISTRICT

In 1937 a petition was presented to the Harris County School Board requesting Tomball be allowed to form its own school district. That petition was granted and all related funds and debts were transferred to the Tomball Independent School District. Tomball ISD is legally recognized as a political subdivision of the State of Texas. The District is not included in any other governmental reporting entity and there are no component units. A seven-member Board of Trustees (the Board) governs the District and has governance responsibilities over all activities related to public elementary and secondary education. Each member is elected to an at-large position for four years in a nonpartisan election. An election is held in November of even-numbered years for either three or four positions. Based on legislative authority codified in the Texas Education Code, the Board (1) has exclusive power to manage and govern the District; (2) can acquire and hold real and personal property; (3) shall have power to levy and collect taxes and to issue bonds; (4) can contract for appointed officers, teachers, and other personnel as well as for goods and services; and (5) has the right of eminent domain to acquire real property.

Serving the city of Tomball and the communities of Lakewood, Canyon Gate, Village Creek, Creekside Park (a section of The Woodlands), Huffsmith, Decker Prairie and Rosehill, Tomball ISD is primarily located in northwestern Harris County with a small portion in southwestern Montgomery County. The District is comprised of 1 early education center serving pre-kindergarten, 9 elementary schools serving kindergarten to fourth grades, 3 elementary schools serving kindergarten to fifth grades, 3 intermediate schools serving fifth and sixth grades, 3 junior high schools serving seventh and eighth grades, 1 junior high school serving sixth to eight grades, 2 high schools serving ninth to twelfth grades, 1 early college high school, and 1 alternative placement school. The ages of the schools range from one year to fifty years old.

Tomball ISD provides a well-rounded program of public education for children from pre-kindergarten through grade twelve. In addition to basic instructional programs, the District offers special education, gifted and talented, bilingual/ESL, remedial, and career and technology programs, along with co-curricular/extracurricular activities. High school students have the opportunity to earn college credits through College Board Advanced Placement courses, early college attendance, and dual credit programs. The District is fully accredited by the Texas Education Agency (TEA).

The Board determines the District's vision, mission and goals. The District vision is "Tomball ISD students will lead in creating the future". The mission of the District is "Tomball ISD educates students to become responsible, productive citizens by providing innovative, individually rigorous and personally valuable educational experiences".

On or before June 19th of each year, the District must prepare a budget for the next succeeding fiscal year. The annual budget serves as the foundation for the District's financial planning and control. The budget process begins in December with the preparation of the budget calendar, updated enrollment and revenue projections, and tentative expenditure projections. Based on this information, budget development parameters for the next year's budget are established. All the District's budget managers are required to submit requests for appropriations based on those parameters. A preliminary budget is compiled and then presented and discussed with the Board at multiple budget workshops. After review, evaluation and revision in budget workshops, a meeting of the Board is called for the purpose of adopting the final proposed budget. A public hearing is held for taxpayer input after ten days' public notice of the meeting. Following the public hearing the Board adopts an appropriated budget for the general fund, debt service fund and the *National School Breakfast and Lunch Program* special revenue fund on a basis consistent with GAAP. The operating budget of proposed expenditures, and the means of financing them, must be approved and adopted by the Board prior to July 1st. The appropriated budget is prepared by fund and function. Transfers of appropriations between campuses/departments require the approval of the District's Superintendent. Increasing any one of the functional spending categories or revenue object accounts and other resources require the approval of the Board.

LOCAL ECONOMY

Tomball Independent School District encompasses 83 square miles in northwestern Harris County (90%) and southwestern Montgomery County (10%) located approximately 30 miles from downtown Houston, Texas. Harris County is the most populous of the 254 counties in Texas.

The District's proximity to the City of Houston provides the area with access to the nation's largest seaport in foreign waterborne commerce and second largest in total tonnage, one of the nation's leading centers for medical education and research, many colleges and universities, a dynamic cultural arts community, excellent recreational opportunities and a national center of corporate management, commerce and world trade.

The Port of Houston has helped fuel the Houston area's development as a center of international business and trade. Companies that do business internationally find the Houston area attractive because of its well-developed financial infrastructure, skilled work force and diverse population. Ample space and favorable conditions for industrial development, as well as for cargo handling, make the Houston area a choice location for industry. This is a major factor contributing to the Houston area's, as well as Tomball's, positive economic outlook for the future.

The number one taxpayer is HCA Houston Healthcare Tomball. The local hospital has been serving Tomball and the surrounding community for over 45 years. This location is one of 13 greater Houston-area hospitals making up the HCA system. Together the system serves more than a million patients a year through their wide variety of services. With expected industrial and commercial growth and the effect of its proximity to the City of Houston, the District anticipates a continuous, steady increase in its tax base.

The District's total tax base has increased on average 8.4% annually over the past ten years. The taxable value of property increased 4% from fiscal year 2022-2023 to 2023-2024 with a total taxable value of $15,650,938,885. This taxable base is 79% residential and 21% business or other property. The average taxable value of residences is $369,382. The District considers build-out space remaining at over 25% of usable space.

Completion of the Grand Parkway, the final loop around Houston, and expansion of the Tomball Tollway have made areas within the District more accessible for development. Located within the District are numerous multi-use developments which include retail shopping centers, low to mid-rise office buildings, hotels, industrial parks, financial institutions, restaurants and high-density residential projects. Larger residential developments are located in the west side of the District, with smaller projects located throughout all areas of the District. With the planned addition of over 2,500 homes in these development projects the District expects steady and sustained economic growth well into the future.

LONG-TERM FINANCIAL PLANNING

Tomball ISD has a student enrollment of 22,882 that is larger than 94% of the public school districts in Texas. Tomball ISD student enrollment has increased an average of 5.34% annually over a ten-year period. District enrollment increased 2.67% in 2023-2024 and has risen by 3.91% during the 2024-2025 school year. This enrollment growth was anticipated and voters passed a $494.4 million bond referendum in November 2021. Proceeds of the referendum are being used to build new instructional and support facilities, purchase school buses, renovate and expand the capacity of existing instructional facilities, as well as provide technology to accommodate new students and staff, replace aging technology and increase student access to technology. The District recently completed a state of the art early education center for the youngest learners, an elementary campus and a FFA facility. A new high school, intermediate school, and an intermediate school addition are being built using these proceeds.

The District's approach to coping with the current overall funding environment for Texas public school districts, combined with the addition of new school facilities and rapid growth, has been to ensure the budget process remains instructionally driven and guided by the goals of the District. One of those goals is for the

District to be fiscally responsible. In line with these goals and objectives, Tomball ISD leadership took steps over a six-year period to set aside reserves for future contingencies and on-going financial stability. These funds remain available for use in day-to-day operations.

The District has fund balance reserves available to fund 31.4% of the 2024-2025 operating budget; well above the existing board policy of maintaining 25% of the current year's operating budget. The total tax rate has not been increased in ten consecutive years. Considering both operating cost increases and funding reductions, the District believes it is well-positioned financially through the 2024-2025 fiscal year.

RELEVANT FINANCIAL POLICIES

Budget planning is an integral part of overall program planning. Budget planning effectively supports the District's activities, and resources are provided to implement desired programs. In the budget planning process, general educational goals, specific program goals, and alternatives for achieving program goals are considered, as well as input from the community, and District and campus-level planning and decision-making committees. Budget planning and evaluation are continuous processes and are a part of each month's activities.

Evidence of the District's commitment to budget planning and implementation is the selection of Tomball ISD by TXSmartSchools.org as a model 5 star district in the 2020 study. This study was built on the foundational work of the Financial Allocation Study for Texas (FAST), which was commissioned by the State of Texas. TXSmartSchools uses academic, financial, and demographic data to identify school districts and campuses that produce high academic progress while maintaining cost-effective operations. Tomball ISD was recognized as having very high academic achievement with low per pupil costs.

MAJOR INITIATIVES

Tomball ISD aims to foster skillful, active, reflective, self-disciplined, and honorable community members through engaging learning in a safe environment. In the 2023-2024 school year, the focus remained on student achievement and character development. Efforts included raising academic performance, closing achievement gaps, gathering quality feedback, promoting parent and community involvement, developing positive character traits, recruiting and retaining quality staff, and building productive relationships.

Tomball ISD ensures all students have access to a challenging curriculum that prepares them for college, careers, and life. Our standards-based curriculum combines content with essential 21st-century skills, demanding high cognitive effort and addressing the needs of all learners.

The District continues to meet or surpass state standards in student achievement in mathematics, science, language arts and social studies. By reviewing individual student test data and gauging the effectiveness of instructional programs, the District has strengthened and expanded its curriculum beyond the requirements of the state-mandated Texas Essential Knowledge and Skills (TEKS) in order to provide Tomball ISD students with an education that is more enriched and broader in scope. Advance offerings are being expanded as more students express a desire to participate. Tomball ISD students continue to excel in obtaining a well-rounded education as evidenced by the near 100% of seniors who earned the necessary credits to graduate in May 2024 and passed the state exit exams.

AWARDS AND ACKNOWLEDGEMENTS

Tomball ISD received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such an Annual Comprehensive Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA for review to determine its eligibility for another certificate.

The District also received the Association of School Business Official's (ASBO) Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2023. This award certifies that the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023, substantially conforms to the principles and standards of financial reporting as recommended and adopted by the ASBO. We believe our current report will conform to the Certificate of Excellence Program requirements, and we are submitting it to the ASBO for their review.

We would like to express our appreciation to the Board of Trustees for their concern in providing fiscal accountability to the patrons of our District and for their expertise in financial decisions. Special appreciation goes to the District's finance department and the independent auditor's staff. The preparation of this report could not have been accomplished without their efficient and dedicated service.

Respectfully submitted,

Dr. Martha Salazar-Zamora
Dr. Martha Salazar-Zamora
Superintendent

Zachery Boles
Zachery Boles
Chief Financial Officer

Rebecca Felder
Rebecca Parker-Felder
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tomball Independent School District
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Tomball Independent School District

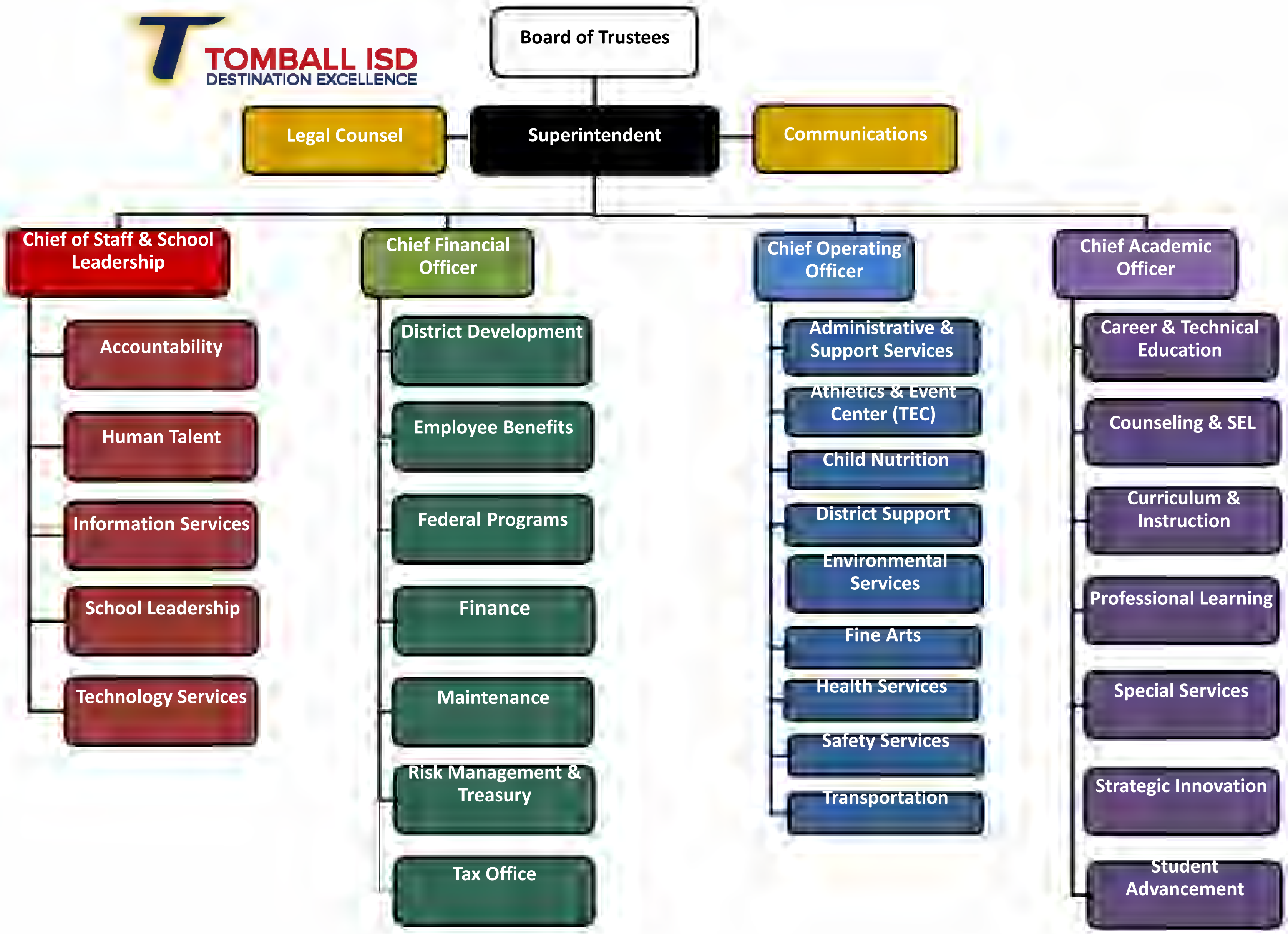
for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2023.

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.

CERTIFICATE OF EXCELLENCE
IN FINANCIAL REPORTING

Ryan S. Stechschulte
President

James M. Rowan, CAE, SFO
CEO/Executive Director



TOMBALL ISD
DESTINATION EXCELLENCE
Board of Trustees
Legal Counsel
Superintendent
Communications
Chief of Staff & School Leadership
Accountability
Human Talent
Information Services
School Leadership
Technology Services
Chief Financial Officer
District Development
Employee Benefits
Federal Programs
Finance
Maintenance
Risk Management & Treasury
Tax Office
Chief Operating Officer
Administrative & Support Services
Athletics & Event Center (TEC)
Child Nutrition
District Support
Environmental Services
Fine Arts
Health Services
Safety Services
Transportation
Chief Academic Officer
Career & Technical Education
Counseling & SEL
Curriculum & Instruction
Professional Learning
Special Services
Strategic Innovation
Student Advancement

TOMBALL INDEPENDENT SCHOOL DISTRICT
PRINCIPAL OFFICIALS AND ADVISORS

BOARD OF TRUSTEES

John E. McStravick Lee McLeod	President
Justin Unser	Vice President
Mark Lewandowski	Secretary
Michael Pratt	Assistant Secretary
Lee McLeod	Trustee
Matt Schiel	Trustee
Tina Salem	Trustee

ADMINISTRATION

Dr. Martha Salazar-Zamora	Superintendent
Dr. Amy Schindewolf	Chief of Staff & School Leadership
Dr. Steven Gutierrez	Chief Operating Officer
Mr. Zachery Boles	Chief Financial Officer
Dr. Michael Webb	Chief Academic Officer
Mrs. Holly Sherman	General Counsel

CONSULTANTS AND ADVISORS

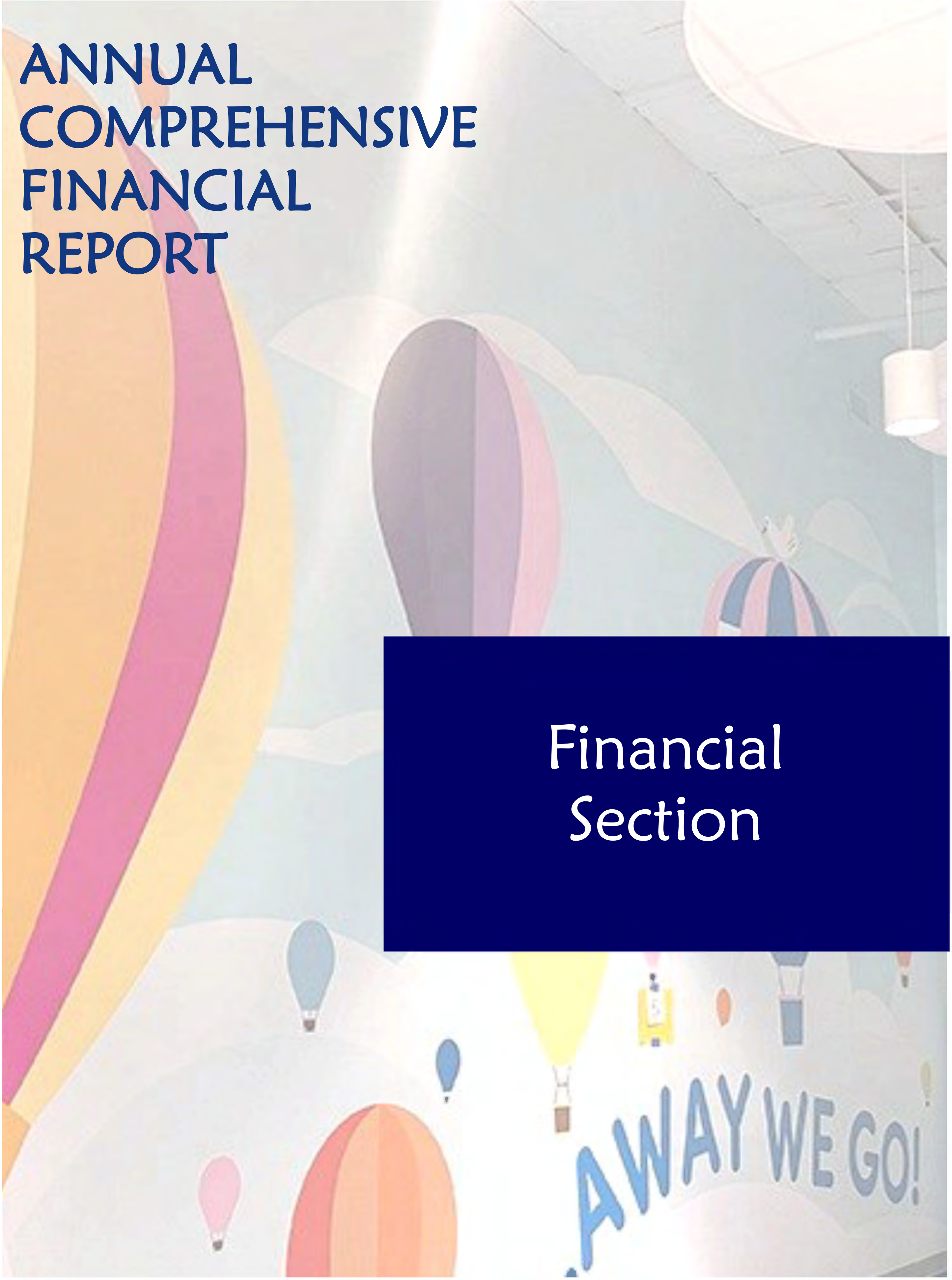
Bracewell & Giuliani, LLP
Rogers, Morris & Grover, LLP Thompson
& Horton, LLP
Houston, Texas – General Counsel

Weaver and Tidwell, LLP
The Woodlands, Texas – Independent
Auditors

Orrick, Herrington & Sutcliffe LLP
Houston, Texas – Bond Counsel

BOK Financial Securities, Inc.
Houston, Texas – Financial Advisor

ANNUAL COMPREHENSIVE FINANCIAL REPORT



Financial Section

Independent Auditor's Report

To the Board of Trustees of
Tomball Independent School District
Tomball, 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 Tomball Independent School District (the District), as of and for the year ended June 30, 2024, 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 June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Weaver and Tidwell, L.L.P.
1800 Hughes Landing Blvd, Suite 400 | The Woodlands, Texas 77380
Main: 713.800.1060

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
Tomball 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Management is responsible for the other information included in the ACFR. The other information comprises the Introductory Section and the Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated [*insert date of report*] 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
October 30, 2024

Management's Discussion and Analysis

As management of the Tomball Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by $56,202,313 (net position).
- The District's total net position increased by $18,719,771 from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of $385,639,399, a decrease of $113,723,898 as compared to the preceding year.
- At the end of the year, unassigned fund balance of the general fund was $68,761,758 or 32 percent of the year's total general fund expenditures.
- The District's total bonded debt decreased by $40,017,127 (4 percent) during the year.

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 basic financial statements. This report contains required supplementary information and supplementary and other information in addition to the basic financial statements.

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 enterprise.

The *Statement of Net Position* (Exhibit A-1) presents information on all the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

The government-wide financial operations (*governmental 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 on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges.*

The business-type activities include enterprise services related to the District stadium and internal service fund services related to workers' compensation and self-funded property insurance.

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

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, as do other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, 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 effect of the District'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 maintained twenty-seven individual governmental funds during the year. 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 funds, which are considered to be major funds. Data from the other twenty-four governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds.*

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund, debt service fund, and national school breakfast and lunch program special revenue fund to demonstrate compliance with its budget.

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

Proprietary Fund. 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 the internal service funds to account for its self-funded workers' compensation program and its property self-insurance fund. Because this service predominantly benefits governmental operations, their financial activities have been included within *governmental activities* in the government-wide financial statements. The Enterprise fund is used to report activities for which fees are charged to external users for goods or services (business-type activities). The function of the District's enterprise fund is for activities of the District stadium. 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 internal service fund financial statements are provided with the basic financial statements and provide information for the self-funded workers' compensation and property programs.

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs and activities. 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 of this report.

Notes to the Basic 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 basic financial statements are noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $56,202,313.

Tomball Independent School District's Net Position/(Deficit)

	Governmental Activities		Business-type Activities		Total	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Current and other assets	$ 443,769,510	$ 540,255,874	$ 250,535	$ 255,015	$ 444,020,045	$ 540,510,889
Capital assets, net of depreciation/amortization	721,931,912	618,228,351	-	-	721,931,912	618,228,351
Total assets	1,165,701,422	1,158,484,225	250,535	255,015	1,165,951,957	1,158,739,240
Total deferred outflows of resources	57,669,881	60,291,574	-	-	57,669,881	60,291,574
Long-term liabilities outstanding	1,060,997,710	1,081,320,777	-	-	1,060,997,710	1,081,320,777
Other liabilities	54,391,042	40,075,151	98,745	125,965	54,489,787	40,201,116
Total liabilities	1,115,388,752	1,121,395,928	98,745	125,965	1,115,487,497	1,121,521,893
Total deferred inflows of resources	51,932,028	60,026,379	-	-	51,932,028	60,026,379
Net position:						
Net investment in capital assets (deficit)	17,144,399	(13,749,685)	-	-	17,144,399	(13,749,685)
Restricted	25,097,787	23,840,124	-	-	25,097,787	23,840,124
Unrestricted	13,808,337	27,263,053	151,790	129,050	13,960,127	27,392,103
Total net position	$ 56,050,523	$ 37,353,492	$ 151,790	$ 129,050	$ 56,202,313	$ 37,482,542

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 outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The related debt is adjusted for capital project funds that were expended, but not capitalized. 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. At the end of the current fiscal year, the District reports a negative balance in net investment in capital assets, which is attributed to expenditure of bond proceeds not meeting the criteria for capitalization.

Net position of $25,097,787 is restricted for future debt service, grant expenses, and state mandated programs.

The remaining balance of net position, unrestricted $13,960,127, may be used to meet the District's ongoing obligations to students and creditors.

Governmental Activities. Governmental activities increased the District's net position by $18,719,771 from current operations. Key elements of this change are as follows:

Tomball Independent School District's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenues						
Program revenues:						
Charges for services	$ 12,649,992	$ 11,935,316	$ 651,672	$ 446,266	$ 13,301,664	$ 12,381,582
Operating grants and contributions	38,026,988	22,130,319	-	-	38,026,988	22,130,319
General revenues:						
Property taxes, levied for general purposes	103,208,212	127,104,264	-	-	103,208,212	127,104,264
Property taxes, levied for debt service	61,414,689	56,334,602	-	-	61,414,689	56,334,602
Grants and contributions not restricted to specific programs	85,319,483	54,108,519	-	-	85,319,483	54,108,519
Investment earnings	25,495,249	16,024,357	924	959	25,496,173	16,025,316
Gain on sale of capital asset	-	7,247,975	-	-	-	7,247,975
Miscellaneous	898,326	1,517,714	-	-	898,326	1,517,714
Total revenues	327,012,939	296,403,066	652,596	447,225	327,665,535	296,850,291
Expenses						
Instruction	163,898,093	143,633,134	-	-	163,898,093	143,633,134
Instructional resources and media services	2,459,492	2,443,446	-	-	2,459,492	2,443,446
Curriculum and instructional staff development	1,601,133	1,497,615	-	-	1,601,133	1,497,615
Instructional leadership	4,730,535	4,253,129	-	-	4,730,535	4,253,129
School leadership	13,016,008	11,405,467	-	-	13,016,008	11,405,467
Guidance, counseling, and evaluation services	9,147,616	7,670,800	-	-	9,147,616	7,670,800
Social work services	74,019	68,497	-	-	74,019	68,497
Health services	2,375,706	2,139,379	-	-	2,375,706	2,139,379
Student transportation	10,698,058	9,703,759	-	-	10,698,058	9,703,759
Food services	10,104,961	8,784,422	-	-	10,104,961	8,784,422
Extracurricular activities	9,544,128	7,491,771	-	-	9,544,128	7,491,771
General administration	8,093,265	6,425,434	-	-	8,093,265	6,425,434
Plant maintenance and operations	22,587,263	18,586,778	-	-	22,587,263	18,586,778
Security and monitoring services	4,032,906	1,710,877	-	-	4,032,906	1,710,877
Data processing services	3,531,835	3,033,226	-	-	3,531,835	3,033,226
Community services	162,327	92,037	-	-	162,327	92,037
Interest on long-term debt	39,680,666	28,155,631	-	-	39,680,666	28,155,631
Issuance costs and fees	415,715	2,220,361	-	-	415,715	2,220,361
Facilities repair and maintenance	477,221	1,085,407	-	-	477,221	1,085,407
Payments to juvenile justice alternative education programs	24,600	23,700	-	-	24,600	23,700
Other intergovernmental charges	1,469,609	1,310,531	-	-	1,469,609	1,310,531
Early Excellence Academy	-	-	-	260,635	-	260,635
Other enterprise activities	-	-	820,608	756,294	820,608	756,294
Total expenses	308,125,156	261,735,401	820,608	1,016,929	308,945,764	262,752,330
Increase (decrease) in net position before transfers	18,887,783	34,667,665	(168,012)	(569,704)	18,719,771	34,097,961
Transfers	(190,752)	(632,253)	190,752	632,253	-	-
Change in net position	18,697,031	34,035,412	22,740	62,549	18,719,771	34,097,961
Net position - beginning	37,353,492	3,318,080	129,050	66,501	37,482,542	3,384,581
Net position - ending	$ 56,050,523	$ 37,353,492	$ 151,790	$ 129,050	$ 56,202,313	$ 37,482,542

The current period increase in net position resulted primarily from the increase grants and contributions not restricted to specific programs which results from an increase in state allotment revenues.

Revenues, aggregating $327,012,939 were generated primarily from two sources. Property taxes of $164,622,901 represent 51 percent of total revenues while grants and contributions, including those not restricted for specific program use as well as for general operations, total $123,346,471 and represent 38 percent of total revenues. The remaining 11 percent is generated from investment earnings, charges for services and miscellaneous revenues.

The primary functional expenses of the District is *Instruction* $163,898,093, which represents 53 percent of total expenses, and interest on long-term debt $39,680,666, which represents 13 percent of total expenses. The remaining individual functional categories of expense categories are individually 7 percent or less of total expenses. The major increases in the current year occurred in instruction which is caused by an increase in employees and students and interest on long-term debt caused by the recognition of the arbitrage rebate payable of $10,164,318.

Business-type Activities. Business-type activities increased net position by $22,740. The increase in business-type activities from the prior year is due to the introduction of service activities in the District stadium.

Financial Analysis of the Government's Funds

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

Governmental Funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of $385,639,399, a decrease of $113,723,898 from the preceding year. Comments as to each individual major fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was $68,761,758, while total fund balance was $111,123,469. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32 percent of total general fund expenditures, while total fund balance represents 52 percent of that same total. The fund balance of the general fund decreased $2,439,278 during the year, primarily due to the increase in instruction expense due to more employees and more students.

The debt service fund ended the year with a total fund balance of $29,053,835, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased $407,744 during the year, primarily because of an increase in assessed property tax values.

The capital projects fund ended the year with a total fund balance of $236,883,089, all of which is restricted for capital acquisitions and contractual obligations. The net decrease in fund balance during the current year in the capital projects fund was $111,652,329 due to an increase in facilities acquisition and construction expenditures.

Governmental funds financial statements may be found by referring to the table of contents.

Proprietary Funds. The District's proprietary fund financial statements, reflect the District's internal service funds created for its self-funded workers' compensation program, and its self-funded property insurance fund, the District's enterprise fund for the District stadium. The net change in assets of the internal service funds are eliminated and allocated to the governmental expenses in the government-wide financial statements.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. There were no significant differences in revenues between the original adopted budget and the final amended budget of the general fund. The significant differences in expenditures between the original adopted budget and the final amended budget of the general fund were primarily from an increase in District staff salaries and increases in plant maintenance and operations.

There were no significant positive variances between the final amended budget and actual results of the General Fund. All negative variances between the final amended budget and actual results are disclosed in the notes to the required supplementary information.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2024, was $721,931,912 (net of accumulated depreciation/amortization). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, right-to-use – buildings, right-to-use – furniture and equipment, and construction in progress. The increase in investment in capital assets for the current fiscal year was $103,703,561.

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

	Governmental Activities					
	June 30, 2024		June 30, 2023		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	$ 36,126,002	5	$ 36,126,002	6	$ -	-
Buildings and improvements	540,951,501	75	531,633,568	86	9,317,933	2
Furniture and equipment	18,465,525	3	14,942,742	2	3,522,783	24
Right-to-use - buildings	205,527	-	483,146	-	(277,619)	(57)
Right-to-use - furniture and equipment	901,892	-	278,178	-	623,714	224
Construction in progress	125,281,465	17	34,764,715	6	90,516,750	260
Totals	$ 721,931,912	100	$ 618,228,351	100	$ 103,703,561	

Major capital asset activity during the year included the following:

- Building and construction in progress additions totaling $120,225,710
- Purchases of new District-wide Fiber Optic Upgrade totaling $2,900,000
- Purchase of new Video Surveillance System totaling $1,045,262
- Purchase of new buses totaling $2,313,600

Commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled $190,638,844.

Additional information on the District's capital assets can be found in Note 3, item D of the notes to the financial statements.

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

Tomball Independent School District's Long-term Liabilities Outstanding

	Governmental Activities					
	June 30, 2024		June 30, 2023		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	$ 944,115,752	89	$ 984,132,879	91	$ (40,017,127)	(4)
Workers' compensation	307,972	-	300,113	-	7,859	3
Leases payable	1,037,982	-	652,044	-	385,938	59
Arbitrage rebate payable	10,164,318	1	-	-	10,164,318	-
Net pension liability	75,101,298	7	64,223,530	6	10,877,768	17
Net OPEB liability	30,270,388	3	32,012,211	3	(1,741,823)	(5)
Totals	$ 1,060,997,710	100	$ 1,081,320,777	100	$ (20,323,067)	

The District's total bonded debt decreased by $40,017,127 (4 percent) during the current fiscal year, which resulted primarily from scheduled debt service payments. State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval of 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 3, item F of the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

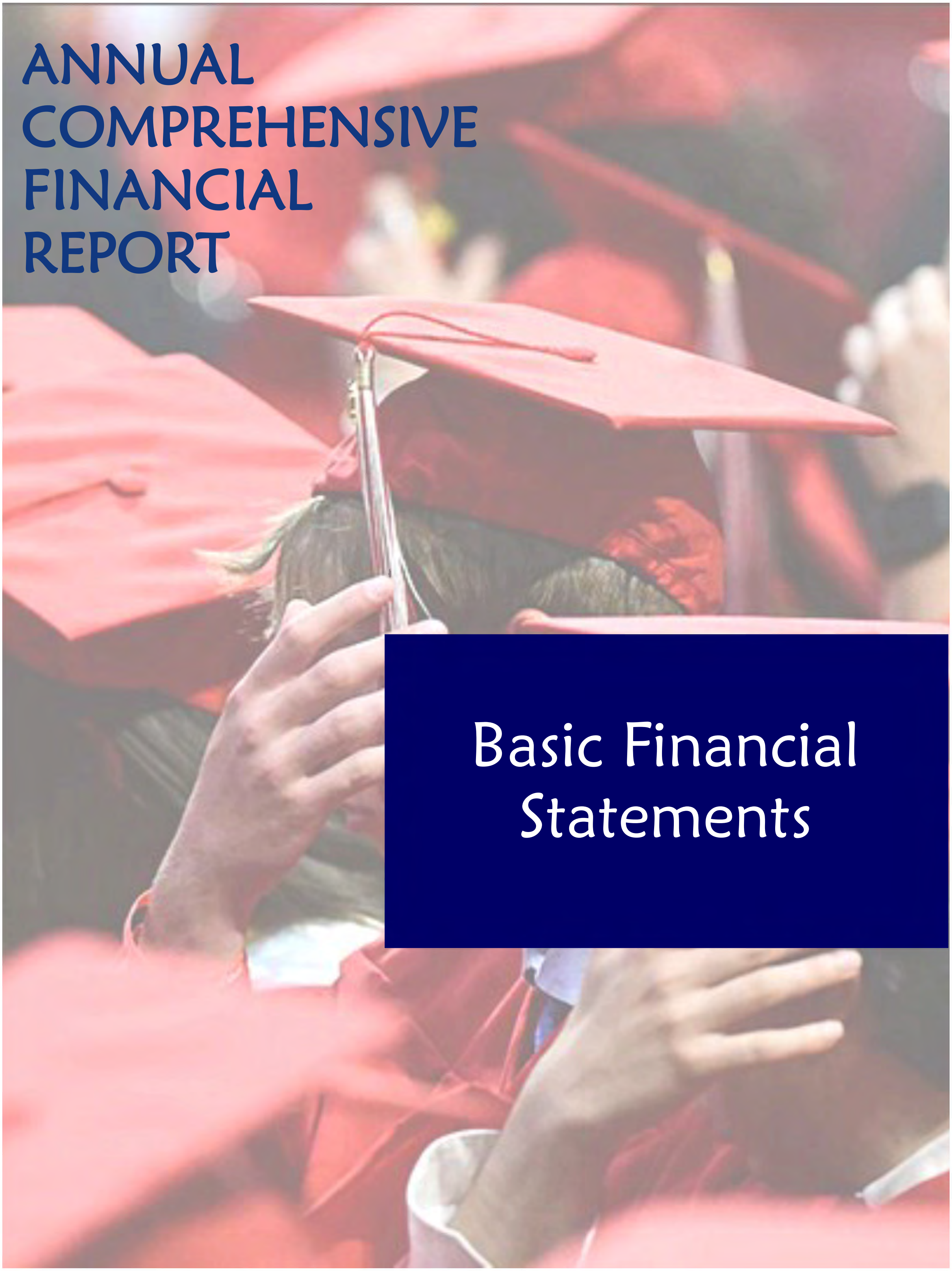
- School year (2024-25) student enrollment is 22,882, a 3 percent increase from the preceding year.
- District staff totals 3,194 employees in 2024-25, excluding substitutes and other part-time employees, of which 1,558 are teachers and 580 are teacher aides and secretaries.
- The District maintains twenty-four regular education campuses, including one alternative campus for student instruction and one campus dedicated to pre-k students.
- Property values of the District are projected to increase approximately 9% for the 2024-25 year.
- A maintenance and operations tax rate of $0.667 and a debt service tax rate of $0.396, a total rate of $1.063 were adopted for 2024-25. Preceding year rates were $0.669, $0.396 and $1.065, respectively.

All of these factors and others were considered in preparing the District's budget for the 2024-25 fiscal year.

During 2023-24, fund balance in the general fund totaled $111,123,469. District policy requires the general fund to maintain an operating cash reserve fund balance each fiscal year end that equals or exceeds the amount necessary to cover three months of the District's average operating expenses for the coming year. The total general fund balance is more than three months of average operating expenses.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Tomball Independent School District, 310 South Cherry Street, Tomball, Texas 77375.


ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT
Basic Financial
Statements

Tomball Independent School District

Exhibit A-1

Statement of Net Position
June 30, 2024

Data Control Codes		1	2	3
		Primary Government		
		Governmental Activities	Business-type Activities	Total
	ASSETS			
1110	Cash and cash equivalents	$ 18,741,343	$ 11,807	$ 18,753,150
1120	Investments	381,326,313	-	381,326,313
1220	Property taxes receivables	7,203,987	-	7,203,987
1230	Allowance for uncollectable taxes	(1,705,597)	-	(1,705,597)
1240	Due from other governments	33,850,315	-	33,850,315
1260	Internal balances	(235,544)	235,544	-
1290	Other receivables	3,403,486	3,184	3,406,670
1300	Inventories	745,621	-	745,621
1410	Prepaid items	409,624	-	409,624
1490	Other current assets	29,962	-	29,962
	Capital assets:			
1510	Land and improvements	36,126,002	-	36,126,002
1520	Buildings and improvements (net)	540,951,501	-	540,951,501
1530	Furniture and equipment (net)	18,465,525	-	18,465,525
1551	Buildings and improvements, leases right-to-use (net)	205,527	-	205,527
1559	Furniture and equipment, lease right-to-use (net)	901,892	-	901,892
1580	Construction in progress	125,281,465	-	125,281,465
1000	Total assets	1,165,701,422	250,535	1,165,951,957
	DEFERRED OUTFLOWS OF RESOURCES			
1705	Deferred outflows - pension	32,802,941	-	32,802,941
1706	Deferred outflows - OPEB	19,676,786	-	19,676,786
1710	Deferred charge on refunding	5,190,154	-	5,190,154
1700	Total deferred outflows of resources	57,669,881	-	57,669,881
	LIABILITIES			
2110	Accounts payable	16,306,917	200	16,307,117
2140	Interest payable	13,255,358	-	13,255,358
2160	Accrued wages payable	22,751,113	10,545	22,761,658
2180	Due to other governments	22	-	22
2300	Unearned revenue	2,077,632	88,000	2,165,632
	Noncurrent liabilities:			
2501	Due within one year	25,805,315	-	25,805,315
	Due in more than one year:			
2502	Bonds, notes, leases and arbitrage rebate payable	929,820,709	-	929,820,709
2540	Net pension liability	75,101,298	-	75,101,298
2545	Net OPEB liability	30,270,388	-	30,270,388
2000	Total liabilities	1,115,388,752	98,745	1,115,487,497
	DEFERRED INFLOWS OF RESOURCES			
2601	Deferred inflows - leases	2,932,949	-	2,932,949
2605	Deferred inflows - pension	3,289,897	-	3,289,897
2606	Deferred inflows - OPEB	44,002,160	-	44,002,160
2610	Deferred gain on refunding	1,707,022	-	1,707,022
2600	Total deferred inflows of resources	51,932,028	-	51,932,028
	NET POSITION			
3200	Net investment in capital assets	17,144,399	-	17,144,399
3820	Restricted for grants and state mandated programs	7,979,696	-	7,979,696
3850	Restricted for debt service	17,118,091	-	17,118,091
3900	Unrestricted	13,808,337	151,790	13,960,127
3000	**TOTAL NET POSITION**	$ 56,050,523	$ 151,790	$ 56,202,313

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

Tomball Independent School District
Statement of Activities
For the Fiscal Year Ended June 30, 2024

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues Charges for Services	4 Program Revenues Operating Grants and Contributions
	PRIMARY GOVERNMENT			
	Governmental activities:			
0011	Instruction	$ 163,898,093	$ 1,612,971	$ 16,463,166
0012	Instructional resources and media services	2,459,492	140,732	114,649
0013	Curriculum and instructional staff development	1,601,133	20,319	501,530
0021	Instructional leadership	4,730,535	-	323,013
0023	School leadership	13,016,008	200,081	630,796
0031	Guidance, counseling, and evaluation services	9,147,616	26	2,151,051
0032	Social work services	74,019	-	3,378
0033	Health services	2,375,706	1,720	107,194
0034	Student transportation	10,698,058	-	263,596
0035	Food services	10,104,961	5,162,038	4,435,262
0036	Extracurricular activities	9,544,128	4,490,334	601,521
0041	General administration	8,093,265	-	1,355,530
0051	Plant maintenance and operations	22,587,263	998,606	313,524
0052	Security and monitoring services	4,032,906	1,485	1,206,893
0053	Data processing services	3,531,835	-	80,316
0061	Community services	162,327	21,680	97,838
0072	Interest on long-term debt	39,680,666	-	9,377,731
0073	Issuance costs and fees	415,715	-	-
0081	Facilities repair and maintenance	477,221	-	-
0095	Payments to juvenile justice alternative education programs	24,600	-	-
0099	Other intergovernmental charges	1,469,609	-	-
TG	Total governmental activities	308,125,156	12,649,992	38,026,988
	Business-type activities:			
01	Other enterprise activities	820,608	651,672	-
TB	Total business-type activities	820,608	651,672	-
TP	**TOTAL PRIMARY GOVERNMENT**	$ 308,945,764	$ 13,301,664	$ 38,026,988
	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			
FR	Transfers			
TR	Total general revenues and transfers			
CN	Change in net position			
NB	Net position - beginning			
NE	**NET POSITION - 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
$ (145,821,956)	$ -	$ (145,821,956)
(2,204,111)	-	(2,204,111)
(1,079,284)	-	(1,079,284)
(4,407,522)	-	(4,407,522)
(12,185,131)	-	(12,185,131)
(6,996,539)	-	(6,996,539)
(70,641)	-	(70,641)
(2,266,792)	-	(2,266,792)
(10,434,462)	-	(10,434,462)
(507,661)	-	(507,661)
(4,452,273)	-	(4,452,273)
(6,737,735)	-	(6,737,735)
(21,275,133)	-	(21,275,133)
(2,824,528)	-	(2,824,528)
(3,451,519)	-	(3,451,519)
(42,809)	-	(42,809)
(30,302,935)	-	(30,302,935)
(415,715)	-	(415,715)
(477,221)	-	(477,221)
(24,600)	-	(24,600)
(1,469,609)	-	(1,469,609)
(257,448,176)	-	(257,448,176)
-	(168,936)	(168,936)
-	(168,936)	(168,936)
(257,448,176)	(168,936)	(257,617,112)
103,208,212	-	103,208,212
61,414,689	-	61,414,689
85,319,483	-	85,319,483
25,495,249	924	25,496,173
898,326	-	898,326
(190,752)	190,752	-
276,145,207	191,676	276,336,883
18,697,031	22,740	18,719,771
37,353,492	129,050	37,482,542
$ 56,050,523	$ 151,790	$ 56,202,313

Tomball Independent School District
Balance Sheet
Governmental Funds
June 30, 2024

Data Control Codes		199 General Fund	599 Debt Service Fund
	ASSETS		
1110	Cash and cash equivalents	$ 14,178,856	$ 86,439
1120	Investments	99,354,098	23,884,319
1220	Property taxes receivables	5,475,030	1,728,957
1230	Allowance for uncollectable taxes	(1,296,254)	(409,343)
1240	Due from other governments	25,650,344	5,278,796
1260	Due from other funds	3,626,278	-
1290	Other receivables	3,291,151	-
1300	Inventories	594,418	-
1410	Prepaid items	393,463	-
1000	Total assets	151,267,384	30,569,168
1000a	**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**	$ 151,267,384	$ 30,569,168
	LIABILITIES		
2110	Accounts payable	$ 3,299,780	$ 4,852
2160	Accrued wages payable	22,106,859	-
2170	Due to other funds	7,625,551	190,867
2180	Due to other governments	-	-
2300	Unearned revenue	-	-
2000	Total liabilities	33,032,190	195,719
	DEFERRED INFLOWS OF RESOURCES		
2600	Unavailable revenue - property taxes	4,178,776	1,319,614
2601	Unavailable revenue - leases	2,932,949	-
	Total deferred inflows of resources	7,111,725	1,319,614
	FUND BALANCES		
	Nonspendable:		
3410	Inventories	594,418	-
3430	Prepaid items	393,463	-
	Restricted for:		
3450	Grants	-	-
3450	State mandated programs	3,104,929	-
3470	Capital acquisitions and contractual obligations	-	-
3480	Debt service	-	29,053,835
	Committed to:		
3545	Other	36,934,434	-
	Assigned to:		
3590	Purchases on order	1,334,467	-
3600	Unassigned	68,761,758	-
3000	Total fund balances	111,123,469	29,053,835
4000	**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**	$ 151,267,384	$ 30,569,168

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

Exhibit C-1

699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
$ -	$ 4,476,048	$ 18,741,343
249,353,158	-	372,591,575
-	-	7,203,987
-	-	(1,705,597)
-	2,921,175	33,850,315
4,184	7,385,823	11,016,285
-	112,335	3,403,486
-	151,203	745,621
-	16,161	409,624
249,357,342	15,062,745	446,256,639
$ 249,357,342	$ 15,062,745	$ 446,256,639
$ 12,474,253	$ 326,420	$ 16,105,305
-	644,254	22,751,113
-	3,435,411	11,251,829
-	22	22
-	2,077,632	2,077,632
12,474,253	6,483,739	52,185,901
-	-	5,498,390
-	-	2,932,949
-	-	8,431,339
-	151,203	745,621
-	-	393,463
-	4,874,767	4,874,767
-	-	3,104,929
236,883,089	-	236,883,089
-	-	29,053,835
-	3,553,036	40,487,470
-	-	1,334,467
-	-	68,761,758
236,883,089	8,579,006	385,639,399
$ 249,357,342	$ 15,062,745	$ 446,256,639

Tomball Independent School District **Exhibit C-1R**

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2024

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)		$ 385,639,399
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	$ 990,589,438	
Accumulated depreciation and amortization of governmental capital assets	(268,657,526)	721,931,912
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.		5,498,390
Long-term liabilities, including bonds payable 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	$ (855,775,000)	
Premium on bonds payable	(88,340,752)	
Leases payable	(1,037,982)	
Arbitrage rebate payable	(10,164,318)	
Accrued interest on the bonds	(13,255,358)	
Net pension liability	(75,101,298)	
Net OPEB liability	(30,270,388)	(1,073,945,096)
Internal service funds are used by the District to charge the costs of workers' compensation benefits and property insurance to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		8,255,116
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.		5,190,154
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 resouces (revenue) until that time.		(1,707,022)
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.		32,802,941
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 resouces (revenue) until that time.		(3,289,897)
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.		19,676,786
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 resouces (revenue) until that time.		(44,002,160)
TOTAL NET POSITON - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)		$ 56,050,523

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

Tomball Independent School District

Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024

Data Control Codes		199 General Fund	599 Debt Service Fund
	REVENUES		
5700	Local and intermediate sources	$ 111,408,154	$ 62,317,531
5800	State program revenues	98,616,942	9,377,731
5900	Federal program revenues	1,802,100	-
5020	Total revenues	211,827,196	71,695,262
	EXPENDITURES		
	Current:		
0011	Instruction	131,907,323	-
0012	Instructional resources and media services	2,167,625	-
0013	Curriculum and instructional staff development	1,132,018	-
0021	Instructional leadership	4,605,300	-
0023	School leadership	12,425,616	-
0031	Guidance, counseling, and evaluation services	7,223,766	-
0032	Social work services	74,412	-
0033	Health services	2,337,698	-
0034	Student transportation	9,920,774	-
0035	Food services	-	-
0036	Extracurricular activities	4,338,195	-
0041	General administration	7,529,014	-
0051	Plant maintenance and operations	22,170,816	-
0052	Security and monitoring services	2,808,883	-
0053	Data processing services	4,407,317	-
0061	Community services	136,182	-
	Debt service:		
0071	Principal on long-term debt	315,744	34,000,000
0072	Interest on long-term debt	20,461	36,871,803
0073	Issuance costs and fees	-	415,715
	Capital outlay:		
0081	Facilities acquisition and construction	-	-
	Intergovernmental:		
0095	Payments to juvenile justice alternative education programs	24,600	-
0099	Other intergovernmental charges	1,469,609	-
6030	Total expenditures	215,015,353	71,287,518
1100	Excess (deficiency) of revenues over expenditures	(3,188,157)	407,744
	OTHER FINANCING SOURCES (USES)		
7901	Remarketing bonds issued	-	18,980,000
7913	Issuance of debt - right-to-use lease assets	962,018	-
7915	Transfers in	-	-
8911	Transfers out	(213,139)	-
8940	Payment to bond remarketing escrow agent	-	(18,980,000)
7080	Total other financing sources (uses)	748,879	-
1200	Net change in fund balances	(2,439,278)	407,744
0100	Fund balances - beginning	113,562,747	28,646,091
3000	**FUND BALANCES - ENDING**	$ 111,123,469	$ 29,053,835

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

Exhibit C-2

699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
$ 18,932,358	$ 12,639,178	$ 205,297,221
-	2,991,041	110,985,714
-	11,311,877	13,113,977
18,932,358	26,942,096	329,396,912
3,150,058	8,734,683	143,792,064
-	159,455	2,327,080
-	466,579	1,598,597
-	79,135	4,684,435
-	226,700	12,652,316
-	1,674,187	8,897,953
-	-	74,412
-	1,949	2,339,647
2,313,600	-	12,234,374
-	10,180,333	10,180,333
-	4,181,358	8,519,553
147,076	-	7,676,090
-	-	22,170,816
2,105,025	1,205,092	6,119,000
8,644,003	-	13,051,320
-	95,047	231,229
415,001	-	34,730,745
6,154	-	36,898,418
-	-	415,715
113,958,435	-	113,958,435
-	-	24,600
-	-	1,469,609
130,739,352	27,004,518	444,046,741
(111,806,994)	(62,422)	(114,649,829)
-	-	18,980,000
154,665	-	1,116,683
-	22,387	22,387
-	-	(213,139)
-	-	(18,980,000)
154,665	22,387	925,931
(111,652,329)	(40,035)	(113,723,898)
348,535,418	8,619,041	499,363,297
$ 236,883,089	$ 8,579,006	$ 385,639,399

Tomball 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 June 30, 2024

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)			$ (113,723,898)
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*	$	128,781,337	
Depreciation/amortization expense		(24,447,523)	104,333,814
The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.			(630,253)
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.			170,215
Issuance of bonds and other debt proceeds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.			
Par value	$	(18,980,000)	
Lease issued		(1,116,683)	(20,096,683)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			34,000,000
Payment to escrow agent to refund bonds from refunding proceeds.			18,980,000
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			730,745
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*	$	2,153,280	
Arbitrage rebate payable (increased) decreased		(10,164,318)	
Amortization of bond premium		6,017,127	
Amortization of deferred charge on refunding		(966,392)	
Amortization of deferred gain on refunding		178,055	(2,782,248)
An internal service fund is used by the District to charge the costs of workers' compensation benefits and property insurance to the individual funds. The net activity of the internal service fund was reported in the government-wide statements.			1,584,992
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)	$	271,312	
Deferred inflows (increased) decreased		2,014,527	
Net pension liability (increased) decreased		(10,877,768)	(8,591,929)
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)	$	(1,926,613)	
Deferred inflows (increased) decreased		4,907,066	
Net OPEB liability (increased) decreased		1,741,823	4,722,276
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)			$ 18,697,031

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

Tomball Independent School District **Exhibit D-1**

Statement of Net Position
Proprietary Funds
June 30, 2024

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,807	$ -
Investments	-	8,734,738
Due from other funds	235,544	-
Other receivables	3,184	-
Other current assets	-	29,962
Total current assets	250,535	8,764,700
Total assets	250,535	8,764,700
LIABILITIES		
Current liabilities:		
Accounts payable	200	201,612
Claims payable - due within one year	-	307,972
Accrued wages payable	10,545	-
Unearned revenue	88,000	-
Total current liabilities	98,745	509,584
Total liabilities	98,745	509,584
NET POSITION		
Unrestricted	151,790	8,255,116
TOTAL NET POSITION	$ 151,790	$ 8,255,116

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

Tomball Independent School District

Exhibit D-2

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2024

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	$ 651,672	$ -
Interfund services provided	-	1,901,595
Total operating revenues	651,672	1,901,595
OPERATING EXPENSES		
Payroll costs	559,238	-
Professional and contracted services	74,042	156,444
Supplies and materials	178,484	-
Other operating costs	8,844	610,224
Total operating expenses	820,608	766,668
Operating income (loss)	(168,936)	1,134,927
NONOPERATING REVENUES		
Earnings from temp. deposits and investments	924	450,065
Total nonoperating revenues	924	450,065
Income (loss) before transfers	(168,012)	1,584,992
Transfers	190,752	-
Change in net position	22,740	1,584,992
Net position - beginning	129,050	6,670,124
NET POSITION - ENDING	$ 151,790	$ 8,255,116

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

Tomball Independent School District **Exhibit D-3**

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from service provided	$ 630,900	$ 1,901,595
Cash payments for claims, net of stop loss reimbursements	-	(527,759)
Cash payments for payroll costs	(558,326)	-
Cash payments for contracted services and supplies and materials	(276,416)	(156,444)
Net cash provided by (used for) operating activities	(203,842)	1,217,392
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	190,752	-
Net cash provided by noncapital financing activities	190,752	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	924	450,065
Purchase of investments	-	(1,667,457)
Net cash provided by (used for) investing activities	924	(1,217,392)
Net increase (decrease) in cash and cash equivalents	(12,166)	-
Cash and cash equivalents at beginning of year	23,973	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 11,807	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	$ (168,936)	$ 1,134,927
Change in assets and liabilities:		
(Increase)decrease in due from other funds	(23,784)	-
(Increase)decrease in other receivables	3,012	-
Increase(decrease) in accounts payable	(15,046)	74,606
Increase(decrease) in claims payable	-	7,859
Increase(decrease) in accrued wages payable	912	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (203,842)	$ 1,217,392

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

Tomball Independent School District **Exhibit E-1**

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

		Total Custodial Funds
ASSETS		
Cash and cash equivalents	$	327,351
Investments		648,867
Total assets		976,218
LIABILITIES		
Accounts payable		27,506
Total liabilities		27,506
NET POSITION		
Restricted for:		
Scholarships		648,867
Student activities		299,845
TOTAL NET POSITION	$	948,712

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

Tomball Independent School District **Exhibit E-2**

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2024

		Total Custodial Funds
ADDITIONS		
Contributions of gifts	$	59,559
Investment earnings		34,674
Fees and other charges		410,519
Total additions		504,752
DEDUCTIONS		
Payroll costs		669
Student activities		1,090
Administrative expense		101,245
Beneficiary payments		4,419
Tuition		36,791
Operations and activities		278,538
Total deductions		422,752
Net change in fiduciary net position		82,000
Net position - beginning		866,712
NET POSITION - ENDING	$	948,712

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Tomball Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity.

B. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the District. As a general rule, the effect of interfund activity has been removed from these statements. Direct expenses are not eliminated from the various functional categories. Interfund services that are provided and used are not eliminated in the process of consolidation. *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.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the District's enterprise functions and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

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

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 accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.

The District reports the following nonmajor governmental funds:

> The *nonmajor special revenue funds* are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for specific purposes.

The District reports the following proprietary fund types:

> The *enterprise fund* accounts for the operations of services related to the District stadium.
>
> The *internal service funds* account for workers' compensation claims and administrative expenses provided for other funds of the District on a cost reimbursement basis, and self-funded property insurance.

Additionally, the District reports the following fiduciary fund type:

> The *custodial fund*s are used to account for resources held in a custodial capacity by the District on behalf of student organizations and Tomball Scholarship Foundation, and consist of funds that are the property of student groups and cannot be used by the District in operations. Custodial funds report fiduciary activities that are not held in a trust.

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

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

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to leases, pension liability, OPEB liability, compensated absences, and claims and judgements are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

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

1. Cash and Cash Equivalents

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

2. Investments

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectibles. Net property tax receivables are stated at the amount estimated to be collectible based on the District's collection experience. Revenues from property taxes are recognized when levied to the extent they are available (collected within 60 days after the close of the fiscal year). However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements.

4. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, furniture and equipment, buildings and improvements lease right-to-use, and furniture and equipment lease right-to-use are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000, and an estimated useful life in excess of two years.

As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Right-to-use assets are amortized over the duration of the lease using the straight-line method. The buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Class	Lives
Buildings and improvements	7-54
Furniture and equipment	5-20

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. The District does not have a liability for unpaid vacation at year-end due to the District's policy does not allow a carryover of vacation not taken at June 30.

7. Long-term Obligations

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

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.

8. Leases

Lessee

The District is a lessee for noncancellable leases of property and equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $25,000 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.

Lessor
The District is a lessor for a noncancellable lease of property and equipment. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The District 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 receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

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

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditures) until then. *Deferred inflows of resources* represent an acquisition of net assets that applies to future periods 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 after the measurement date which are recognized in the subsequent 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 collected.
- Rents are recognized over the life of the lease.

10. 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.

11. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). It is the District's policy to use restricted resources first, then unrestricted resources as they are needed. In order to calculate the amounts to report as unrestricted (committed, assigned, and unassigned) fund balance in the governmental funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

12. Fund Balance Policies

In the fund financial statements, governmental funds report fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which the amounts in the respective governmental funds can be spent. The District reports the following classifications of fund balance:

The *nonspendable* classification accounts for amounts that are not in spendable form. The amounts reported in this category pertain to inventories and prepaid items that the District does not expect to convert to cash.

The *restricted* classification accounts for amounts that have external constraints imposed upon the use of the resources by bondholders, grantors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The amounts reported in this category include funding from external sources such as state and federal grants, tax levies for the repayment of principal and interest on long-term debt, and unspent bond proceeds for the construction and equipment of school facilities.

The *committed* classification accounts for amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board. These amounts can only be used for the purpose intended, which requires formal Board action by passage of a resolution to establish (as noted in Board minutes), unless the Board modifies or removes the specified use by taking the same formal Board action. The amounts reported in this category include the campus activity fund balances in the special revenue fund and amounts committed for capital replacement projects strategic plan.

The *assigned* classification accounts for amounts that the District intends to use for a specific purpose. The Board delegates to the Superintendent or designee the responsibility to assign funds. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. The amounts reported in this category include outstanding encumbrances at the end of the fiscal year.

The *unassigned* classification accounts for the residual amount in the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount.

In the general fund, the District shall maintain at a minimum assigned and unassigned fund balances equal to or exceeding three months of average operating expenditures of the current budget.

13. 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.

14. Other Postemployment Benefits

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.

G. Revenues and Expenditures/Expenses

1. Program Revenues
Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes
Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to July 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year. Delinquent taxes collected are prorated between the general fund and the debt service fund based on rates adopted for the year of the levy. Deferred inflows of resources are recorded in an amount equal to the net taxes receivable.

3. Proprietary funds operating and nonoperating revenues and expenses
Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for interfund services provided. Operating expenses for the internal service fund includes the cost of services and administrative expenses. The principal operating revenues of the District's enterprise fund is fees charged for other services related to the District stadium. Operating expenses of the enterprise fund include the cost of payroll, contracted services, supplies, and other miscellaneous operating costs to run the program. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses for the internal service fund and the enterprise fund.

H. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, 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.

I. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by 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 TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

J. Implementation of New Accounting Standard

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 the District'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. 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 were implemented in the District's fiscal year 2024 financial statements with no impact to amounts previously reported.

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 was implemented in the District's fiscal year 2024 financial statements with no impact to amounts previously reported.

K. Recent Accounting Pronouncements

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 the District's fiscal year 2025 financial statements and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations of constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, with earlier application encouraged. GASB 102 will be implemented in the District's fiscal year 2025 financial statements and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 103 will be implemented in the District's fiscal year 2026 financial statements and the impact has not yet been determined.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, National School Breakfast/Lunch Program special revenue fund, and debt service fund. 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 June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 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 July 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 amendments during the year.

B. 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.

Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:	
	Restricted Fund Balance	Assigned Fund Balance
General fund	$ -	$ 1,334,467
Nonmajor governmental fund	2,126,703	-
Capital projects fund	217,643,704	-
Total encumbrances	$ 219,770,407	$ 1,334,467

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

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

Investments
The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District's to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

The District's is authorized to invest in the following instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by governmental entities as permitted by Government Code 2256.009
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011
4. A securities lending program as permitted by Government Code 2256.0115
5. Banker's acceptances as permitted by Government Code 2256.012
6. Commercial paper as permitted by Government Code 2256.013
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014
8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015
9. Public funds investment pools as permitted by Government Code 2256.016.

The District's investment balances, including fiduciary funds, weighted average maturity of such investments, and investment ratings are presented in the following table:

Investment Type	June 30, 2024	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost, not subject to level reporting:				
Investment pools:				
TexPool - Prime	$ 291,317,825	76%	41	AAAm*
TexPool	3,852,443	1%	36	AAAm*
Lone Star Corporate Overnight Fund	339,430	0%	42	AAAm*
Investments measured at net asset value, not subject to level reporting:				
Investment pools:				
Texas CLASS	86,313,364	23%	78	AAAm*
Lone Star Corporate Overnight Plus Fund	152,118	0%	52	AAAf/S1+*
Total	$ 381,975,180	100%		
Portfolio weighted average maturity			49	

*Standard & Poor's Rating

Investment pools are measured at amortized cost or fair value (net asset value). Such investment is not subject to the fair value hierarchy reporting.

TexPool and TexPool Prime are duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolios consist of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds. TexPool Prime also consists of commercial paper and certificates of deposit.

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 Standish Mellon Asset Management and American Beacon Advisors. State Street Bank and Trust Company is the custodial bank.

The TexPool, TexPool Prime and Lone Star Corporate Overnight investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of $1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by 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. TexPool and Lone Star Corporate Overnight have 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 Lonestar Corporate Overnight Plus investment pool strategy 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 120 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. Lonestar Corporate Overnight Plus has a redemption notice period of one day and may redeem daily. The investment pool's authority 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.

Texas CLASS was created in accordance with the requirements contained in section 2256.016 of the Public Funds Investment Act. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local governmental funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust, Public Trust Advisors, LLC as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian. The Texas CLASS investment pool is an external investment pool measured at fair value, i.e. net asset value. Texas CLASS's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pool. Texas CLASS has a redemption notice period of one day and may redeem daily. 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 Texas CLASS portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; AAA rate money market mutual funds; and commercial paper.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by the Public Funds Investment Act for local government investment pools is AAA or AAAm. During the year ended June 30, 2024, the District was not significantly exposed to credit risk, and its investment pools met the minimum required rating as noted in the preceding table.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District monitors interest rate risk utilizing weighted average maturity analysis and specific identification. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days and any individual investment not to exceed two years from the date of purchase, unless approved by the governing body. During the year ended June 30, 2024, the District did not invest in any securities which were highly sensitive to interest rate fluctuations.

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 June 30, 2024, District's banks' balances, including fiduciary funds, were not exposed to custodial credit risk because such balances were insured and collateralized with securities held by the District's agents and bank'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. District policy requires investments to be in the District's name or held by the District's agent in the District's name. The District is not exposed to custodial risk due to the investments are in the District's name or held by the District's agent in the District's name.

B. Receivables

Receivables at June 30, 2024, were as follows:

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Receivables	Total Enterprise Funds
Property taxes	$ 5,475,030	$ 1,728,957	$ -	$ 7,203,987	$ -
Due from state governments	25,619,475	5,278,796	-	30,898,271	-
Due from federal governments	30,869	-	2,902,508	2,933,377	-
Due from other governments	-	-	18,667	18,667	-
Other receivables - leases	3,211,146	-	-	3,211,146	-
Other receivables	80,005	-	112,335	192,340	3,184
Gross receivables	34,416,525	7,007,753	3,033,510	44,457,788	3,184
Less allowance for doubtful accounts	(1,296,254)	(409,343)	-	(1,705,597)	-
Totals	$ 33,120,271	$ 6,598,410	$ 3,033,510	$ 42,752,191	$ 3,184

Tax revenues of the general and debt service fund are reported net of estimated 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	$ 480,169
Change in uncollectibles related to debt service property taxes	148,476
Total change in uncollectibles of the current fiscal year	$ 628,645

Approximately 46% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

Lease Receivable
The District leases a portion of its buildings to a third party. The lease expires on July 1, 2027 and the District will receive escalating payments over the term of the lease. The District recognized $994,703 in lease revenue and $392,820 in interest revenue during the current fiscal year related to this lease. As of June 30, 2024, the District's receivable for lease payments was $3,211,146. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2024, the balance of the deferred inflow of resources was $2,932,949.

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables/Payables
The composition of interfund balances as of June 30, 2024, is as follows:

Funds	Interfund Receivables	Interfund Payables
General fund	$ 3,626,278	$ (7,625,551)
Debt service fund	-	(190,867)
Capital project fund	4,184	-
Other governmental funds - nonmajor	7,385,823	(3,435,411)
Enterprise fund	235,544	-
Totals	$ 11,251,829	$ (11,251,829)

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

Transfers
The composition of interfund transfers between the various funds at June 30, 2024, is as follows:

Transfers Out	Transfer In	Amount
General fund	Enterprise fund	$ 190,752
General fund	Nonmajor fund	22,387
		$ 213,139

The transfers were made to supplement the operations of the enterprise fund and nonmajor funds.

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land and improvements	$ 36,126,002	$ -	$ -	$ 36,126,002
Construction in progress	34,764,715	120,225,710	(29,708,960)	125,281,465
Total capital assets, not being depreciated/amortized	70,890,717	120,225,710	(29,708,960)	161,407,467
Capital assets, being depreciated/amortized:				
Buildings and improvements	731,175,816	-	29,716,324	760,892,140
Buildings and improvements, lease right-to-use	640,013	239,221	(539,920)	339,314
Furniture and equipment	59,774,235	7,354,388	(140,124)	66,988,499
Furniture and equipment, lease right-to-use	901,406	962,018	(901,406)	962,018
Total capital assets, being depreciated/amortized	792,491,470	8,555,627	28,134,874	829,181,971
Less accumulated depreciation/amortization for:				
Buildings and improvements	(199,542,248)	(19,837,088)	(561,303)	(219,940,639)
Buildings and improvements, lease right-to-use	(156,867)	(516,840)	539,920	(133,787)
Furniture and equipment	(44,831,493)	(3,755,291)	63,810	(48,522,974)
Furniture and equipment, lease right-to-use	(623,228)	(338,304)	901,406	(60,126)
Total accumulated depreciation/amortization	(245,153,836)	(24,447,523)	943,833	(268,657,526)
Total capital assets, being depreciated/amortized, net	547,337,634	(15,891,896)	29,078,707	560,524,445
Governmental activities capital assets, net	$ 618,228,351	$ 104,333,814	$ (630,253)	$ 721,931,912

Depreciation/amortization expense was charged to functions/programs of the District as follows:

Governmental activities:	
11 Instruction	$ 19,927,767
12 Instructional resources and media services	134,583
13 Curriculum and instructional staff development	3,342
21 Instructional leadership	1,504
23 School leadership	331,960
31 Guidance, counseling, and evaluation services	101,283
33 Health services	31,668
34 Student transportation	1,023,681
35 Food services	260,849
36 Extracurricular activities	1,016,375
41 General administration	527,179
51 Plant maintenance and operations	901,199
52 Security and monitoring services	13,644
53 Data processing services	169,633
61 Community services	2,856
Total depreciation/amortization expense-governmental activities	$ 24,447,523

Construction Commitments

The District has active construction projects as of June 30, 2024. The projects include the construction and equipment of school facilities. At fiscal year end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
High School #3 at Juergen Road	$ 152,840,529
High School CTE Renovation	5,766,184
High School Kitchen Renovation	2,269,937
Juergen Road Campus	481,939
Pre Kindergarten Early Excellence Academy	40,297
Site Development - Juergen Rd Property	2,781,024
Creekside Park Expansion	1,235,063
TIC Building #6	4,556,342
Tomball West Elementary School	4,495,861
Tomball West Intermediate School	16,171,668
Total	$ 190,638,844

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

E. Payables

Payables at June 30, 2024, were as follows:

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	Total Enterprise Fund	Total Internal Service Funds
Due to vendors	$ 2,998,502	$ 4,852	$ 8,119,122	$ 317,566	$ 11,440,042	$ 200	$ 201,612
Retainage payable	-	-	4,355,131	8,854	4,363,985	-	-
Employee benefits	301,278	-	-	-	301,278	-	-
Totals	$ 3,299,780	$ 4,852	$ 12,474,253	$ 326,420	$ 16,105,305	$ 200	$ 201,612

F. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, leases payable, workers' compensation, and net pension and net OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for leases payable principal and interest expenditures are accounted for in the general fund and capital projects fund. The current requirements for workers' compensation claims are accounted for in the internal service fund. Other 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 June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds, par	$ 889,775,000	$ 18,980,000	$ (52,980,000)	$ 855,775,000	$ 24,110,000
Issuance premiums (CIB's)	94,357,879	-	(6,017,127)	88,340,752	-
Total bonds payable	984,132,879	18,980,000	(58,997,127)	944,115,752	24,110,000
Workers' compensation	300,113	537,648	(529,789)	307,972	307,972
Leases payable	652,044	1,116,683	(730,745)	1,037,982	371,069
Arbitrage rebate payable	-	10,164,318	-	10,164,318	1,016,274
Net pension liability	64,223,530	16,497,751	(5,619,983)	75,101,298	-
Net OPEB liability	32,012,211	2,827,270	(4,569,093)	30,270,388	-
Governmental activities long-term liabilities	$ 1,081,320,777	$ 50,123,670	$ (70,446,737)	$ 1,060,997,710	$ 25,805,315

The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for the internal service fund are included as part of the above totals for governmental activities.

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of changes in the general obligation bonds for the fiscal year ended June 30, 2024:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2002 B BLDG	4.27%	$ 19,650,000	2026	$ 10,180,000	$ -	$ (3,330,000)	$ 6,850,000
2014 A BLDG	2.00-5.00%	17,775,000	2033	14,490,000	-	(435,000)	14,055,000
2014 B BLDG	2.00-3.00%	63,320,000	2043	63,320,000	18,980,000	(18,980,000)	63,320,000
2015 BLDG/REF	2.00-5.00%	137,450,000	2043	115,580,000	-	(19,790,000)	95,790,000
2016 BLDG/REF	2.00-5.00%	99,645,000	2043	65,130,000	-	(1,700,000)	63,430,000
2018 BLDG	4.00-5.00%	133,405,000	2044	131,015,000	-	(785,000)	130,230,000
2020 BLDG	3.00-5.00%	108,355,000	2045	93,265,000	-	(2,385,000)	90,880,000
2020 A REF	3.00-5.00%	27,475,000	2034	22,490,000	-	(170,000)	22,320,000
2022 BLDG	2.05-5.00%	141,925,000	2044	140,325,000	-	(1,705,000)	138,620,000
2023 BLDG	3.625-5.00%	233,980,000	2048	233,980,000	-	(3,700,000)	230,280,000
Totals				$ 889,775,000	$ 18,980,000	$ (52,980,000)	$ 855,775,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2025	$ 24,110,000	$ 35,632,147	$ 59,742,147
2026	24,975,000	34,800,860	59,775,860
2027	27,555,000	33,577,405	61,132,405
2028	29,510,000	32,199,655	61,709,655
2029	30,970,000	30,804,005	61,774,005
2030	32,825,000	29,313,005	62,138,005
2031	34,340,000	27,806,305	62,146,305
2032	35,915,000	26,282,530	62,197,530
2033	37,535,000	24,655,330	62,190,330
2034	39,135,000	23,048,880	62,183,880
2035	38,245,000	21,457,599	59,702,599
2036	39,260,000	19,823,955	59,083,955
2037	40,915,000	18,268,540	59,183,540
2038	42,665,000	16,586,605	59,251,605
2039	43,015,000	14,823,505	57,838,505
2040	44,725,000	13,211,442	57,936,442
2041	46,465,000	11,511,519	57,976,519
2042	48,320,000	9,731,931	58,051,931
2043	50,275,000	7,821,300	58,096,300
2044	42,640,000	5,826,725	48,466,725
2045	31,390,000	4,157,300	35,547,300
2046	25,915,000	2,922,623	28,837,623
2047	26,955,000	1,905,071	28,860,071
2048	18,120,000	843,919	18,963,919
Totals	$ 855,775,000	$ 447,012,156	$ 1,302,787,156

As of June 30, 2024, the District has $94,460,000 of authorized but unissued bonds from the November 2021 bond election.

In prior years, the District defeased certain bonds through the issuance of new bonds or payments from existing resources and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the District's basic financial statements. At June 30, 2024, the following outstanding bonds are considered defeased:

2015 Unlimited tax refunding bonds (maturing 2043, callable February 15, 2025)	$ 14,060,000
Total	$ 14,060,000

In August 2023, the District remarketed $18,980,000 in variable rate unlimited tax schoolhouse bonds (Series 2014B-1) at a rate of 3.875%. The remarketing was a two year par remarketing with a mandatory tender date of August 15, 2023.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly, a liability to the District could result. The District periodically engages an arbitrage consultant to perform the calculations in accordance with the Internal Revenue Service's rules and regulations. The District identified an arbitrage liability as of June 30, 2024 of $10,164,318 accrued for in the governmental activities.

Leases Payable

The District has entered into multiple lease agreements as lessee. The leases allow the right-to-use copiers and portable buildings 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 are as follows:

	Interest Rate(s)	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental activities:				
Copiers	4.06%	$ 962,018	4	$ 903,296
Portable buildings	2.99%	254,758	1-4	134,686
Total governmental activities				$ 1,037,982

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

Year Ending June 30,	Principal	Interest	Total Requirements
2025	$ 371,069	$ 34,784	$ 405,853
2026	237,036	23,041	260,077
2027	246,835	13,241	260,076
2028	183,042	3,257	186,299
Total governmental activities	$ 1,037,982	$ 74,323	$ 1,112,305

The value of the right-to-use assets as of the end of the current fiscal year was $1,301,332 and had accumulated amortization of $193,913.

G. Fund Balance

Other committed fund balance includes the following commitments of funds:

General fund - future construction projects	$ 36,000,000
General fund - strategic plan projects	934,434
Other nonmajor governmental funds - campus activities	3,553,036
Total other committed fund balance	$ 40,487,470

H. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Totals
Property taxes	$ 103,076,450	$ 61,376,236	$ -	$ -	$ 164,452,686
Food service	-	-	-	5,144,457	5,144,457
Investment earnings	6,460,469	941,295	17,638,838	4,582	25,045,184
Campus activities	552,296	-	-	5,795,338	6,347,634
Other	1,318,939	-	1,293,520	1,694,801	4,307,260
Totals	$ 111,408,154	$ 62,317,531	$ 18,932,358	$ 12,639,178	$ 205,297,221

Note 4. Other Information

A. Risk Management

General Liability/Privacy/Automobile
The District participates in the Texas Association of School Boards Risk Management Fund (Fund) for liability, automobile coverage, and privacy and information security insurance. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its liability coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Self-Insured Property
The District operates a fully self-insured and self-administered property program. The program is self-administered through the use of an internal service fund and is intended to serve as an alternative to purchasing commercial insurance. The District, by nature of self-insurance, assumes the risk of loss resulting from damages to structures, equipment, or other tangible property. The District performed an evaluation of its property program and determined there are no losses to be accrued as of June 30, 2024.

Health Care Coverage
During the fiscal year ended June 30, 2024, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the TRS. The District paid premiums of $250 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation

The District established a limited risk management program for workers' compensation in 2004 by participating as a self-funded member of the Texas Public Schools Workers' Compensation Project (Pool). The Pool was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. As a self-funded member of the Pool, the District is solely responsible for all claims costs, both reported and unreported. A third party administrator provides administrative services to its self-funded members including claims administration and customer service.

Premiums are paid into the internal service fund by the other funds and are available to pay claims, claim reserves, and administrative costs of the 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 (IBNRs). 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 re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the 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 claims liability estimate. The Texas Public Schools Workers' Compensation Project limits the liability per occurrence to $350,000. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past two fiscal years. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended 6/30/2024	Year Ended 6/30/2023
Unpaid claims, beginning of fiscal year	$ 300,113	$ 297,836
Incurred claims, including provision (adjustment) for IBNR	537,648	334,196
Claim payments	(529,789)	(331,919)
Unpaid claims, end of fiscal year	$ 307,972	$ 300,113

B. Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2024, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position
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.

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.

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.

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 through 2025.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2024	2023
Member	8.25%	8.00%
Non-employer contributing entity (State)	8.25%	8.00%
Employers (District)	8.25%	8.00%

The contribution amounts for the District's fiscal year 2024 are as follows:

District contributions	$ 6,338,242
Member contributions	12,953,689
NECE on-behalf contributions (State)	8,740,246

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 1.8% of the member's salary beginning in fiscal year 2023, 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 June 30, 2024, the District reported a liability of $75,101,298 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	$ 75,101,298
State's proportionate share of the net pension liability associated with the District	106,538,458
Total	$ 181,639,756

The net pension liability was measured as of August 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2022 rolled forward to August 31, 2023. 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, 2022 through August 31, 2023.

At the measurement date of August 31, 2023, the District's proportion of the collective net pension liability was 0.1093331% which was an increase of 0.0011534% from its proportion measured as of August 31, 2022.

For the fiscal year ended June 30, 2024, the District recognized pension expense of $31,016,556 and revenue of $16,086,385 for support provided by the State.

On June 30, 2024, 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	$ 2,675,885	$ 909,395
Changes of assumptions	7,103,112	1,738,293
Difference between projected and actual earnings on pension plan investments	10,929,062	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	6,608,390	642,209
District contributions paid subsequent to the measurement date	5,486,492	-
Totals	$ 32,802,941	$ 3,289,897

$5,486,492 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 June 30, 2025. 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 June 30,	
2025	$ 5,650,339
2026	3,754,125
2027	10,665,732
2028	3,616,250
2029	340,106
Total	$ 24,026,552

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2022. Update procedures were used to roll forward the total pension liability to August 31, 2023 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	4.13%. 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)	2122
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 9.50 percent of payroll in fiscal year 2024 gradually increasing to 9.56 percent in fiscal year 2025 and thereafter. 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, 2023 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.	18.0%	4.0%	1.0%
Non-U.S. developed	13.0%	4.5%	0.9%
Emerging markets	9.0%	4.8%	0.7%
Private equity*	14.0%	7.0%	1.5%
Stable value:			
Government bonds	16.0%	2.5%	0.5%
Absolute return*	-	3.6%	-
Stable value hedge funds	5.0%	4.1%	0.2%
Real return:			
Real estate	15.0%	4.9%	1.1%
Energy, natural resources and infrastructure	6.0%	4.8%	0.4%
Commodities	-	4.4%	-
Risk parity:			
Risk parity	8.0%	4.5%	0.4%
Asset allocation leverage:			
Cash	2.0%	3.7%	-
Asset allocation leverage cash	-6.0%	4.4%	-0.1%
Inflation expectation			2.3%
Volatility drag****			-0.9%
Total	100.0%		8.0%

*Absolute return includes credit sensitive investments.
** Target allocations are based on the FY 2023 policy model.
*** Capital market assumptionss come from Aon Hewitt (as of 06/30/2023).
**** 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	$ 112,280,600	$ 75,101,298	$ 44,186,689

Change of Assumptions Since the Prior Measurement Date
The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

Change of Benefit Terms Since the Prior Measurement Date
The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the Net Pension Liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which was paid January 2024. Therefore, this contingent liability was not reflected as of measurement period ending August 31, 2023.

D. Defined Other Postemployment Benefit Plan

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_cafr.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 table:

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 public. 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	
	2024	2023
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 2024 are as follows:

District contributions	$ 1,249,404
Member contributions	1,024,950
NECE on-behalf contributions (State)	1,908,382

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 $920,401, $766,522 and $567,426 in 2024, 2023, and 2022, 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 $21 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

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

On June 30, 2024, the District reported a liability of $30,270,388 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	$ 30,270,388
State's proportionate share of the net OPEB liability associated with the District	36,525,876
Total	$ 66,796,264

The net OPEB liability was measured as of August 31, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2022 rolled forward to August 31, 2023. 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, 2022 through August 31, 2023.

At the measurement date of August 31, 2023, the employer's proportion of the collective net OPEB liability was 0.1367331% which was an increase 0.0030369% from its proportion measured as of August 31, 2022.

For the fiscal year ended June 30, 2024, the District recognized net OPEB revenue of $11,281,333 due to recognition of deferred outflows and current year expense. OPEB revenue of ($7,808,461), was recognized for support provided by the State.

On June 30, 2024, the District reported its proportionate share of the TRS' 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	$ 1,369,506	$ 25,466,798
Changes of assumptions	4,131,687	18,535,362
Difference between projected and actual earnings on OPEB plan investments	13,079	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	13,089,151	-
District contributions paid subsequent to the measurement date	1,073,363	-
Totals	$ 19,676,786	$ 44,002,160

$1,073,363 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 June 30, 2025. 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 June 30,		
2025	$	(5,975,109)
2026		(4,586,743)
2027		(2,707,134)
2028		(4,044,379)
2029		(3,506,830)
Thereafter		(4,578,542)
Total	$	(25,398,737)

Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2022. Update procedures were used to roll forward the total OPEB liability to August 31, 2023.

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, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

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

See Note 4.C for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 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-2021.

The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for non-Medicare retirees. There was an initial prescription drug trend rate of 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 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	4.13%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 62% participation prior to age 65 and 25% after age 65. Pre-65 retriees: 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 4.13% was used to measure the total OPEB liability at August 31, 2023. This was an increase of 0.22% in the discount rate since the August 31, 2022 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, 2023.

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 (4.13%) in measuring the net OPEB liability.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	$ 35,652,214	$ 30,270,388	$ 25,878,691

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	$ 24,926,150	$ 30,270,388	$ 37,145,769

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 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

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

E. Nonmonetary Transaction

During 2024, the District received food commodities through the National School Lunch Program totaling $471,743. The commodities have been recorded in a special revenue fund as both federal revenues and expenditures.

F. Subsequent Events

In August 2024, the District remarketed $18,690,000 in variable rate unlimited tax school building bonds (Series 2014B-2) at a rate of 3.95%. The remarketing was a conversion to a fixed rate period with the bonds maturing February 15, 2039, and the bonds are subject to redemption prior to maturity at the option of the District after February 15, 2034.

In September 2024, the District authorized the defeasance of a portion of the District's outstanding Unlimited Tax School Building and Refunding Bonds, Series 2018.

In September 2024, the District's Board of Trustees approved the release of $16,000,000 from the committed fund balance for future construction projects.

In October 2024, the District authorized the issuance of $183,635,000 of Unlimited Tax School Building and Refunding Bonds, Series 2024. The bonds will be issued to fund various capital projects, purchase land for school sites, purchase or retrofit school buses, refund $98,840,000 of the District's Series 2014A and Series 2015 bonds, to lower overall annual debt service requirements of the District and to pay the costs of issuance.