PRELIMINARY OFFICIAL STATEMENT
Dated: July 2, 2025

NEW ISSUE: Book-Entry-Only

Ratings: Moody's (PSF): "Aaa"
S&P (PSF): "AAA"
(see "RATINGS" and "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

In the opinion of Bond Counsel, under existing law, interest on the Bonds (defined below) (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

$590,865,000*
SPRING INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2025

Dated Date: August 1, 2025
Interest accrues from the Delivery Date (defined below)

Due: August 15, as shown on page ii herein

The Spring Independent School District (the "District") is issuing its $590,865,000* Unlimited Tax School Building and Refunding Bonds, Series 2025 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended an election held within the District on November 8, 2022 with respect to the new money portion of the Bonds, and a bond order passed by the Board of Trustees of the District (the "Board") on June 10, 2025 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who will approve and execute a "Pricing Certificate" that will set forth the final terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order"). The Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. See "THE BONDS – Authority for Issuance." In addition, the District has applied for and expects to receive conditional approval for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

Interest on the Bonds shall accrue from the Delivery Date (defined below) and will be payable on on August 27, 2025 (an irregular interest payment date), and semiannually thereafter on each February 15 and August 15 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. See "THE BONDS – General Description."

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

Proceeds from the sale of the Bonds will be used (i) for construction, acquisition, and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, and the purchase of new school buses, (ii) for construction, acquisition and equipment of a multi-purpose events and exhibition center for use in connection with events, including performances, concerts, science and technology exhibitions, graduations and convocations, (iii) to refund a portion of the District's currently outstanding unlimited ad valorem tax-supported bonds, as identified in Schedule I attached hereto (the "Refunded Bonds"), in order to achieve present value debt service savings, and (iv) to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose."

The Bonds maturing on and after August 15, 2036*, are subject to redemption prior to maturity, at the option of the District, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 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 – Redemption Provisions." 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 described herein. See "THE BONDS – Mandatory Sinking Fund Redemption."

CUSIP PREFIX: 850001 / MATURITY SCHEDULE & 9 DIGIT CUSIP NUMBERS – See Page ii

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The Bonds are offered when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Greenberg Traurig, LLP, Houston, Texas and The Bates Law Firm PLLC, Houston, Texas, Co-Counsel for the Underwriters. Delivery of the Bonds is expected to be on or about August 14, 2025 (the "Delivery Date").

SIEBERT WILLIAMS SHANK

PIPER SANDLER & CO. **RAYMOND JAMES** **MESIROW FINANCIAL, INC.**

RBC CAPITAL MARKETS **J.P. MORGAN**

*Preliminary, subject to change

MATURITY SCHEDULE

$590,865,000*
SPRING INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2025

Maturity (8/15) (1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (2)	CUSIP No. (3)
2026	$9,020,000			
2027	7,490,000			
2028	7,865,000			
2029	12,265,000			
2030	8,705,000			
2031	20,110,000			
2032	21,120,000			
2033	15,750,000			
2034	12,690,000			
2035	13,320,000			
2036	13,990,000			
2037	14,690,000			
2038	15,420,000			
2039	16,195,000			
2040	17,005,000			
2041	17,855,000			
2042	18,745,000			
2043	19,680,000			
2044	20,665,000			
2045	21,700,000			
2046	22,785,000			
2047	23,925,000			
2048	25,120,000			
2049	26,375,000			
2050	27,695,000			
2051	29,080,000			
2052	30,535,000			
2053	32,060,000			
2054	33,665,000			
2055	35,345,000			

(Interest Accrues from Delivery Date)

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* Preliminary, subject to change.

1) The Bonds maturing on and after August 15, 2036*, are subject to redemption prior to maturity, at the option of the District, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 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 –Redemption Provisions." 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 described herein. See "THE BONDS – Mandatory Sinking Fund Redemption."
2) The initial yields are established by, and are the sole responsibility of, the Underwriters and may subsequently be changed.
3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association and are included solely for convenience of the purchasers of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor 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 Official Statement, which includes the cover page, maturity schedule, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

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

Certain information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as 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.

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

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

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

None of the District, the Financial Advisor, or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry Only System or the affairs of the Texas Education Agency ("TEA") described under "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" as such information has been provided by DTC and the 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 responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District Spring Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in Harris County, Texas. The District is approximately 57.6 square miles in area. For more information regarding the District, see "APPENDIX A - FINANCIAL INFORMATION REGARDING THE DISTRICT" and "APPENDIX B - GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY."

Authority for Issuance The District is issuing its $590,865,000* Unlimited Tax School Building and Refunding Bonds, Series 2025 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended an election held within the District on November 8, 2022 with respect to the new money portion of the Bonds, and a bond order passed by the Board of Trustees of the District (the "Board") on June 10, 2025 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who will approve and execute a "Pricing Certificate" that will set forth the final terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order").

The Bonds The Bonds shall mature on the dates and in the amounts set forth on page ii of this Official Statement. See "THE BONDS – General Description."

Payment of Interest Interest on the Bonds will accrue from the date of their initial delivery and will be payable on August 27, 2025 (an irregular interest payment date), and semiannually thereafter on each February 15 and August 15 until stated maturity or prior redemption. See "THE BONDS – General Description."

Security The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS - Security." Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, the District has applied for and 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 "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

Redemption Provisions The Bonds maturing on and after August 15, 2036*, are subject to redemption prior to maturity, at the option of the District, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 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 – Redemption Provisions." 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 described herein. See "THE BONDS – Mandatory Sinking Fund Redemption."

Use of Proceeds Proceeds from the sale of the Bonds will be used (i) for construction, acquisition, and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, and the purchase of new school buses, (ii) for construction, acquisition and equipment of a multi-purpose events and exhibition center for use in connection with events, including performances, concerts, science and technology exhibitions, graduations and convocations, (iii) to refund a portion of the District's currently outstanding unlimited ad valorem tax-supported bonds, as identified in Schedule I attached hereto (the "Refunded Bonds"), in order to achieve present value debt service savings, and (iv) to pay the costs of issuance of the Bonds.

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* Preliminary; subject to change.

Ratings	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings, a division of S&P Global ("S&P"), by virtue of the guarantee of the Permanent School Fund of the State of Texas. The underlying ratings of the District are "Aa2" by Moody's and "[ ]" by S&P. An explanation of the significance of such ratings may be obtained from Moody's and S&P. The ratings reflect only the respective views of such organizations, and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by either of them, may have an adverse effect on the market price of the Bonds. See "RATINGS."
Paying Agent/Registrar	The Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. See "THE BONDS - Paying Agent/Registrar."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. The Bonds will be issued in principal denominations of $5,000, or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of the Bonds at maturity or upon a prior redemption date as well as interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
Continuing Disclosure of Information	Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events which will be available to investors as described in the section captioned "CONTINUING DISCLOSURE OF INFORMATION." Also see "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM - PSF Continuing Disclosure Undertaking" for a description of the undertaking of the Texas Education Agency to provide certain information on a continuing basis.
Tax Matters	In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legality	Delivery of the Bonds is subject to the approval of the Attorney General of Texas and the rendering of an opinion as to legality by Bracewell LLP, Houston, Texas, Bond Counsel.

For additional information regarding the District, please contact:

Ann Westbrooks Chief Financial Officer Spring Independent School District 16717 Ella Boulevard Houston, Texas 77090 Phone: (281) 891-6077	or	Terrell Palmer President Post Oak Municipal Advisors LLC 820 Gessner Road, Suite 1350 Houston, Texas 77024 Phone: (713) 328-0990

SPRING INDEPENDENT SCHOOL DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Position	Term Expires (November)	Occupation
Justine Durant	President	2025	Retired, Regional Director, Cigna Healthcare of Texas
Winford Adams, Jr.	Vice President	2026	Public Information & Policy Manager, Harris County Department of Education
Kelly P. Hodges	Secretary	2025	Regional Director, Gulf Coast - Coast Guard Foundation
Rhonda Newhouse	Assistant Secretary	2026	Field Supervisor of Principals & Counselor Certification, A&M Prairie View
Dr. Deborah Jensen	Member	2025	Retired Educator
Carmen Correa	Member	2027	Senior Scenario Desk Analyst, Interline Mortgage Services, LLC
Natasha McDaniel	Member	2027	Educational Training Professional

SELECT ADMINISTRATIVE STAFF

Name	Position	Length of Service with District
Dr. Kregg Cuellar	Interim Superintendent[1]	3 Years
Ms. Ann Westbrooks	Chief Financial Officer	19 Years
Ms. Stephenie Frisch	Senior Accountant – Bond & Construction	8 Years

[1] The District has initiated a search for a permanent superintendent and expects to select a superintendent by the beginning of the 2025-2026 school year.

CONSULTANTS AND ADVISORS

Auditors .... Whitely Penn LLP
Houston, Texas

Bond Counsel .... Bracewell LLP
Houston, Texas

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

OFFICIAL STATEMENT
relating to

$590,865,000*

SPRING INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2025

INTRODUCTION

This Official Statement, including the Schedule and Appendices hereto, has been provided by the Spring Independent School District (the "District") located in Harris County, Texas, in connection with the offering by the District of its $590,865,000* Unlimited Tax School Building and Refunding 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, Post Oak Municipal Advisors LLC, 820 Gessner Road, Suite 1350, Houston, Texas 77024.

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

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used (i) for construction, acquisition, and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, and the purchase of new school buses, (ii) for construction, acquisition and equipment of a multi-purpose events and exhibition center for use in connection with events, including performances, concerts, science and technology exhibitions, graduations and convocations, (iii) to refund a portion of the District's currently outstanding unlimited ad valorem tax-supported bonds, as identified in Schedule I attached hereto (the "Refunded Bonds"), in order to achieve present value debt service savings, and (iv) to pay the costs of issuance of the Bonds.

Refunded Bonds

A description and identification of the Refunded Bonds appears in Schedule I attached hereto. The Refunded Bonds and the interest due thereon are to be paid on the scheduled redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, National Association (the "Paying Agent for the Refunded Bonds").

The Order provides that the District will deposit with the Paying Agent for the Refunded Bonds a portion of the proceeds from the sale of the Bonds, in an amount that will be sufficient to accomplish the discharge and final payment of the Refunded Bonds.

Post Oak Municipal Advisors LLC, in its capacity as Financial Advisor to the District, will certify as to the sufficiency of the amount initially deposited with the Paying Agent for the Refunded Bonds, without regard to investment, to pay the principal of and interest on the Refunded Bonds on the redemption date (the "Sufficiency Certificate").

*Preliminary, subject to change

By the deposit of the proceeds of the Bonds, together with other lawfully available funds of the District, if any, in an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds on the redemption date, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the order authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that as a result of such deposit and in reliance upon the Sufficiency Certificate, firm banking and financial arrangements will have been made and therefore the Refunded Bonds will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Paying Agent for the Refunded Bonds, and the Refunded Bonds will no longer be outstanding obligations of the District payable from the sources and secured in the manner provided in the order authorizing their issuance.

Sources and Uses of Funds

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

Sources of Funds:	
Par Amount of the Bonds	$
[Net] Original Issue Premium	
Transfer from Interest and Sinking Fund	
Total Sources of Funds	$
Uses of Funds:	
Deposit to Construction Fund	$
Deposit to Paying Agent for Refunded Bonds	
Underwriters' Discount	
Costs of Issuance (1)	
Total Uses of Funds	$

(1) Includes legal fees of the District, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar and Paying Agent for Refunded Bonds and other costs of issuance, including contingency.

THE BONDS

Authority for Issuance

The District is issuing the Bonds in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended an election held within the District on November 8, 2022 with respect to the new money portion of the Bonds, and a bond order passed by the Board of Trustees of the District (the "Board") on June 10, 2025 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who will approve and execute a "Pricing Certificate" that will set forth the final terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order").

General Description

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

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

Interest on the Bonds will be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and such accrued interest will be paid by (i) check sent by United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date for the interest payable on any interest payment date for the Bonds is the last

*Preliminary, subject to change

business day of the month next preceding such interest payment date. See "THE BONDS – Record Date for Interest Payment." The principal of the Bonds, at maturity or on a prior redemption date will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption, as applicable; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are to mature on the dates and in the principal amounts shown on page ii hereof. The Bonds will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will be payable on August 27, 2025 (an irregular interest payment date), and semiannually thereafter on each February 15 and August 15, until stated maturity or prior redemption.

Security

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

Permanent School Fund Guarantee

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

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

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A.. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times while any Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated payment office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange for and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond or Bonds being transferred or exchanged, at the designated payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Bonds on the initial payment date of August 27, 2025 (an irregular interest payment date) means the Delivery Date. For each interest payment date thereafter, the Record Date for determining the person to whom the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Replacement Bonds

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

Redemption Provisions

The District reserves the right to redeem Bonds maturing on and after August 15, 2036*, in whole or in part before their maturity dates, in the principal amount of $5,000 or any integral multiple thereof, on August 15, 2035*, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. If two or more Bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order.

Mandatory Sinking Fund Redemption*

The Bonds having a stated maturity on August 15, 20___ (the "Term Bonds") are subject to scheduled mandatory sinking fund redemption and will be redeemed prior to stated maturity on August 15 in each of the years and respective principal amounts set forth below at a redemption price equal to 100% of the principal amount, without premium, plus accrued interest to the date of redemption:

Term Bonds due August 15, 20__

Redemption Date (August 15)	Principal Amount
	$

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, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption.

The principal amount of the Term Bonds required to be redeemed on any redemption date shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

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

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

Defeasance of Bonds*

The Order provides that Bonds may be defeased, refunded or discharged in any manner now or hereafter permitted by applicable law. Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to such defeased Bonds.

* Preliminary; subject to change.

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. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Chapter 1371, Texas Government Code ("Chapter 1371"), which forms part of the authority for the issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. However, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages beyond Chapter 1371, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. In addition, the enforcement of a claim for the payment of a Bond would be subject to the applicable provisions of federal bankruptcy laws and any other statutes affecting the rights of creditors of political subdivisions and may be limited by general principles of equity.

The District is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9, Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bond holders of an entity which has sought protection under Chapter 9, Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the U.S. Bankruptcy Code.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among

Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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

Effect of Termination of Book-Entry-Only System

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath, et.al v. The Texas Taxpayer and Student Fairness Coalition, et al.*, No. 14-0776 (Tex. May 13, 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

Possible Effects of Litigation and Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the public school finance system (the "Finance System") as it is currently structured. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. 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 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, the Legislature created 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 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 Governor called and the Legislature 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, 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.

During the second called special session, legislation was passed that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately $0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district general residential homestead exemption from ad valorem taxation from $40,000 to $100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption; (iii) adjusted the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in exemption amounts; (iv) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) established a three- year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at $5,000,000 or less to 20 percent (school districts are not held harmless for any negative revenue impacts associated with such limits); (vi) excepted certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expanded the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the Legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. At an election held on November 7, 2023, voters approved a State constitutional amendment effectuating the legislative changes. The first election for members of the board of directors of applicable appraisal districts, including the Harris Central Appraisal District, was held on May 4, 2024. The legislation adopted during the second called special session reduces the amount of property taxes paid by homeowners and businesses and increases the State's share of the cost of funding public education.

Local Funding for School Districts

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

State Compression Percentage. The "State Compression Percentage" or "SCP" is the lesser of three alternative calculations: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2025, the SCP is set at 68.55%.

Maximum Compressed Tax Rate. The "Maximum Compressed Tax Rate" or the "MCR" is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2025-2026 school year, $0.6322 is the maximum rate and $0.5689 is 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, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Education Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Education Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025 State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the Legislature did appropriate funds for new IFA awards will continue to be funded.

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

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

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

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

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

Local Revenue Level in Excess of Entitlement

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

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2024-2025 fiscal year, the District was not designated as an "excess local revenue" district by the TEA. 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. The District has not been notified as to its status for the 2025-2026 school year.

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.

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

IMPACT OF CERTAIN FEDERAL GRANTS ON THE DISTRICT

The U.S. Department of Education recently announced it would temporarily withhold approximately $7 billion in federal education funds, including funds for programs supporting migrant education, professional development, English-learner services, and academic enrichment. The estimated impact to Texas public schools is $661 million. While the legality of the withholding is under review and no formal rescission has been submitted to Congress, the District preliminarily estimates a potential impact of up to $3.2 million in staff-related funding. The timing and outcome of any resolution remain uncertain. In response to this action, the District is reviewing certain options, including freezing certain programs, reallocating certain budgeted resources or seeking additional resources from TEA to mitigate the loss of these funds.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on October 8, 1966 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The maximum M&O tax rate per $100 of taxable value that may be adopted by a school district is the sum of $0.17 (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 "– Public Hearing and Voter-Approval Tax Rate" herein and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts."

Furthermore, a school district can not annually increase its tax rate in excess of the school district's Voter Approval Tax Rate without submitting such tax rate to an election and a majority of the voters voting at such election approve the adopted rate.

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Texas Education Code, as amended, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 (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 SCP, MCR, and the Enrichment Tax Rate.

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

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

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

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

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 information on legislation affecting ad valorem taxation exemptions.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Harris Central Appraisal District (the "Appraisal District"). Except as 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. See "- District and Taxpayer Remedies").

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $100,000 exemption of the appraised value of all homesteads (which in some instances may be prorated in the first year the exemption is granted based on the amount of time the homestead was owned), (2) a $10,000 exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. 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 repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

State Mandated Freeze on School District Taxes

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

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

Personal Property

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Property Tax Code), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts." During the Regular Session of the 88th Texas Legislature, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403T") was enacted into law. Chapter 403T is intended as a replacement of former Chapter 313, Texas Tax Code ("Chapter 313"), but it contains significantly different provisions than the prior program under Chapter 313. Under Chapter 403T, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403T also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt services taxes securing the Bonds cannot be abated under Chapter 403T. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as nonrenewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements.

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Harris County. The Appraisal District is governed by a board of nine directors who are chosen through three different processes. Five directors are appointed by a vote of eligible taxing units that participate in the district. Three directors are elected by the voters of Harris County at a countywide general election.

The District collects its own taxes.

The District grants a state mandated $100,000 general residence homestead exemption.(1)

The District grants disabled person, disabled veterans, homestead and over age 65 exemptions as mandated by State law. The District also grants an additional $20,000 local option exemption to persons over age 65. (1)

The District has not granted an additional exemption of 20% of the market value of residence homesteads.

The District has applied the tax freeze for citizens who are disabled or 65 years of age or older.

The District does tax Freeport Property.

The District does not grant an exemption for “Goods-in-Transit.”

The District has not adopted a tax abatement policy.

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 on or about October 15 or when billed, whichever comes later of the same year and become delinquent on February 1 of the following year. Split payments of taxes are not permitted.

Since 2000, the District has participated in the Greenspoint Tax Increment Reinvestment Zone (the “TIRZ”) created by the City of Houston, Texas. The District has entered into an interlocal agreement with the TIRZ to contribute a certain amount of tax increments realized in the TIRZ

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(1) 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.

WEATHER EVENTS

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

CYBERSECURITY

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

EXPOSURE TO OIL AND GAS INDUSTRY

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

RATINGS

The Bonds and the presently outstanding tax supported debt of the District are rated "Aaa" and "AAA" by Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of S&P Global Inc. ("S&P"), respectively by virtue of the guarantee of the Permanent School Fund of the State. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and APPENDIX E. The presently outstanding unenhanced tax-supported debt of the District is rated "Aa2" by Moody's and "[ ]" by S&P. An explanation of the significance of such ratings may be obtained from Moody's and S&P. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by either of them, may have an adverse effect on the market price of the Bonds.

The above ratings are not recommendations to buy, sell, or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of either or both ratings may have an adverse effect on the market price of the Bonds.

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.

FINANCIAL POLICIES

Basis of Accounting – The accounting policies of the District substantially comply with the rules prescribed in the Texas State Board of Education's Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governmental units.

General Fund – The District accounts for financial resources used for general operations in this fund. It is a budgeted fund, and any fund balances are considered resources available for current operations.

Special Revenue Funds – The District uses these funds to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance often is accounted for in a Special Revenue Fund ("SRF"). In many SRFs, unused balances are returned to the grantor at the close of specified project periods. The District budgets SRFs and uses project accounting for them in order to maintain integrity for the various sources of funds.

Debt Service Fund – The District accounts for revenues collected to pay interest on, and retire, long-term debt – including bonds, long-term mortgage notes, etc. – in the Debt Service Fund. This is a budgeted fund.

Budgetary Procedures – The District's fiscal year begins on July 1 and ends on June 30. The Board approves the final budget in June at a duly advertised public meeting. The budget is properly amended by the Board as needed throughout the year.

INVESTMENTS

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

Legal Investments

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

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less. The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

Investment Policies

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

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

Additional Provisions

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

Current Investments

For a list and description of the District's investments as of March 31, 2025, please see "TABLE 13 – CURRENT INVESTMENTS" in Appendix A attached hereto.

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. The District contributes to a retiree health care through the Texas Public School Retired Employees Group Insurance Program ("TRS Care"), a cost sharing multiple-employer defined benefit post-employment health care plan administered by TRS. TRS Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. In addition to the TRS retirement plan, the District participates in the State health insurance plan to provide health care coverage for its employees. For a discussion of the TRS retirement plan and TRS Care, see Notes 11 and 12 to the audited financial statements of the District that are attached hereto as Appendix D. The District began a self-funded medical plan in September 2021.

Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. This means that reporting entities, such as the District, that contribute to the TRS retirement plan will report a liability on the face of their government-wide financial statements. Such reporting began with the District's fiscal year ending June 30, 2015. GASB Statement No. 68 applies only to pension benefits and does not apply to

Other Post-Employment Benefits (OPEB) or TRS-Care related liabilities.

GASB Statement No. 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 District's proportionate share of the TRS's net OPEB liability at fiscal year-end 2024 was $70,347,833. This liability amount does not impact the District's fund financial statements.

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.

LEGAL MATTERS

The District will furnish to the Underwriters a complete transcript of the proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bracewell LLP, Houston, Texas, Bond Counsel, in substantially the form attached hereto as APPENDIX C.

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

Certain legal matters will be passed upon for the Underwriters by Greenberg Traurig, LLP and The Bates Law Firm PLLC, Houston, Texas, Co-Counsel for the Underwriters. The legal fees of such firms are contingent upon the sale and delivery of the Bonds.

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Code, and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Order pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Order or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Order upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer, and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.
Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

If the issue price of a maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

If the issue price of a maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

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 special consent to service of process in any jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually free of charge via EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in "APPENDIX A - FINANCIAL INFORMATION REGARDING THE DISTRICT" (Tables 1 through 6 and 8 through 13) and in APPENDIX D. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended and in effect from time to time (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements to such persons within the required time and audited financial statements when and if the audit report becomes available. Any financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

For these purposes, (A) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, (B) as used in clauses (15) and (16) in the immediately preceding paragraph, "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final Official Statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, and (C) the District intends the words used in clauses (15) and (16) and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

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

Availability of Information from MSRB

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

Limitations and Amendments

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

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

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.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

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

UNDERWRITERS

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

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

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Piper Sandler & Co., one of the underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper Sandler & Co. 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 and its respective affiliates 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 offering of the District. RBCCM and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District. RBCCM and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. 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.

FORWARD LOOKING STATEMENTS

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

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

AUDITED FINANCIAL STATEMENTS

Whitely Penn LLP, the District's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Whitely Penn LLP relating to District's financial statements for the fiscal year ended June 30, 2024 is included in this Official Statement in APPENDIX D; however, Whitely Penn LLP has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement.

CONCLUDING STATEMENT

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

MISCELLANEOUS

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

SCHEDULE I

SCHEDULE OF REFUNDED BONDS*

Spring Independent School District
Unlimited Tax Refunding Bonds, Series 2015

Original Maturity	Interest Rate	Principal Outstanding	Principal Refunded*	Redemption Date*	Redemption Price	CUSIP Suffix (850000)
8/15/2026	5.000%	9,450,000.00	9,450,000.00	8/14/2025	100.00%	2X7
8/15/2027	5.000%	8,000,000.00	8,000,000.00	8/14/2025	100.00%	2Y5
8/15/2028	5.000%	8,400,000.00	8,400,000.00	8/14/2025	100.00%	2Z2
8/15/2029	5.000%	12,830,000.00	12,830,000.00	8/14/2025	100.00%	3A6
8/15/2030	4.000%	9,295,000.00	9,295,000.00	8/14/2025	100.00%	3B4
8/15/2031	5.000%	9,675,000.00	9,675,000.00	8/14/2025	100.00%	3C2
8/15/2032	5.000%	10,165,000.00	10,165,000.00	8/14/2025	100.00%	3D0
8/15/2033	5.000%	4,245,000.00	4,245,000.00	8/14/2025	100.00%	3E8
		$72,060,000.00	$72,060,000.00			

* Preliminary, subject to change.

APPENDIX A
FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 – VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT[a]

2024/25 Total Appraised Valuation	$25,883,749,895
2024/25 Certified Taxable Assessed Valuation	$20,042,096,965

Source: Harris Central Appraisal District and the District's records.

TABLE 2 – GENERAL OBLIGATION DEBT OUTSTANDING

Outstanding Unlimited Tax Bonds (as of August 15, 2025)	$774,080,000	
Plus: The Bonds	590,865,000 *	
Less: The Refunded Bonds	($72,060,000) *	$1,292,885,000 *

Ratio of Tax Supported Debt to Taxable Assessed Valuation	6.45% [b]
2024/25 Estimated Population	185,227 [c]
Per Capita Tax Supported Debt	$6,980 [b]
2024/25 Certified Taxable Assessed Valuation per Capita	$108,203
2024/25 Student Enrollment	33,779 [d]
Direct Debt per Student	$38,275 [b]
2024/25 Certified Taxable Assessed Valuation per Student	$593,330

* Preliminary, subject to change.

[a] 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.

[b] Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

[c] Source: Municipal Advisory Council of Texas.

[d] Source: The District.

TABLE 3 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended June 30,					
	2025[(a)(b)]		2024[(a)]		2023[(a)]	
Type of Property	Amount	%	Amount	%	Amount	%
Residential	$12,236,035,205	47.27%	$11,431,386,118	45.82%	$9,825,843,037	44.59%
Com, Ind & Multi-Family	$12,860,920,686	49.69%	$12,739,448,674	51.07%	$11,463,512,556	52.02%
Acreage	50,855,839	0.20%	67,623,229	0.27%	85,924,818	0.39%
Vacant Lots & Tracts	452,911,973	1.75%	456,238,024	1.83%	436,190,447	1.98%
Utilities	263,893,244	1.02%	228,383,170	0.92%	209,066,128	0.95%
Mineral Reserves	19,132,948	0.07%	22,727,414	0.09%	14,312,445	0.06%
Total Appraised Value Before Exemptions	$25,883,749,895	100.00%	$24,945,806,629	100.00%	$22,034,849,431	100.00%
Less: Exemptions/Reductions	($5,841,652,930)		($5,626,411,703)		($3,482,726,408)	
Total A.V.	$20,042,096,965		$19,319,394,926		$18,552,123,023	

	Taxable Appraised Value for Fiscal Year Ended June 30,			
	2022		2021	
Type of Property	Amount	%	Amount	%
Residential	$8,287,672,440	43.63%	$7,541,517,724	41.50%
Com, Ind & Multi-Family	10,043,197,921	52.87%	9,979,377,009	54.92%
Acreage	69,237,209	0.36%	64,065,163	0.35%
Vacant Lots & Tracts	397,595,313	2.09%	401,726,041	2.21%
Utilities	184,390,964	0.97%	171,743,065	0.95%
Mineral Reserves	13,375,296	0.07%	12,324,839	0.07%
Total Appraised Value Before Exemptions	$18,995,469,143	100.00%	$18,170,753,841	100.00%
Less: Exemptions/Reductions	($2,767,505,532)		($2,756,580,800)	
Total A.V.	$16,227,963,611		$15,414,173,041	

Source: Harris Central Appraisal District and the District's records.

NOTE: Valuations shown are taxable assessed values reported by the Harris Central Appraisal District to the State Comptroller of Public Accounts. Values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records and may differ from those shown in prior financial statements and elsewhere in the Official Statement.

(a) Includes the application of a $100,000 State-mandated general homestead exemption. (See "AD VALOREM TAX PROCEDURES – State Mandated Homestead Exemptions.")

(b) 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.

TABLE 4 – TAX RATE DISTRIBUTION

Tax Rate Component	Tax Year 2024	2023	2022	2021	2020
Maintenance	$ 0.66690	$ 0.66920	$ 0.85460	$ 0.90280	$ 0.93430
Debt Service	0.44000	0.44000	0.40000	0.41000	0.45000
Total Tax Rate	$ 1.10690	$ 1.10920	$ 1.25460	$ 1.31280	$ 1.38430

Source: The Appraisal Districts.

[a] See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT" for information regarding the legislatively-mandated compression of the District's M&O tax rate.

TABLE 5 – PROPERTY TAX COLLECTIONS

Fiscal Year Ended 6/30	Tax Rate	Net Tax Levy[a]	Current Collections Amount	Current Collections %	Total Collections Amount	Total Collections %
2021	$ 1.38430	$ 204,994,449	$ 205,055,381	100.03%	$ 204,436,359	99.73%
2022	$ 1.31280	205,277,718	205,026,164	99.88%	204,626,148	99.68%
2023	$ 1.25460	223,118,822	224,423,378	100.58%	221,927,182	99.47%
2024	$ 1.10920	207,870,799	203,125,061	97.72%	203,125,061	97.72%
2025	$ 1.10690	214,216,247	208,803,970	97.47% [c]	208,803,970 [c]	97.47% [c]

Source: Harris Central Appraisal District and the District's records.

[a] Reflects ongoing adjustments.

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

[c] Source: The District's records as of April 30, 2025. Unaudited. Unaudited information has not been prepared or reviewed by the District's independent auditor. Such unaudited information is derived from internal account balances of the District and is subject to change.

TABLE 6 – PRINCIPAL TAXPAYERS

Principal Taxpayer	Type of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Palmetto Transoceanic LLC[a]	Oil & Gas	$1,062,328,996	5.30%
CenterPoint Energy Inc.	Electric Utility/Power Plant	169,418,520	0.85%
10000 Energy Drive Owner LP	Office Buildings	159,403,614	0.80%
Usodp Mossy Oaks LLC	Office Buildings	156,251,809	0.78%
HP Plaza SPV LLC	Office Buildings	134,377,293	0.67%
Ean Holdings LLC	Car Rentals	118,872,980	0.59%
Springwoods 4A Inc.	Office Buildings	113,370,487	0.57%
HP Inc.	Commercial Building	110,369,851	0.55%
Houston Pipeline Co. LP	Oil & Gas Pipeline	98,748,222	0.49%
Liberty Property	Commercial Building	94,175,836	0.47%
		$2,217,317,608	11.06%

Source: Harris Central Appraisal District.

[a] An affiliate of the ExxonMobil Corporation, Palmetto Transoceanic LLC ("Palmetto") is primarily involved in the oil and gas industry. Future declines in oil prices in the United States and globally may lead to adverse conditions in the oil and gas industry. Such adverse conditions may result in reduced revenues, declines in capital and operating expenditures, business failures, and the layoff of workers within the oil and gas industry. In the past, the greater Houston area has been particularly affected by adverse conditions in the oil and gas industry. 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. If any major taxpayer such as Palmetto Transoceanic LLC were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process.

TABLE 7 – ESTIMATED OVERLAPPING DEBT

Taxing Jurisdiction	Gross Tax Debt as of 5/31/2025	Overlapping Debt: Percentage Overlapping	Overlapping Debt: Overlapping Amount
CNP UD	$16,555,000	100.00%	$16,555,000
Cypresswood UD	41,925,000	100.00%	41,925,000
Fountainhead MUD	5,860,000	0.12%	7,032
Harris Co	6,795,000	27.53%	1,870,664
Harris Co Dept of Ed	2,424,019,039	3.02%	73,205,375
Harris Co Flood Control Dist	28,960,000	3.02%	874,592
Harris Co Hosp Dist	968,445,000	3.02%	29,247,039
Harris Co Imp Dist # 18*	867,820,000	3.02%	26,208,164
Harris Co Imp Dist # 18*	96,480,000	100.00%	96,480,000
Harris Co MUD # 5*	117,035,000	99.99%	117,023,297
Harris Co MUD # 16*	28,490,000	50.22%	14,307,678
Harris Co MUD # 43*	7,905,000	100.00%	7,905,000
Harris Co MUD # 44*	23,120,000	100.00%	23,120,000
Harris Co MUD # 58*	3,000,000	100.00%	3,000,000
Harris Co MUD # 82*	2,615,000	100.00%	2,615,000
Harris Co MUD # 82*	12,340,000	100.00%	12,340,000
Harris Co MUD # 86*	82,200,000	100.00%	82,200,000
Harris Co MUD # 96*	6,110,000	92.74%	5,666,414
Harris Co MUD #150*	16,925,000	99.77%	16,886,073
Harris Co MUD #154*	16,330,000	64.95%	10,606,335
Harris Co MUD #189*	12,120,000	79.53%	9,639,036
Harris Co MUD #200*	17,675,000	100.00%	17,675,000
Harris Co MUD #205*	18,350,000	100.00%	18,350,000
Harris Co MUD #211*	3,600,000	100.00%	3,600,000
Harris Co MUD #217*	1,315,000	100.00%	1,315,000
Harris Co MUD #233	2,375,000	100.00%	2,375,000
Harris Co MUD #249	5,865,000	100.00%	5,865,000
Harris Co MUD #304	5,000,000	100.00%	5,000,000
Harris Co MUD #399	10,125,000	100.00%	10,125,000
Harris Co UD # 16	16,820,000	100.00%	16,820,000
Harris Co WC&ID # 92	24,465,000	29.01%	7,097,297
Harris Co WC&ID # 99	4,925,000	100.00%	4,925,000
Harris Co WC&ID #109	7,235,000	100.00%	7,235,000
Harris Co WC&ID #110	12,260,000	1.49%	182,674
Harris Co WC&ID #132	19,180,000	59.47%	11,406,346
Harris Co WC&ID #136	2,520,000	0.04%	1,008
Houston, City of	5,030,000	100.00%	5,030,000
Hunter's Glen MUD	3,537,180,000	0.17%	6,013,206
Inverness Forest ID	50,305,000	**	-
Lone Star College Sys	7,380,000	3.43%	253,134
Meadowhill Reg MUD	471,270,000	6.58%	31,009,566
North Forest MUD	29,255,000	20.04%	5,862,702
North Park PUD	3,490,000	100.00%	3,490,000
Northgate Crossing MUD # 1	6,650,000	90.15%	5,994,975
Northgate Crossing MUD # 2	10,025,000	100.00%	10,025,000
Northgate Crossing RUD	19,730,000	100.00%	19,730,000
NW Harris Co MUD # 21	1,055,000	100.00%	1,055,000
NW Harris Co MUD # 22	6,980,000	100.00%	6,980,000
NW Harris Co MUD # 23	4,810,000	100.00%	4,810,000
Pine Forest MUD	12,490,000	100.00%	12,490,000
Pt of Houston Auth	6,170,000	22.56%	1,391,952
Post Wood MUD	406,509,397	3.02%	12,276,584
Rankin Road West MUD	5,560,000	100.00%	5,560,000
Spring West MUD	24,960,000	100.00%	24,960,000
Tattor Rd Municipal District	20,560,000	64.31%	13,222,136
Timber Lane UD	12,805,000	100.00%	12,805,000
Total Estimated Overlapping Debt			958,475,886
Spring ISD			1,292,885,000 [a]
Total Direct and Overlapping Debt			$2,251,360,886
Total Direct and Overlapping Debt % of 2025 Assessed Valuation			11.23%
Total Direct and Overlapping Debt per Capita			$12,155 [b]

Source: Municipal Advisory Council of Texas.

* Each of these municipal utility districts or water districts affects a distinct area of the District. They do not overlap one another.

** Less than 0.01%.

[a] Preliminary, subject to change. Includes the Bonds and excludes the Refunded Bonds.

[b] Based on the 2024/25 Estimated Population of 185,227.

Table 8

PRO-FORMA OUTSTANDING UNLIMITED TAX DEBT SERVICE

Fiscal Year Ending (8/31)	Outstanding Debt Service Requirements[a]	Less: The Refunded Bonds*	Plus: Schoolhouse Bonds of Series 2025*			Plus: Refunding Bonds of Series 2025*			Total Debt Service Requirements*
			Principal	Interest[b]	Total	Principal	Interest[b]	Total	
2025	$85,615,829	-	-	-	-	-	-	-	$85,615,829
2026	85,706,454	($12,960,050)	-	$25,718,838	$25,718,838	$9,020,000	$3,332,025	$12,352,025	110,817,266
2027	85,588,204	(11,037,550)	-	26,154,750	26,154,750	7,490,000	2,937,500	10,427,500	111,132,904
2028	84,301,027	(11,037,550)	-	26,154,750	26,154,750	7,865,000	2,563,000	10,428,000	109,846,227
2029	82,799,900	(15,047,550)	-	26,154,750	26,154,750	12,265,000	2,169,750	14,434,750	108,341,850
2030	82,214,050	(10,871,050)	-	26,154,750	26,154,750	8,705,000	1,556,500	10,261,500	107,759,250
2031	57,628,900	(10,879,250)	10,960,000	26,154,750	37,114,750	9,150,000	1,121,250	10,271,250	94,135,650
2032	57,642,350	(10,885,500)	11,510,000	25,606,750	37,116,750	9,610,000	663,750	10,273,750	94,147,350
2033	51,215,350	(4,457,250)	12,085,000	25,031,250	37,116,250	3,665,000	183,250	3,848,250	87,722,600
2034	46,021,200	-	12,690,000	24,427,000	37,117,000	-	-	-	83,138,200
2035	39,843,550	-	13,320,000	23,792,500	37,112,500	-	-	-	76,956,050
2036	39,842,900	-	13,990,000	23,126,500	37,116,500	-	-	-	76,959,400
2037	39,849,250	-	14,690,000	22,427,000	37,117,000	-	-	-	76,966,250
2038	39,849,700	-	15,420,000	21,692,500	37,112,500	-	-	-	76,962,200
2039	39,856,800	-	16,195,000	20,921,500	37,116,500	-	-	-	76,973,300
2040	39,862,400	-	17,005,000	20,111,750	37,116,750	-	-	-	76,979,150
2041	39,873,100	-	17,855,000	19,261,500	37,116,500	-	-	-	76,989,600
2042	39,871,150	-	18,745,000	18,368,750	37,113,750	-	-	-	76,984,900
2043	25,924,450	-	19,680,000	17,431,500	37,111,500	-	-	-	63,035,950
2044	18,892,650	-	20,665,000	16,447,500	37,112,500	-	-	-	56,005,150
2045	18,893,900	-	21,700,000	15,414,250	37,114,250	-	-		56,008,150
2046	18,893,150	-	22,785,000	14,329,250	37,114,250	-	-		56,007,400
2047	18,893,900	-	23,925,000	13,190,000	37,115,000	-	-		56,008,900
2048	18,894,400	-	25,120,000	11,993,750	37,113,750	-	-		56,008,150
2049	18,893,200	-	26,375,000	10,737,750	37,112,750	-	-		56,005,950
2050	18,892,200	-	27,695,000	9,419,000	37,114,000	-	-		56,006,200
2051	18,895,400	-	29,080,000	8,034,250	37,114,250	-	-		56,009,650
2052	18,891,600	-	30,535,000	6,580,250	37,115,250	-	-		56,006,850
2053	-	-	32,060,000	5,053,500	37,113,500	-	-		37,113,500
2054	-	-	33,665,000	3,450,500	37,115,500	-	-		37,115,500
2055	-	-	35,345,000	1,767,250	37,112,250	-	-		37,112,250
	$1,233,546,963	($87,175,750)	$523,095,000	$535,108,338	$1,058,203,338	$67,770,000	$14,527,025	$82,297,025	$2,286,871,575

* Preliminary, subject to change.

[a] Does not include any potential funding the District may receive from the State of Texas.

[b] Interest on the Bonds is estimated at market rates for illustration purposes only.

TABLE 9 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Authorization Used to Date	Authoriazation Used This Issue*[a]	Unused Authorization*
School Building and School Buses	11/8/2022	$ 681,000,000	$ 240,000,000	$ 441,000,000	$ -
Multipurpose Facility	11/8/2022	141,000,000	50,000,000	$ 91,000,000	-
Technology	11/8/2022	28,000,000	28,000,000	-	-
		$ 850,000,000	$ 318,000,000	$ 532,000,000	$ -

* Preliminary, subject to change.

[a] Includes premium charged against voted authorization.

TABLE 10 – TAX ADEQUACY

Estimated Average Annual Debt Service Requirements (2025/26 – 2054/55)…………	$73,770,051 [a]
$0.3737 Tax Rate on 2024/25 Taxable Assessed Valuation at 98.50% Collections Produces…………	73,773,857
Estimated Maximum Annual Debt Service Requirements (2026/27)…………	$111,132,904 [a]
$0.5630 Tax Rate on 2024/25 Taxable Assessed Valuation at 98.50% Collections Produces…………	111,144,451

[a] A portion of the debt service payable on the District's outstanding bonds has been paid with funds received from the State of Texas pursuant to the Additional State Aid for Homestead Exemption (ASAHE) for Facilities. The amount of State funding for debt service may differ substantially from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature from time to time. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

TABLE 11 – GENERAL FUND REVENUES AND EXPENDITURES HISTORY

GENERAL OPERATING FUND	Fiscal Year Ended June 30, 2024	2023	2022	2021	2020
Revenues:					
Local and Intermediate Sources	$ 126,014,148	$ 157,546,795	$ 142,417,866	$ 140,010,066	$ 137,846,265
State Sources	207,600,806	160,343,353	165,436,615	171,554,869	173,189,856
Federal Sources	12,865,904	9,068,748	11,169,165	4,823,625	6,433,183
Total Revenues	$ 346,480,858	$ 326,958,896	$ 319,023,646	$ 316,388,560	$ 317,469,304
Expenditures:					
Instructional	$ 172,682,444	$ 186,556,999	$ 162,140,072	$ 198,219,576	$ 180,851,355
Instl Resources & Media Services	873,195	2,685,991	2,852,755	2,883,899	2,718,271
Curriculum & Instructional Staff Dev	5,216,580	4,329,135	4,016,693	4,235,782	3,539,771
Instructional Leadership	9,933,935	10,268,669	9,694,875	8,694,135	8,993,560
School Leadership	26,644,779	26,663,812	25,187,572	24,399,096	23,230,676
Guidance and Counseling Services	12,569,222	12,429,433	14,538,695	13,716,655	12,709,201
Social Work Services	225,673	243,862	536,151	578,041	564,413
Health Services	3,168,531	2,888,404	2,743,701	3,956,990	2,758,312
Student Transportation	15,419,463	16,700,120	14,926,167	13,360,045	13,051,767
Co-Curricular Activities	6,972,501	6,780,940	6,914,547	6,147,752	5,333,842
General Administration	13,674,406	13,764,965	12,287,749	12,086,416	12,057,786
Plant Maintenance and Operations	32,722,880	32,038,921	31,396,383	31,224,988	27,924,606
Security and Monitoring Services	7,815,311	7,053,522	7,184,514	6,669,293	6,181,961
Data Processing Services	8,511,634	8,054,541	7,223,244	6,795,794	6,611,305
Community Service	648,941	586,106	620,916	550,830	621,334
Intergovernmental Charges:					
Fiscal Agent/Shared Service Agreement	-	-	-	-	2,980
Alternative Education	37,200	9,100	82,800	59,400	17,000
Payments to Tax Increment Fund	1,328,579	1,224,712	1,061,489	1,003,490	919,413
Other Intergovernmental Charges	1,746,195	1,596,075	1,506,040	1,486,559	1,466,198
Capital Outlay:					
Facilities Acquisition and Construction	89,207	1,092,331	256,896	215,916	700,038
Debt Service:					
Principal Retirement of Bonds	485,918	612,761	413,911	55,032	46,891
Interest on Long-Term Debt	41,482	50,448	37,031	3,486	6,990
Total Expenditures	$ 320,808,076	$ 335,630,847	$ 305,622,201	$ 336,343,175	$ 310,307,670
Excess (Deficit) of Revenues Over Expenditures	$ 25,672,782	$ (8,671,951)	$ 13,401,445	$ (19,954,615)	$ 7,161,634
Total Other Financing Sources (Uses)	$ (15,625,506)	$ (11,427,797)	$ (3,453,799)	$ (218,397)	$ (10,324,288)
Net Change in General Fund Balance	$ 10,047,276	$ (20,099,748)	$ 9,947,646	$ (20,173,012)	$ (3,162,654)
Beginning General Fund Balance – July 1	92,422,208	112,521,956	102,574,310	122,747,322	125,909,976
Ending General Fund Balance – June 30[c]	$ 102,469,484	$ 92,422,208 [a]	$ 112,521,956	$ 102,574,310 [b]	$ 122,747,322

Source: The District's audited financial statements.

[a] The decrease in the Fiscal Year 2023 Ending Fund Balance is primarily attributable to an increase in expenditures due to employee pay raises and fewer vacant positions.

[b] The decrease in the Fiscal Year 2021 Ending Fund Balance is primarily attributable to a loss in revenue due to the Pandemic, which produced lower actual "average daily attendance" than was budgeted, and lower than expected tax revenues.

[c] The estimated unaudited fund balance as of June 30, 2025 is projected at $87,469,484.

TABLE 12 – COMPARATIVE STATEMENT OF DEBT SERVICE FUND REVENUES AND EXPENDITURES

DEBT SERVICE FUND	2024	2023	2022	2021	2020
Revenues:					
Local Sources	$ 86,805,364	$ 75,678,630	$ 65,600,905	$ 68,291,965	$ 65,688,140
State Sources	9,164,860	2,460,003	1,008,889	997,482	943,650
Total Revenues	$ 95,970,224	$ 78,138,633	$ 66,609,794	$ 69,289,447	$ 66,631,790
Expenditures:					
Principal on Long-Term Debt	$ 36,720,000	$ 37,425,000	$ 34,930,000	$ 32,165,000	$ 30,290,000
Interest on Long-Term Debt	39,740,058	28,595,561	30,356,118	32,289,576	34,106,014
Bond Issuance Costs & Fees	14,450	34,500	1,932,175	23,045	329,071
Total Expenditures	$ 76,474,508	$ 66,055,061	$ 67,218,293	$ 64,477,621	$ 64,725,085
Excess (Deficit) of Revenues Over Expenditures	$ 19,495,716	$ 12,083,572	$ (608,499)	$ 4,811,826	$ 1,906,705
Other Financing Sources (Uses):					
Refunding Bonds Issued	$ -	$ -	$ 35,590,000	$ -	$ 29,425,000
Transfers In	-	12,984,179	-	-	-
Premium on Issuance of Bonds	-	-	2,461,375	-	4,446,084
Transfers Out	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	(37,578,666)	-	(33,544,065)
Total Other Financing Sources (Uses)	$ -	$ 12,984,179	$ 472,709	$ -	$ 327,019
Net Change in Fund Balance	$ 19,495,716	$ 25,067,751	$ (135,790)	$ 4,811,826	$ 2,233,724
Beginning Debt Service Fund Balance – July 1	98,217,575	73,149,824	73,285,614	68,473,788	66,240,064
Ending Debt Service Fund Balance – June 30	$ 117,713,291	$ 98,217,575	$ 73,149,824	$ 73,285,614	$ 68,473,788

Source: The District's audited financial statements.

TABLE 13 – CURRENT INVESTMENTS

As of March 31, 2025, the District's investable funds were invested in the following categories:

Description	Fair Value	Percent of Total Market Value
Local Government Investment Pools	$ 379,867,253	79.28%
U.S. Treasury Securities	99,255,146	20.72%
	$ 479,122,399	100.00%

Source: The District's records. Unaudited.

APPENDIX B
GENERAL INFORMATION REGARDING
THE DISTRICT AND ITS ECONOMY

Description of the District

Spring Independent School District, containing 57.6 square miles of land, is located in the northern portion of Harris County, Texas, approximately 20 miles north of downtown Houston. IH-45 traverses the District north to south and FM 1960 bisects the District east to west at its approximate midpoint. The unincorporated community of Spring is located in the District. The District's system presently includes 26 elementary schools, 8 middle schools, a middle school leadership academy, 3 high schools, a high school career academy and an early college high school. All District schools are fully accredited by the Texas Education Agency and the Southern Association of Colleges and Schools.

Currently, the District employs approximately 5,600 persons. Salaries for new teachers with bachelor's degrees start at $60,500 annually and range to $72,100 annually for teachers with postgraduate degrees and classroom experience.

Administration

Principal staff managing the finances of the District includes:

Dr. Kregg Cuellar Interim Superintendent of Schools. Dr. Kregg Cuellar was named Interim Superintendent, effective June 2, 2025. Dr. Cuellar served as the Chief of Academics & School Leadership for Spring ISD and had been in this capacity for the last three years, overseeing the district's overall academic programs, including curriculum and instruction, and the day to day leadership of the schools. He brings more than 20 years of experience in public education, having previously served as Deputy Superintendent at Midland ISD, where he led the Office of School Leadership, Curriculum and Instruction, Special Services, Student Programs, Research and Evaluation, and Federal Title Programs. His career also includes roles as Deputy Superintendent for Portland Public Schools in Oregon, Community Superintendent at Baltimore County Public Schools in Maryland, and Assistant Superintendent in the College Readiness Department at Houston ISD. Dr. Cuellar earned his Bachelor's Degree in Interdisciplinary Studies and Master of Education in Administration & Supervision from the University of Houston-Victoria, and his Doctor of Professional Leadership from the University of Houston. Most recently, he completed his Certificate in Advanced Education Leadership from Harvard University. As Interim Superintendent, Dr. Cuellar will work closely with district leadership to ensure a smooth transition and continued focus on student achievement and community engagement.

Ann Westbrooks, Chief Financial Officer. Ms. Westbrooks joined the District in March 2006 serving as Assistant Controller prior to being appointed to Controller in December 2007, Assistant Superintendent of Financial Services in February 2013, and her current position in June 2015. She comes from a public accounting background. Ms. Westbrooks has 22 years of accounting experience, 17 of which are in school district financial management, and is a certified public accountant who holds a BBA from Sam Houston State University and a Masters in Business Administration from Tarleton State University.

Student Enrollment

School Year	Enrollment
2012/13	36,028
2013/14	36,358
2014/15	36,781
2015/16	36,813
2016/17	36,654
2017/18	36,079
2018/19	35,348
2019/20	35,284
2020/21	33,537
2021/22	33,406
2022/23	34,141
2023/24	33,935
2024/25	33,779

Source: Districts Records

Student Enrollment

District students who reside more than one mile from their school or in a board-designated hazardous area are provided free bus service by the District. During the 2024-25 school year, the District transported 24,333 students daily and operated 268 buses for this purpose. District school buses traveled a total of 2,722,648 miles in the 2024-25 school year, an average of 15,738 miles per day.

Economic and Demographic Characteristics

The expansion of the Houston metropolitan area northward along IH-45, the main Houston/Dallas traffic artery, and along FM 1960 has had a substantial impact on the economy of the District. Although the District has remained primarily residential in character, including over 50 single-family residential subdivisions and numerous multifamily residential complexes, numerous shopping centers, automobile dealerships, hotels and combination business park/multi-family developments have been built along IH-45 and FM 1960.

Major Commerce within the District

The FM 1960 and IH-45 Area: Thirty-one banks, two credit unions and several savings and loans are located in the District along FM 1960 and IH-45. These include branches of Amegy Bank, Bank of America, Bank of Houston, Compass Bank, First Convenience Bank, JP Morgan Chase Bank, Paradigm Bank Texas, Prosperity Bank, Regions Bank, Republic National Bank, Sterling Bank Trustmark Bank, Wells Fargo Bank and Wood Forest Bank.

An American Telephone and Telegraph Company microwave installation is located in the District. The microwave station is capable of handling over 100,000 long-distance circuits. The installation also acts as the central maintenance center for a 32,000 square mile area of southeast Texas.

Numerous shopping centers, single and/or multi-family subdivisions, and combination business park/multi-family developments are located in the District.

The Houston Northwest Medical Center, located just off FM 1960, currently operates a full-service hospital, employing approximately 1,600 persons. An estimated 600 active physicians are on the staff of the hospital and surrounding clinic facilities.

North Belt/Greenspoint Trade Area: In addition to the FM 1960 area, the North Belt/Greenspoint area has developed into a major employment center for residents of the District. Numerous multi-use developments are located in the North Belt area, which is approximately two miles from the southeast corner of the District. These developments include retail shopping centers (both mall and specialty centers), low to mid-rise office buildings, hotels, restaurants and high-density residential complexes.

George Bush Intercontinental Airport ("IAH"), the chief air terminal facility serving the Houston metropolitan area, is located east of the District and northeast of the IH-45/North Belt intersection. The airport currently has five operating terminals that accommodate 27 passenger airlines offering non-stop flights to 185 destinations. In 2023, IAH served more than 46 million passengers.

ExxonMobil: ExxonMobil has built a corporate campus in North Houston within the boundaries of the District to consolidate its employees working in a variety of locations in the Houston area. The complex is located on a 385-acre wooded site and contains multiple low-rise office buildings, a laboratory, conference and training centers, and facilities such as childcare, a wellness center and other employee amenities. The campus houses ExxonMobil personnel devoted to energy exploration, refining, chemicals, corporate law, finance, and other aspects of the business. The campus accommodates more than 10,000 employees and visitors annually and is part of a planned community that includes both business and residential properties.

Harris County Economic Base

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

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

ECONOMIC AND GROWTH INDICATORS

U.S. Census of Population

	City of Houston		Harris County	
	Number	% Change	Number	% Change
1930	292,352	11.43%	359,328	92.50%
1940	384,514	31.52%	528,961	47.21%
1950	596,163	55.04%	806,701	52.51%
1960	938,219	57.38%	1,243,158	54.10%
1970	1,232,802	31.40%	1,741,912	40.12%
1980	1,594,086	29.31%	2,409,544	38.33%
1990	1,637,859	2.75%	2,818,199	16.96%
2000	1,953,631	19.28%	3,400,578	20.66%
2010	2,099,451	7.46%	4,092,459	20.35%
2020	2,304,580	9.77%	4,728,030	15.53%

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

Employment Statistics

Harris County	2025(a)	2024	2023	2022	2021
Labor Force	2,526,772	2,497,420	2,414,902	2,339,651	2,295,634
Employed	2,418,325	2,386,885	2,312,228	2,240,795	2,149,355
Unemployed	108,447	110,535	102,674	98,856	146,279
Rate	4.3%	4.4%	4.3%	4.2%	6.4%

State of Texas	2025(a)	2024	2023	2022	2021
Labor Force	15,839,406	15,608,932	15,067,153	14,662,558	14,311,029
Employed	15,192,230	14,971,373	14,472,524	14,092,833	13,503,671
Unemployed	647,148	637,559	594,629	569,725	807,358
Rate	4.1%	4.1%	3.9%	3.9%	5.6%

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

APPENDIX C
FORM OF LEGAL OPINION OF BOND COUNSEL

BRACEWELL

[CLOSING DATE]

We have represented the Spring Independent School District (the "District") as its bond counsel in connection with issues of bonds described as follows:

> SPRING INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2025, dated August 15, 2025, in the aggregate principal amount of $__________ (the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Trustees of the District authorizing their issuance (the "Bond Order") and the pricing certificate relating to the Bonds executed pursuant thereto (together with the Bond Order, the "Order").

We have acted as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Order.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Bonds, on which we have relied in giving our opinion.

The transcript contains certified copies of certain proceedings of the District, a certification from Post Oak Municipal Advisors LLC certifying as to the sufficiency of the deposit of funds with The Bank of New York Mellon Trust Company, N.A, (the "Refunded Bonds Paying Agent") for the defeasance and redemption of the Refunded Bonds (the "Sufficiency Certification"); customary certificates of officers, agents, and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding of the Refunded Bonds. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Order, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

Based on such examination and in reliance on such representations, certifications and assumptions, it is our opinion that:

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

(2) A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property in the District and pledged irrevocably to the payment of the principal of and interest on the Bonds;

(3) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds, and therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds deposited with the Refunded Bonds Paying Agent for such purposes; and

(4) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the District and other parties upon which we have relied are determined to be inaccurate or incomplete or the District fails to comply with the covenants of the Order, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of the facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

APPENDIX D

EXCERPTS FROM THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Spring Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spring 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

To the Board of Trustees
Spring Independent School District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, statistical section, and Schedule L-1 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 November 12, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
November 12, 2024

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Our discussion and analysis of Spring Independent School District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. It should be read in conjunction with the District's financial statements.

Financial Highlights

On the government-wide financial statements, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources of the District at June 30, 2024, by $73,524,028. Of this amount, ($147,190,859) is unrestricted.

At June 30, 2024, the District's governmental funds financial statements reported combined ending fund balances of $508,565,871. Of this amount, $9,380,564 is non-spendable in the General Fund, $500,000 is committed, $11,492,582 is assigned and $81,096,338 is unassigned and available to spend at the district's discretion.

At the end of the current fiscal year, total fund balance for the General Fund was $102,469,484 or 31.99% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

All the District's services are reported in the government-wide financial statements, including instruction, student transportation, general administration, school leadership, and child nutrition services. Property taxes, state and federal aid, and interest and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported here.

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

The statement of net position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position.

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

Fund Financial Statements

The District uses fund accounting to record and report specific sources of funding and spending for particular purposes. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds. The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the District's activities are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available. However, unlike the government-wide financial statements, governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in Figure A-1 that explains the relationship (or differences) between them.

The District's governmental funds are the General Fund, Debt Service Fund, Capital Projects Fund, and Non-Major Governmental Funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects, each of which is considered to be a major fund. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds are used to account for operations that are financed similar to those found in the private sector. The District maintains an individual internal service fund for health insurance coverage. *Internal service funds*, one type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. Because this service predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The District's fiduciary fund is considered to be a custodial fund which accounts for the District's Student Activity Funds. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes to the basic financial statements, this report also presents required supplementary information concerning the District's compliance with its General Fund budget and its progress in funding its obligations to provide pension and other post-employment benefits to its employees.

The combining and individual fund statements and schedules referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements. Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain.

Figure A-1 Major Features of the District's Government-wide and Fund Financial Statements

		Fund Statements		
Type of Statements	**Government-wide**	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire District's governmental activities (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private business: self-insurance	Instances in which the District is the trustee or custodian for someone else's resources: student activity funds
Required financial statements	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in net position and statement of cash flows	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and custodial in nature
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Analysis

The district's assets and deferred outflows of resources exceeded liabilities and deferred inflows by $73.5 million at June 30, 2024, which is an increase in the net position of $56.9 million compared to last fiscal year.

Figure A-2 The District's Net Position

	Governmental Activities	
	2024	2023
Current and other assets	$588,518,051	$582,515,340
Capital assets	771,200,646	743,061,193
Total Assets	1,359,718,697	1,325,576,533
Total deferred outflows of resources	130,243,139	109,230,254
Current liabilities	80,926,877	71,219,925
Noncurrent liabilities	1,217,542,089	1,211,977,549
Total Liabilities	1,298,468,966	1,283,197,474
Total deferred inflows of resources	117,968,842	134,970,321
Net Position:		
Net investment in capital assets	98,119,405	63,213,532
Restricted	122,595,482	101,707,993
Unrestricted	(147,190,859)	(148,282,533)
Total Net Position	$73,524,028	$16,638,992

The district's net position is comprised of the following elements as illustrated in Figure A-2: *Net Investment in Capital Assets* of $98.1 million reflects the district's investment of $771.2 million in capital assets (e.g., land, construction-in-progress, buildings and equipment) less the outstanding debt used to acquire those assets.

The second element of net position shown in Figure A-2 is *Restricted,* which is used to segregate the net position on which external constraints have been placed (e.g., constraints imposed by creditors, grantors or by law). The district is reporting a balance of $122.6 million which represents balances for debt service, federal and state programs, and local grants.

The third element of net position is *Unrestricted,* which consists of the net position that does not meet the criteria of the other two elements described above. The district is reporting a balance of ($147.2) million in this category.

Changes in Net Position

The District's total revenues for the fiscal year ended June 30, 2024, were $620,391,687. A significant portion of the District's revenue (32.51%) comes from taxes. State aid and other grant revenues represent 32.12%, while only 4.83% relate to charges for services (See Figure A-3). The total cost of all programs and services was $563,506,651 of which 51.60% is for instruction and instructional-related services (See Figure A-4).

Figure A-3 Sources of Revenue for the Fiscal Year Ended June 30, 2024

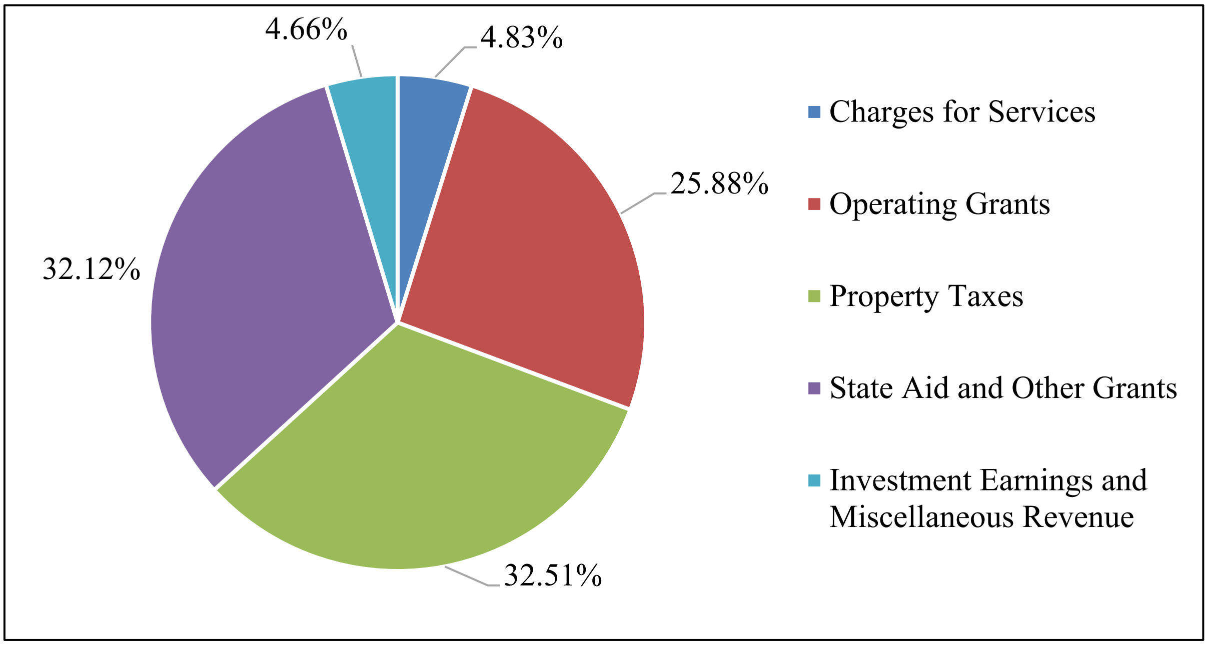
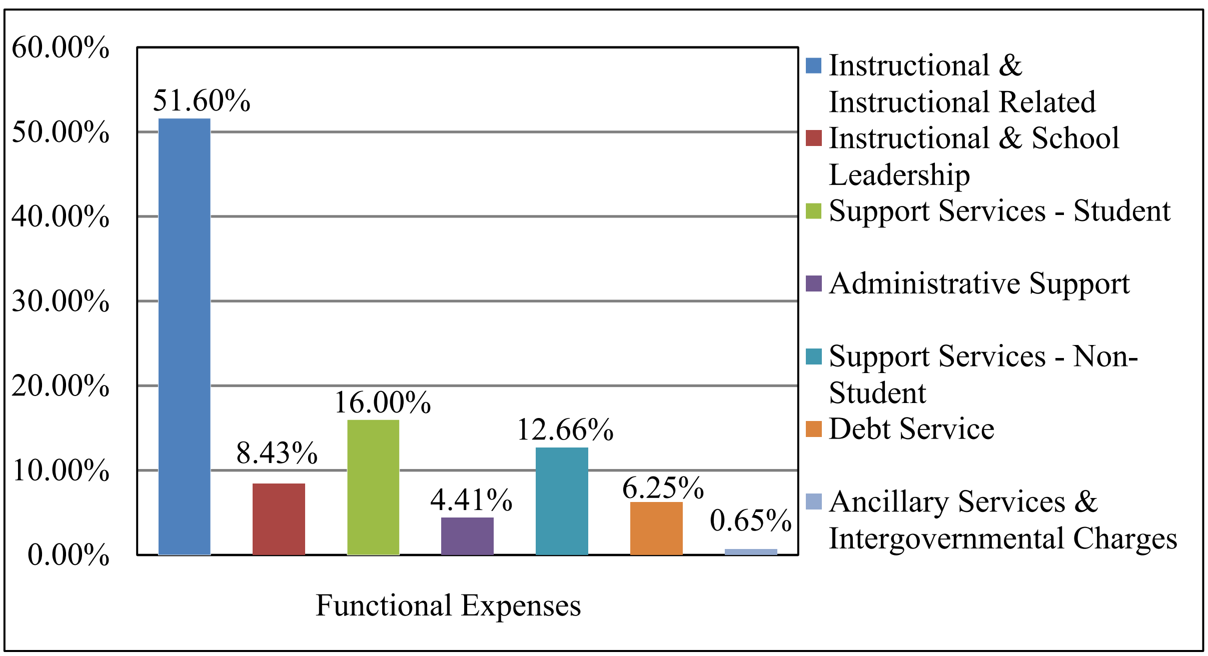


Figure A-4 Expenses by Major Function for the Fiscal Year Ended June 30, 2024



Governmental Activities

Governmental activities increased the District's net position by $56,885,036 for the fiscal year ended June 30, 2024. The following table presents the changes in the District's net position for the fiscal years ended June 30, 2024 and 2023:

Changes in the District's Net Position

	Governmental Activities	
	2024	2023
Revenues		
Program Revenues:		
Charges for services	$29,967,880	$25,163,488
Operating grants and contributions	160,540,619	133,511,672
General Revenues:		
Property taxes	201,700,083	226,558,183
State aid and other grants	199,292,526	150,369,134
Investment earnings	24,545,548	11,602,166
Miscellaneous	4,345,031	2,640,653
Total revenues	620,391,687	549,845,296
Expenses		
Instruction	263,753,814	259,167,126
Instructional resources and media services	4,406,573	5,066,614
Curriculum/staff development	22,636,552	18,487,466
Instructional leadership	17,199,880	12,851,002
School leadership	30,277,343	28,917,968
Guidance and counseling services	21,861,931	18,665,978
Social work services	431,383	542,364
Health services	3,624,928	3,197,802
Student (pupil) transportation	18,822,286	19,392,732
Child nutrition services	35,672,914	28,536,044
Co-curricular activities	9,735,793	9,548,654
General administration	24,835,902	19,385,111
Plant maintenance and operations	43,931,285	44,424,836
Security and monitoring services	11,325,005	9,686,844
Data processing services	13,506,557	12,800,593
Community services	2,603,625	1,671,907
Interest and fiscal charges	35,206,559	30,257,678
Fiscal agent/shared services arrangement	562,347	146,823
Alternative education	37,200	9,100
Payments to tax increment fund	1,328,579	1,224,712
Other intergovernmental charges	1,746,195	1,596,075
Total governmental activities	563,506,651	525,577,429
Change in net position	56,885,036	24,267,867
Beginning Net Position	16,638,992	(7,628,875)
Ending Net Position	$73,524,028	$16,638,992

The increase in revenues is primarily due to increased earnings on investments, additional revenue from federal funds as a result of maximizing the use of ESSER III & TCLAS funds made available through the American Rescue Plan to address academic challenges related to the Covid-19 pandemic. The increase is also due to higher state aid received as a result of indirect cost received from the TCLAS grant, higher Teacher Incentive Allotment (TIA) and higher special population allotments for special education and state compensatory education.

The following table presents the cost of each of the District's largest functions as well as each function's net cost for the fiscal year ended June 30, 2024, (total cost less charges for services generated by the activities and operating grants and contributions). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this year was $563,506,651.
- The amount of the cost that was paid by those who directly benefited from the program was $29,967,880.
- The amount paid by grants and contributions was $160,540,819.
- The amount that our taxpayers paid for these activities through property taxes was $201,700,083.

Net Cost of Selected District Functions
(in millions of dollars)

	2024		2023	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional	$290.8	$193.4	$282.7	$190.4
Plant maintenance & operations	$43.9	$32.5	$44.4	$39.1
Interest and fiscal charges	$35.2	$25.7	$30.3	$27.5

Financial Analysis of the District's Funds

The District's accounting records for general governmental operations are maintained on a modified accrual basis as prescribed by the Texas Education Agency in the *Financial Accountability System Resource Guide*, with the revenues being recorded when available and measurable to finance expenditures of the fiscal period. Expenditures are recorded when services or goods are received and the fund liabilities are incurred, except for outstanding long-term debt. The general governmental operations include the following funds: General, Debt Service, Capital Projects, and Special Revenue.

Revenues for governmental funds totaled $601,469,132 for the fiscal year ended June 30, 2024, an increase of 11.54% over the prior fiscal year. The increase is due to increased earnings on investments as a result of higher interest rates, indirect cost charged to the ESSER III and TCLAS grants as well as the maximization of those remaining funds available to address the challenges related to the Covid-19 pandemic. The state aid allotment is also higher as a result of a change in legislation via Senate Bill 2 that lowers property tax revenue but held districts harmless for the change via additional state aid.

Expenditures for governmental funds totaled $590,509,526 during the fiscal year ended June 30, 2024, an increase of 10.33% over the prior fiscal year. The general fund expenditures decreased as the ESSER III fund was maximized and used to supplant general fund cost. The debt service fund expenditures increased due to higher principal and interest payments associated with the repayment of the 2022 bond proceeds. The capital projects expenditures also increased due to safety and security and technology related projects included in the 2022 bond program which was approved by voters in November of 2022. The non-major funds expenditures increased due to the utilization of the remaining ESSER III and TCLAS funds. These funds were made available to offset the increased cost associated with the academic and economic challenges arising as a result of the Covid-19 pandemic. The funds were used for additional instructional support, to invest in professional development and to provide academic enrichment materials and resources.

The General Fund has a fund balance of $102,469,484 which is a net increase of $10,047,276. The increase is due to increased investment earnings and indirect costs, additional state aid and lower expenditures as a result of supplanting payroll cost using remaining ESSER III funds.

The Debt Service Fund had a total fund balance of $117,713,291 all of which is restricted for the payment of debt service. The District makes semi-annual debt service payments in February and August each year. The total debt service payments including fees for the fiscal year ended June 30, 2024, was $76,474,508. There was an increase in fund balance of $19,495,716 due to an increase in property tax collections as a result of higher property values and interest earned on investments.

The Capital Projects Funds had a fund balance of $270,360,894. This is due to voter approval of the 2022 Bond Election held on November 8, 2022. The Bond Election authorized $850,000,000 in bonds of which $300,000,000 were issued in February 2023. The proceeds from the bond will address longstanding facility, technology and safety and security needs.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget three times. These adjustments resulted in an increase in the final budgeted appropriations and other financing uses of $2,044,149 over the original budget. The variance in final budgeted expenditures versus actual expenditures is primarily due to the supplanting of instructional salaries using ESSER III funds.

Final budgeted revenues and other financing sources were increased during the year by $10,910,504 over the original revenue budget. The variance in the final total budgeted revenues versus actual revenues is primarily due to the indirect cost received from ESSER III and TCLAS and additional state aid received from higher average daily attendance in special populations such as special education.

The difference between the original budget and the final amended budget of the General Fund can be briefly summarized below:

Appropriations and Other Financing Uses	
$1,851,683	Increase in miscellaneous appropriations resulting from 2022-2023 rollover encumbrances
146,500	An increase to fund the cost of a review of master scheduling and staffing to analyze operating efficiency
45,966	Miscellaneous increases to other appropriations to account for use of insurance proceeds, donations and miscellaneous receipts
$2,044,149	**Total Appropriations Increase**

Revenues and Other Financing	
$12,227,258	An increase in state revenues primarily due to legislative changes related to Senate Bill 2 (SB 2) which increased the homestead exemption from $40,000 to $100,000. The decrease in tax revenue associated with SB 2 are offset with state aid. The increase is also due to an increase in the Foundation School Program (FSP) to adjust to anticipated revenue for actual student attendance and special populations.
(7,000,000)	A decrease in property tax collections as a result of SB 2
3,470,000	An increase in interest earnings
(2,500,000)	A decrease in School Health and Related Services (SHARS), due to federal audit of Texas Health & Human Services Commission which changed the allowable reimbursement calculation
2,000,000	An increase in indirect costs due to the use of ESSER III funds
1,300,000	An increase to state revenue form TCLAS indirect costs
1,117,267	An increase in miscellaneous revenue primarily due to Special Inventory Tax
150,000	Increase for proceeds from the sale of property
145,979	Miscellaneous net increases in other estimated revenues to account for use of donations, dual credit services, and other miscellaneous receipts
$10,910,504	**Total Revenues and Other Financing Sources Increase**

New Capital Assets and Debt Administration

Capital Assets

The District has invested a net $771 million in a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and vehicles. This amount represents a net increase (including additions and deductions net of accumulated depreciation) of $28.1 million from last year.

District's Capital Assets
(net of depreciation)

	2024	2023
Land	$101,288,914	$80,532,468
Construction-in-progress	24,970,836	5,706,462
Buildings and improvements	589,747,862	612,276,980
Equipment and furniture	41,515,351	32,190,553
Vehicles	13,157,508	11,601,552
Right to Use Assets	520,175	753,178
Net capital assets	$771,200,646	$743,061,193

More detailed information about the District's capital assets is presented in Note 5 to the basic financial statements.

Debt Administration

Debt-management policies seek to provide the most favorable climate for District debt projects while upholding the highest rating possible for debt instruments. Management policies include the following points:

- All debt service obligations will be met when due.
- Long-term financing will be restricted to capital projects and purchases of equipment.
- Long-term bonds will not be issued to finance current operations.
- The District will cooperate and communicate with bond-rating agencies and work towards obtaining the most favorable municipal bond rating possible.
- Outstanding obligations will be reviewed frequently to ensure the most favorable funding structure for the District.
- All necessary information and material regarding the District's financial status will be provided to the appropriate parties.

The ratio of net general bonded debt to assessed valuation is a useful indicator of the District's debt position. This data is presented in the schedule "Ratios of Net General Obligation Bonded Debt Outstanding" (Table 10) in the statistical section and reflects a ratio of net bonded debt to actual taxable value of 4.36%, as compared to 4.88% last year.

The District continues to enjoy strong underlying bond ratings. The latest Moody's Investor Services, Inc. affirmed rating is Aa2 and Standard and Poor's Corporation affirmed rating is AA- for the District's debt obligations. All of the outstanding ad valorem tax bonds of the District carry a credit enhancement rating of AAA due to the Permanent School Fund guarantee.

More detailed information about the District's debt administration is presented in Note 8 to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The priorities of the 2024-2025 budget were aligned with the Board of Trustees' priorities which are: student outcomes, equity, increased opportunities and choice, leadership, student and staff well-being and community engagement. General operating fund spending per student is budgeted to be $10,101 based upon the assumption that student enrollment will be 34,203.

Total revenues in the 2024-2025 General Fund budget are $344.6 million, a decrease of .55% under the final 2024 revenues of $346.5 million. This decrease is primarily due to an anticipated decrease in federal revenue from School Health and Related Services (SHARS) as well as less indirect cost revenue. The 2024-2025 budget anticipates an increase to revenue pending the results of a Voter Approval Tax Rate Election (VATRE).

Expenditures are budgeted for the 2024-2025 fiscal year at $345.5 million, an increase of 7.9% over the final 2024 expenditures. The 2024 final expenditures are lower as a result of supplanting instructional salaries using the ESSER III fund. The 2025 budget anticipates a general pay increase dependent upon the VATRE results.

The Debt Service Fund revenues are budgeted at $98 million which is an increase of 2.1% over the final 2024 revenues of $96 million. This increase is anticipated due to an increase in property values.

Request for Information

This financial report is designed to provide our citizens, taxpayers, business community, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at 16717 Ella Blvd., Houston, Texas 77090 or call (281) 891-6077.

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BASIC FINANCIAL STATEMENTS

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SPRING INDEPENDENT SCHOOL DISTRICT **Exhibit A-1**

STATEMENT OF NET POSITION

June 30, 2024

	Primary Government Governmental Activities
ASSETS	
Cash	$13,798,260
Temporary investments	466,218,229
Receivables:	
Property taxes	14,390,679
Allowance for uncollectible taxes	(4,883,600)
Due from governmental agencies	88,384,560
Accrued interest and other receivables	481,613
Inventories, at cost	5,135,341
Prepaid items	4,992,970
Capital assets not being depreciated:	
Land	101,288,914
Construction-in-progress	24,970,836
Capital assets net of accumulated depreciation:	
Buildings and improvements	589,747,861
Furniture and equipment	41,515,351
Vehicles	13,157,508
Right to Use Assets	520,176
Total assets	1,359,718,698
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows relating to pension activities	86,643,679
Deferred outflows relating to OPEB activities	33,929,360
Deferred charge on refunding	9,670,100
Total deferred outflows of resources	130,243,139
LIABILITIES	
Accounts payable	19,309,538
Interest payable	14,583,334
Accrued salaries and expenditures	45,462,117
Due to state and others	55,717
Unearned revenue	1,516,171
Non-current liabilities:	
Due within one year	50,439,554
Due in more than one year	907,065,967
Net pension liability	189,688,736
Net OPEB liability	70,347,833
Total liabilities	1,298,468,967
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows relating to pension activities	9,717,833
Deferred inflows relating to OPEB activities	105,895,460
Deferred gain on refunding	2,355,549
Total deferred inflows of resources	117,968,842
NET POSITION	
Net investment in capital assets	98,119,405
Restricted for:	
Debt service	105,838,760
Federal & state programs	16,672,566
Local grants	84,156
Unrestricted	(147,190,859)
TOTAL NET POSITION	$73,524,028

See accompanying notes to basic financial statements.

SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Governmental Activities
Primary government				
Governmental activities:				
Instruction	$263,753,814	$12,293,687	$65,587,197	($185,872,930)
Instructional resources and media services	4,406,573		2,965,705	(1,440,868)
Curriculum and staff development	22,636,552		16,577,201	(6,059,351)
Instructional leadership	17,199,880		2,817,889	(14,381,991)
School leadership	30,277,343		2,940,597	(27,336,746)
Guidance and counseling services	21,861,931		8,735,807	(13,126,124)
Social work services	431,383		191,130	(240,253)
Health services	3,624,928		368,811	(3,256,117)
Student (pupil) transportation	18,822,286		1,837,835	(16,984,451)
Child nutrition services	35,672,914	1,212,542	33,008,809	(1,451,563)
Co-curricular activities	9,735,793	693,529	746,328	(8,295,936)
General administration	24,835,902	14,297,850	836,016	(9,702,036)
Plant maintenance and operations	43,931,285	790,783	10,690,150	(32,450,352)
Security and monitoring services	11,325,005	315,906	1,382,103	(9,626,996)
Data processing services	13,506,557	361,503	492,957	(12,652,097)
Community services	2,603,625	2,080	1,311,729	(1,289,816)
Interest and fiscal charges	35,206,559		9,483,595	(25,722,964)
Fiscal agent/shared services arrangement	562,347		566,760	4,413
Alternative education	37,200			(37,200)
Payments to tax increment fund	1,328,579			(1,328,579)
Other intergovernmental charges	1,746,195			(1,746,195)
Total governmental activities	$563,506,651	$29,967,880	$160,540,619	(372,998,152)

General revenues:	
Taxes:	
Property taxes - maintenance & operations	119,248,036
Property taxes - debt service	82,452,047
State aid - formula grants	186,425,017
Grants and contributions not restricted to specific programs	12,867,509
Investment earnings	24,545,548
Miscellaneous	4,345,031
Total general revenues	429,883,188
Change in net position	56,885,036
Net Position - beginning	16,638,992
Net Position - ending	$73,524,028

See accompanying notes to basic financial statements.

SPRING INDEPENDENT SCHOOL DISTRICT **Exhibit B-1**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$12,496,954			$1,301,306	$13,798,260
Temporary investments	71,888,948	$114,888,535	$268,060,315	11,380,431	466,218,229
Receivables:					
Property taxes	9,471,122	4,919,557			14,390,679
Allowance for uncollectible taxes	(3,382,000)	(1,501,600)			(4,883,600)
Due from governmental agencies	56,327,834	2,332,871		29,723,855	88,384,560
Interfund receivables	8,240,513		8,711,809	8,144,013	25,096,335
Accrued interest and other receivables	368,262		150	79,026	447,438
Inventories, at cost	5,089,645			45,696	5,135,341
Prepaid items	4,290,919		682,873	19,178	4,992,970
TOTAL ASSETS	$164,792,197	$120,639,363	$277,455,147	$50,693,505	$613,580,212
LIABILITIES					
Accounts payable	$3,832,294		$6,848,176	$8,629,068	$19,309,538
Accrued salaries and expenditures	36,454,616			9,007,501	45,462,117
Interfund payables	15,179,321	$217,268	246,077	13,524,034	29,166,700
Due to state and others	55,717				55,717
Workers Compensation claims payable	781,199				781,199
Unearned revenue	5,471			1,510,700	1,516,171
Total Liabilities	56,308,618	217,268	7,094,253	32,671,303	96,291,442
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	6,014,095	2,708,804			8,722,899
Total Deferred Inflows of Resources	6,014,095	2,708,804			8,722,899
FUND BALANCES					
Non-spendable:					
Inventory	5,089,645				5,089,645
Prepaid items	4,290,919		682,873	19,178	4,992,970
Restricted:					
Grant funds				16,756,723	16,756,723
Capital projects			269,343,482		269,343,482
Debt service		117,713,291			117,713,291
Committed:					
School activity funds				1,265,479	1,265,479
Strategic compensation	500,000				500,000
Assigned:					
Other	11,492,582		334,539		11,827,121
Unassigned	81,096,338			(19,178)	81,077,160
Total Fund Balances	102,469,484	117,713,291	270,360,894	18,022,202	508,565,871
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	$164,792,197	$120,639,363	$277,455,147	$50,693,505	$613,580,212

See accompanying notes to basic financial statements.

SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit B-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2024

Total fund balances-governmental funds (Exhibit B-1)		$508,565,871
Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:		
· Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		771,200,646
· Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay for current period expenditures and, therefore, are deferred at the fund level.		8,722,899
· Deferred charge on refunding		9,670,100
· Deferred outflows relating to pension activities		86,643,679
· Deferred outflows relating to OPEB activities		33,929,360
· Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long term liabilities at year-end consist of:		
Bonds payable	($855,450,000)	
Premiums on bond issuance	(94,360,513)	
Leases/Subscriptions	(611,636)	
Accrued compensated absences	(1,490,284)	
Workers' compensation claims	(707,349)	
Accrued interest on bonds	(14,583,334)	
Net pension liability	(189,688,736)	
Net OPEB liability	(70,347,833)	(1,227,239,685)
· Deferred gain on refunding		(2,355,549)
· Deferred inflows relating to pension activities		(9,717,833)
· Deferred inflows relating to OPEB activities		(105,895,460)
Total net position of governmental activities (Exhibit A-1)		$73,524,028

See accompanying notes to basic financial statements.

SPRING INDEPENDENT SCHOOL DISTRICT **Exhibit B-3**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Other Governmental Funds	Total Governmental Funds
REVENUES					
Local and intermediate sources	$126,014,148	$86,805,364	$15,788,956	$5,176,866	$233,785,334
State program revenues	207,600,806	9,164,860		18,129,906	234,895,572
Federal program revenues	12,865,904			119,922,323	132,788,227
Total Revenues	346,480,858	95,970,224	15,788,956	143,229,095	601,469,133
EXPENDITURES					
Current:					
Instruction	172,682,444		4,184,565	62,789,255	239,656,264
Instructional resources and media services	873,195			2,779,450	3,652,645
Curriculum and staff development	5,216,580			15,832,313	21,048,893
Instructional leadership	9,933,935			1,990,223	11,924,158
School leadership	26,644,779		141,342	966,818	27,752,939
Guidance and counseling services	12,569,222			7,659,801	20,229,023
Social work services	225,673			174,220	399,893
Health services	3,168,531			135,718	3,304,249
Student (pupil) transportation	15,419,463		1,190,004	833,999	17,443,466
Child nutrition services			15,249	34,359,175	34,374,424
Co-curricular activities	6,972,501		42,786	603,433	7,618,720
General administration	13,674,406		88,477	540,061	14,302,944
Plant maintenance and operations	32,722,880		2,338,851	1,457,237	36,518,968
Security and monitoring services	7,815,311		6,243,547	1,189,492	15,248,350
Data processing services	8,511,634		1,582,023	330,928	10,424,585
Community services	648,941		10,469	1,221,773	1,881,183
Debt Service:					
Principal on long-term debt	485,918	36,720,000		306,210	37,512,128
Interest on long-term debt	41,482	39,740,058		10,043	39,791,583
Bond issuance costs and fees		14,450			14,450
Capital Outlay:					
Facilities acquisition and construction	89,207		34,894,473	8,752,660	43,736,340
Intergovernmental Charges:					
Fiscal agent/shared services arrangement				562,347	562,347
Alternative education	37,200				37,200
Payments to tax increment fund	1,328,579				1,328,579
Other intergovernmental charges	1,746,195				1,746,195
Total Expenditures	320,808,076	76,474,508	50,731,786	142,495,156	590,509,526
Excess (deficiency) of revenues over (under) expenditures	25,672,782	19,495,716	(34,942,830)	733,939	10,959,607
OTHER FINANCING SOURCES (USES)					
Sale of property	160,186			23,252	183,438
Issuance of leases	502,497				502,497
Transfers in				36,167	36,167
Transfers out	(16,288,189)				(16,288,189)
Total Other Financing Sources (Uses)	(15,625,506)			59,419	(15,566,087)
Net change in fund balances	10,047,276	19,495,716	(34,942,830)	793,358	(4,606,480)
FUND BALANCES, JULY 1	92,422,208	98,217,575	305,303,724	17,228,844	513,172,351
FUND BALANCES, JUNE 30	$102,469,484	$117,713,291	$270,360,894	$18,022,202	$508,565,871

See accompanying notes to basic financial statements.

SPRING INDEPENDENT SCHOOL DISTRICT **Exhibit B-4**

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2024

Net change in fund balances-total governmental funds (Exhibit B-3)		($4,606,480)
Amounts reported for governmental activities in the statement of net activities (Exhibit A-2) are different because:		
· Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of $62,178,655 were exceeded by depreciation of $33,075,604 in the current period.		29,103,051
· The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an decrease to net position.		(963,599)
· Property taxes receivable which will be collected subsequent to year-end, but are not available soon enough to pay for current period expenditures are not reported as revenues in the governmental funds.		(332,378)
· Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		36,720,000
· Interest on long-term debt in the statement of activities differs from the amounts 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 in interest reported in the statement of activities consists of the following:		
Accrued interest on bonds payable decreased	417,598	
Amortization of bond premium	4,931,916	
Amortization of deferred gain on refunding	651,100	
Amortization of deferred charge on refunding	(1,405,637)	4,594,977
· In governmental funds, a lease and subscription based technology arrangements are considered a source of financing with principal and related interest. But in the statement of net position, these obligations are reported as liabilities. Repayment of the principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. During the year additions were $502,497 and reductions were $796,624.		294,127
· The net increase in accrued compensated absences is reported in the statement of activities but is not reported in the governmental funds.		(36,231)
· The net increase in the long-term portion of workers' compensation claims payable is reported in the statement of activities but is not reported at the fund level.		(167,908)
· Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in the governmental funds:		
Pension and OPEB expense for the pension plan measurement year		(7,720,523)
Change in net position of governmental activities (Exhibit A-2)		$56,885,036

See accompanying notes to basic financial statements.

Insurance

This fund is used to account for transactions related to self-insurance activities of the school district. The district may use this fund to allocate these costs to other accounts. The district must use distinct, locally defined codes when necessary to maintain separate accountability for each self-insurance program.

SPRING INDEPENDENT SCHOOL DISTRICT **Exhibit B-5**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Governmental Activities Internal Service Fund
ASSETS	
Current:	
Interfund receivables	$4,070,365
Rebate and Other Miscellaneous Receivables	34,175
Total Assets	4,104,540
LIABILITIES	
Current:	
Claims payable	4,104,540
Total Liabilities	4,104,540
NET POSITION	
Unrestricted Net Position	
Total Net Position	$

See accompanying notes to basic financial statements.

SPRING INDEPENDENT SCHOOL DISTRICT **Exhibit B-6**

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2024

	Governmental Activities
	Internal Service Fund
Operating Revenues:	
Employer contributions	$10,093,780
Employee contributions	13,734,938
Total Operating Revenues	23,828,718
Operating Expenses:	
Claims	34,644,383
Administrative fees	5,436,357
Total Operating Expenses	40,080,740
Operating Income (Loss)	(16,252,022)
Transfers-In	16,252,022
Change in Net Position	
Net Position, July 1	
Net Position, June 30	$

See accompanying notes to basic financial statements.

SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2024

	Governmental Activities Internal Service Fund
Cash Flow From Operating Activities:	
Cash received from premiums	$22,224,200
Cash paid for claims	(33,039,865)
Cash paid for administrative costs	(5,436,357)
Net Cash Provided by (Used In) Operating Activities	(16,252,022)
Cash Flow From Noncapital Financing Activities:	
Transfers from other funds	16,252,022
Net Cash Provided by (Used In) Noncapital Financing Activities	16,252,022
Net increase (decrease) in cash and cash equivalents	
Cash, July 1	
Cash, June 30	
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities	
Operating Income (Loss)	($16,252,022)
Adjustments to reconcile operating income (loss) to Net Cash provided by (used in) Operating Activities:	
Changes in assets and liabilities:	
(Increase) decrease in interfund receivables	($1,604,518)
(Increase) decrease in rebate and other miscellaneous receivables	606,763
Increase (decrease) in claims payables	997,755
Total Adjustments	
Net Cash provided by (used in) operating Activities	($16,252,022)

See accompanying notes to basic financial statements.

Fiduciary Fund

These funds are used to account for funds using the economic resources measurement focus and the accrual basis of accounting. These funds are held in a custodial capacity by a school district, and they consist of funds that are the property of students or others. Custodial funds report 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.

The Fiduciary Fund consists of the Student Activity Funds that are used to account for monies collected by schools through fund-raising efforts of the individual schools or school-sponsored groups. These funds also hold monies that are due to government agencies for items such as sales tax, textbooks, etc. which are remitted when required. The school principal is responsible, under the authority of the Board, for collecting, controlling, disbursing and accounting for all student activity funds.

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2024

	Custodial Fund
ASSETS	
Cash	$274,861
Total Assets	$274,861
LIABILITIES	
Due to student groups	$163,858
Total Liabilities	$163,858
NET POSITION	
Restricted for Student Activities	$111,003
Total Net Position	$111,003

See accompanying notes to the basic financial statements

SPRING INDEPENDENT SCHOOL DISTRICT **Exhibit B-9**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2024

	Custodial Fund
Additions	
Student Activities Fundraiser Collections	$856,885
Deductions	
Student Activities	856,926
Change in fiduciary net position	(41)
Net position - beginning	111,044
Net position - ending	$111,003

See accompanying notes to the basic financial statements

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Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Spring Independent School District (the District) Board of Trustees (the Board) is a seven-member group, which has governance responsibilities over all activities related to public school education within the District. Because 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" as defined in the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34.* The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, 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 are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues. The District has no business-type activities that rely, to a significant extent, on fees and charges for support.

Separate financial statements are provided for governmental funds, fiduciary funds, and internal service funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

The fiduciary fund financial statements reflect the District's custodial fund. The custodial fund reports the student and district activity funds and uses the economic resources focus and the accrual basis of accounting.

The internal service fund financial statements are reported on the same basis as the government-wide statements. The District implemented the internal service fund type to report activities for its self-funded healthcare. Internal Service funds are established to account for the activity that provides goods or services to other funds of the primary government and should only be used when the reporting government is the predominant participant in the activity.

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. The District considers revenues to be available if they are collected within 60 days of the fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the State of Texas, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounting policies of the District comply with the rules prescribed in the *Financial Accountability System Resource Guide* by the Texas Education Agency (TEA). These accounting policies conform to generally accepted accounting principles (GAAP) applicable to governments.

The District's accounting system is organized and operated on the basis of funds, each of which is a separate accounting entity with a self-balancing set of accounts. The District's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The individual funds are grouped into two basic fund categories and are briefly described below.

<u>Governmental Funds</u> - Those through which most governmental functions of the District are financed. The acquisition, use and balances of the District’s expendable financial resources and the related liabilities are accounted for through the Governmental Fund Types.

The District reports the following major governmental funds:

- General Fund - The General Fund is the District's general operating fund and accounts for all financial transactions except those required to be accounted for in another fund. Major revenue sources within the General Fund include local property taxes, state funding under the Foundation School Program, and federal source revenues not accounted for in Special Revenue Funds. Expenditures include all costs associated with the daily operations of the schools except for specific programs funded by certain local, state and federal sources, capital projects, and debt service.

- Debt Service Fund - This fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of general obligation bonds. The primary revenue sources are local property taxes levied specifically for debt service and state funding under the Existing Debt Allotment. These financial resources are restricted for debt service.

- Capital Projects Fund – This fund accounts for the proceeds of bond sales and other financial resources to be used for capital outlays, including the purchase of school sites, construction and renovation of school facilities, technology improvements and the purchase of school buses and other capital assets. The financial resources from bond proceeds in this fund are restricted, whereas the proceeds from other financial resources are committed or assigned.

The District reports the following non-major governmental funds:

- Special Revenue Funds - These funds account for the District's Child Nutrition Fund, School Activity Funds, state funding of the instructional materials allotment and all non-major federal, state, and locally funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks as defined in the grant awards. The proceeds of these specific revenue sources are restricted or committed.

Additionally, the District reports the following funds:

Fiduciary Fund - Used to account for amounts held by the District in a trustee capacity. This fund is accounted for on an accrual basis.

- Custodial Fund - This fund is to account for resources held in a custodial capacity by the District. This fund accounts for the District's Student Activity Funds, which collect monies through the fund-raising efforts of the individual schools or school-sponsored groups. The school principals are responsible, under the authority of the Board, for collecting, controlling, disbursing and accounting for all student activity funds.

Proprietary Fund – Used to account for amounts collected and paid for the provision of services or goods by a reporting entity. This fund is accounted for on an accrual basis.

- Internal Service Fund – This fund is to account for the activity for the District's self-funded medical insurance. It accounts for the collection of the District's and employee contributions to the premiums and the payment of claims and other related costs.

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

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value, which is the amount at which the investment can be exchanged in a current transaction between willing parties.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The net increase or decrease in the fair value of investments is netted with investment income in local sources or revenue. Investments are generally held to maturity. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants.*

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "interfund receivables/payables."

Property taxes receivable include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes, net of an allowance for uncollectible taxes.

The appraisal of property within the District is the responsibility of the Harris County Appraisal District (HCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. On January 1 of each year an enforceable lien is placed on all real property within the District to secure collection of property taxes. Property taxes for a fiscal year are levied based on HCAD appraised values on approximately October 1 and are due by the following January 31. Unpaid taxes become delinquent on February 1.

The tax rates applicable to general governmental services and debt service for 2023-2024 were $0.66920 and $0.44000, respectively, based on a taxable value of $19,319,394,926. Uncollected taxes are recorded as unavailable revenue in the fund financial statement net of the related allowance for uncollectible taxes. The resulting net taxes receivable is stated at the amount estimated to be collectible based upon the District's collection experience. The allowance for uncollectible property taxes is equal to 33.94% of outstanding property taxes at June 30, 2024.

Refunds to taxpayers result when property taxes are reduced subsequent to being levied due to a reduction of appraised value resulting from a taxpayer lawsuit filed against HCAD, the correction of tax roll errors, or overpayments made by taxpayers.

Inventories

Under the District's system of accounting for inventories, materials and supplies are charged to an inventory account on the basis of the weighted average invoice cost, and are subsequently recognized as expenditures when used or consumed (consumption method) rather than when purchased. Inventories include custodial, maintenance, office and instructional supplies, gasoline, and food consumables. Child Nutrition commodity inventory is recorded at fair market value on the date received. Revenue is recognized at fair market value when commodities are distributed to the schools.

General Fund inventory is categorized as a non-spendable portion of fund balance to indicate that the assets are not available financial resources. Child Nutrition's inventory consists primarily of food items that will be available for sale, and therefore its inventory is included in non-spendable fund balance.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method of accounting. Prepaid items are categorized as non-spendable portions of fund balance to indicate that the assets are not available financial resources.

Capital Assets

Capital assets which include land, construction-in-progress, buildings and improvements, and furniture and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of $5,000 or more and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of donation, instead of the fair market value.

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

Buildings and improvements and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Life (Years)
Buildings and improvements	20 - 40
Automotive equipment	
Buses	15
Other	10
Furniture and equipment	5 - 20
Software	5 - 10

Land and construction-in-progress are not depreciated.

Right to Use Assets

Right to Use Assets grant the District economic benefit of the use of items for the duration of the term or contract. The asset is recognized along with the related liability. The District has entered agreements for these types of assets for leases and subscription-based technology arrangements.

The District has determined that a right to use asset will result from a leasing agreement with an initial present value of the future minimum payments of $5,000 or more and the leasing agreement exceeds one year and for a subscription-based information technology arrangement with an initial present value of the future minimum payments of $200,000 or more and a term that exceeds one year.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the Statement of Net Position as described below:

A *deferred outflow of resources* is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred outflows of resources for refunding - Reported in the government-wide financial Statement of Net Position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Deferred outflows of resources for pension - Reported in the government-wide financial Statement of Net Position, this deferred outflow could result from pension plan contributions made after the measurement date of the net pension liability and the results of (1) differences between projected and actual earnings on pension plan investments; (2) changes in actuarial assumptions; (3) differences between expected and actual actuarial experiences and (4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. If reported, deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

- Deferred outflows of resources for other post-employment benefits (OPEB) - Reported in the government-wide financial Statement of Net Position, this deferred outflow could result from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of (1) differences between projected and actual earnings on OPEB plan investments; (2) changes in actuarial assumptions; (3) differences between expected and actual actuarial experiences and (4) changes in the District's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. If reported, deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB benefits through the OPEB plan.

A *deferred inflow of resources* is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has four items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes and other sources that arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Deferred inflows of resources for refunding - Reported in the government-wide financial Statement of Net Position, this deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Deferred inflows of resources for pension - Reported in the government-wide financial Statement of Net Position, this deferred inflow could result from (1) differences between projected and actual earnings on pension plan investments; (2) changes in actuarial assumptions; (3) differences between expected and actual actuarial experiences and (4) changes in the District's proportional share of pension liabilities. If reported, deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

- Deferred inflows of resources for OPEB - Reported in the government-wide financial Statement of Net Position, this deferred inflow could result from (1) differences between projected and actual earnings on OPEB plan investments; (2) changes in actuarial assumptions; (3) differences between expected and actual actuarial experiences and (4) changes in the District's proportional share of OPEB liabilities. If reported, deferred inflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The remaining OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB benefits through the OPEB plan.

Pensions

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

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (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 post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Compensated Absences

District policy does not allow staff members to be compensated for accrued and unused sick leave. Full time staff members can contribute one day of sick leave annually to benefit staff members whose own leave has been exhausted due to catastrophic illness. Twelve-month classified staff members (maintenance, warehouse and nonexempt supervisory staff members) are granted annual vacation days based on consecutive years of service. Staff members may carry no more than 60 days of accrued vacation days to the following year. Staff members are paid for accumulated unused vacation time only upon termination of employment. The estimated liability for accrued compensated absences is reported in the government-wide financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental funds 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.

Fund Balance

The fund balance in governmental funds has been classified as follows to describe the relative strength of the spending constraints:

- Non-spendable fund balance - amounts that are not in spendable form or are required to be maintained intact. As such, the inventory in the General Fund and the prepaid items in the General Fund and the Capital Projects Fund have been properly classified as non-spendable in the Governmental Funds Balance Sheet (Exhibit B-1).

- Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. With the exception of School Activity Funds, the fund balances of grant funds are classified as restricted. The fund balance of the Debt Service Fund in the amount of $117,713,291, and the fund balance of the Capital Projects Fund which is from the proceeds of bond sales of $269,343,482 are also classified as restricted.

- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) the fund balance commitments by passage of a resolution. The District has committed the School Activity Funds balances in the amount of $1,265,479 in the Special Revenue Funds. The District also committed $500,000 in the General Fund balance for a strategic compensation plan.

- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board approved a resolution authorizing the Superintendent or the Chief Financial Officer to assign fund balance.

The General Fund had an assigned fund balance of $11,492,582 which includes:

Assignment	Priority	Focus Area	Amount
Encumbrances for education supplies and projects	Student Outcomes	Effective Instruction	$1,492,582
The District continues to monitor and respond to the ever-changing needs of our students and staff to ensure a safe learning and working environment. Additional funds are necessary to cover unexpected expenditures as they arise as well as maintain sufficient cash flow to ensure financial stability during times of fluctuations in student enrollment and attendance.	Student Outcomes & Equity	Effective Instruction Equitable Practices Equitable Resources	10,000,000
Total General Fund Assigned Fund Balance			$11,492,582

The Capital Projects Fund has an assigned fund balance of $334,539. These are funds transferred from the General Fund to the Capital Projects Fund which are assigned for renovations, construction projects, technology improvements, and the purchase of capital assets.

- Unassigned fund balance - amounts that are available for any legal expenditure. It is not possible to report a positive amount of unassigned fund balance in a governmental fund other than General Fund.

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

Accounting Estimates

The preparation of the financial statements in accordance with GAAP requires management to make use of estimates and assumptions that affect amounts reported in the financial statements as well as certain disclosures. Actual results could differ from these estimates.

New Accounting Pronouncements

The following GASB pronouncements were effective during fiscal year 2024:

GASB issued Statement No. 99, Omnibus 2022, in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this statement had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining 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. The remaining requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62, in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Implementation Guide 2021-1, Implementation Guidance Update – 2021, in May 2021. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirement, an amendment to Question 7.9.8 in Implementation Guide 2015-1 effective for reporting periods beginning after June 15, 2023, requires governments to capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. The requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Implementation Guide 2023-1, Implementation Guidance Update – 2023, in June 2023. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This Implementation Guide amends Implementation Guide No. 2019-3, Leases, Question 4.16, and Implementation Guide No. 2021-1, Implementation Guidance Update—2021, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this Implementation Guide were implemented in fiscal year 2024 and did not have a material impact on the financial statements

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General Fund, Child Nutrition Fund and Debt Service Fund for the fiscal year beginning September 1 (or July 1, if the District has elected to change the start of the fiscal year). The Texas Education Code requires the budget to be prepared not later than August 20 (June 19 for a fiscal year start date of July 1) and adopted by August 31 (June 30 for a fiscal year start date of July 1) of each year. The District's administration determines budgetary funding priorities using a modified zero-based budgeting concept, which is consistent with GAAP. Final budget allocations are determined by the Board, which subsequently establishes a tax rate sufficient to support the approved budget. The annual budget, which is prepared on the modified accrual basis of accounting, must be adopted by the Board at a scheduled meeting after giving ten days public notice of the meeting. The District annually adopts a legally authorized appropriated budget for the General Fund, Child Nutrition Fund, and Debt Service Fund.

The District's administration performs budget reviews three times a year by which budget requirements are re-evaluated and revisions recommended to the Board. The Board approves amendments to the budget, which are required when a change is made to any one of the functional expenditure categories defined by the TEA. Expenditures may not legally exceed budgeted appropriations, as amended, at the function level by fund. Unexpended appropriations lapse at year-end.

Encumbrances

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executory contracts), and are used to control expenditures for the year and to enhance cash management. The District often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the year, every effort is made to liquidate outstanding encumbrances. When encumbrances are outstanding at the fiscal year end, the District likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the fiscal year. If the District allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually reappropriated in the following year’s budget. Outstanding encumbrances at fiscal year-end are included in restricted, committed or assigned fund balance as appropriate. At June 30, 2024, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$1,492,582
Capital Projects	51,258,743
Non-Major Governmental Funds	10,144,769
Total	$62,896,094

Note 3 - Cash and Investments

The District's banking and investment policies are in accordance with laws and regulations of the

Public Funds Investment Act (the Act), State of Texas and the TEA. The Act and policies mandated by the District's Board authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, repurchase agreements, commercial paper, and public funds investment pools.

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

Cash

At June 30, 2024, the carrying amount of the District’s cash on deposit was $14,073,121 inclusively, and the bank balance was $15,044,150**.** The depository cash balances were covered by FDIC insurance and by collateral held by the District's agents in the District's name.

The District's depository cash balances were properly collateralized at all times during the year.

Investments

As of June 30, 2024, the District’s investments consisted of balances held in Texas Local Government Investment Pools (LOGIC, TexPool, TexStar, TexasTERM), and US Treasury Securities.

Logic is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256, of the Texas Government Code. Logic is a public funds investment pool organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. Logic investments consist of U.S. Treasury and government agency securities, money market funds, collateralized repurchase, and reverse repurchase agreements. Its general investment objectives are safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return. The Portfolio seeks to maintain $1.00 net asset value (NAV) per Unit and is designed to be used for investment of funds which may be needed at any time. The portfolio is managed and administered by J.P Morgan Investment Management Inc. Logic has a rating of AAA with Standard and Poor.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the Trust Company) to provide a safe environment for the placement of local government funds. The portfolio consists of U.S. Treasury and government agency securities, repurchase agreements, certain mutual funds, collateralized repurchase and reverse repurchase agreements, no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized statistical rating organization, securities lending programs, and certificates of deposit. TexPool is overseen by the State Comptroller of Public Accounts and administered by Federated Hermes, Inc. The State Street Bank is the custodial bank. TexPool follows chapter 2256 of the Texas Public Funds Investment Act. TexPool uses amortized cost rather than fair value to report net assets to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at amortized cost, which approximates fair value.

TexStar is a local government investment pool overseen by a five-member governing board made up of three participants and one of each of the program's professional administrators. The portfolio consists of U.S. Treasury and government agency securities, including Federal Home Loan Banks, collateralized repurchase agreements, term repurchase agreements and reverse purchase agreements, money market mutual funds and variable notes. The fund is rated AAAm by Standard and Poor's and maintains a maturity of 60 days or less.

TexasTERM is a public funds investment pool created by and for Texas local governments to provide investment options with safety, flexibility, and competitive yields. PFM Asset Management, LLC acts as the investment advisor of the pool. The pool consists of the TexasDAILY Program, which is a money market portfolio with daily liquidity, whose investment objective is to produce the highest income consistent with preserving principal and maintaining liquidity, and to maintain a stable $1.00 NAV. TexasDAILY has received a rating of AAAmmmf from Fitch Ratings. GASB Statement No. 31 allows that the value at maturity and fair value to be the same for investment positions that mature within one year of the purchase date of the position. Therefore, TexasTERM's fair value and the value at maturity for the District's investment are the same.

U.S. Treasury securities are direct debt obligations backed by the full faith and credit of the U.S. Government. Interest can be paid at maturity or semiannually depending on the type of security. The US Treasury sells securities through a schedule of regular public actions, which determines the yield of the securities. It makes periodic adjustments to the auction calendar as its borrowing needs change. U.S. Treasury securities prices can rise or fall depending on interest rates. Interest rate changes generally have a greater risk on long-term Treasury prices. U.S. Treasury has a rating of A-1+. During the fiscal year, the District invested in eleven short-term US Treasury securities that matured within six months at a high yield over 5%, which has been competitive to the yields of the TexPools.

As noted in the District's Significant Accounting Policies, the District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants.* In addition, both TexPool and TexasDAILY do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. Both pools do not impose any liquidity fees or redemption gates.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes the following three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs-other than quoted prices included within Level 1-that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's Money Market is reported at fair value using Level 2 inputs. The fair value measurements are based on quoted market prices using matrix pricing technique by the pricing source that values securities based on their relationship to benchmark quoted prices (Level 2 inputs). The District does not have any investments that are measured using Level 1 or 3 inputs.

At June 30, 2024, the fair value, credit rating, percentage of investments, and weighted average maturity of the District's investments are summarized as follows:

	Fair Value	Credit Rating	Percentage of Investments	Weighted Average Maturity (Days)
Temporary Investments:				
Logic	$10,259,800	AAAm	2.20%	44
TexPool	270,344,638	AAAm	57.98%	36
TexPool Prime	109,130,666	AAAm	23.41%	41
TexStar	10,252,690	AAAm	2.20%	34
TexasTERM				
TexasDAILY	16,498,701	AAAm	3.54%	39
U.S. Treasury Securities	49,731,735	AA1+	10.67%	53
Total	$466,218,230		100.00%	
Portfolio weighted average maturity				40.75

Although LOGIC, TexPool, TexPool Prime, TexStar and TexasDAILY have a weighted average maturity greater than one, the funds are available to the District within one day.

Credit Risk

Credit risk is the risk that a counter party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the fair value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement, will decline. Market risk is not depicted in this note.

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations.

Concentration of Credit Risk

The District has no specific policy relating to the credit risk of investments. However, the District's investment policy requires that the investment portfolio be diversified to avoid incurring undue concentration in securities of one type at one financial institution, so that no single investment or class of investments can have a disproportionate impact on the total portfolio. This restriction does not apply to U.S. Treasury Securities or investment pools.

Interest Rate Risk

As a means of minimizing risk of loss due to interest rate fluctuations, the District requires that the total portfolio's weighted average maturity is less than 365 days. The District's Investment Policy also limits that no investment shall have an original stated maturity greater than two or three years depending on the instrument. The District also ensures diversification and holds investment instruments until maturity.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy

requires that a third party custodian or a bank trust department hold all securities owned by the District.

Adjustment to Investments' Fair Value

The District's portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen. Fair values of commercial paper are based on quoted market prices. The investments are reported by the District at fair value in accordance with GAAP. The District had no gains or losses from the sale of securities because they were held to maturity. All securities are quoted at fair value including accrued interest.

The total investment income was $24,545,548.

Note 4 - Receivables

Receivables as of June 30, 2024, for the District's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Other Governmental Funds	Total
Property taxes	$9,471,122	$4,919,557			$14,390,679
Due from state	56,033,988	2,332,871		$29,663,840	88,030,699
Due from other governments	293,846			60,015	353,861
Miscellaneous receivables	368,262		$150	79,026	447,438
Gross receivables	66,167,218	7,252,428	150	29,802,881	103,222,677
Less allowance for uncollectibles	(3,382,000)	(1,501,600)			(4,883,600)
Total net receivables	$62,785,218	$5,750,828	$150	$29,802,881	$98,339,077

Note 5 - Capital Assets

A summary of changes in capital asset activity for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	(Retirements)	Transfers	Balance June 30, 2024
Capital assets, not being depreciated:					
Land	$80,532,468	$20,756,446			$101,288,914
Construction-in progress	5,706,462	35,192,735	($959,538)	($14,968,823)	24,970,836
Total capital assets, not being depreciated	86,238,930	55,949,181	(959,538)	(14,968,823)	126,259,750
Capital assets, being depreciated:					
Buildings and improvements	1,019,961,687	1,155,589		1,286,808	1,022,404,084
Vehicles	33,598,953	2,225,664	(3,104,982)	1,005,422	33,725,057
Furniture and equipment	81,671,875	2,345,725	(90,782)	12,676,593	96,603,411
Right-to-use lease equipment	914,558	502,497	(530,288)		886,767
SBITA GASB 96	1,277,306		(973,459)		303,847
Total capital assets, being depreciated	1,137,424,379	6,229,475	(4,699,511)	14,968,823	1,153,923,166
Less accumulated depreciation:					
Buildings and improvements	(407,684,707)	(24,971,516)			(432,656,223)
Vehicles	(21,997,401)	(1,589,890)	3,019,742		(20,567,549)
Furniture and equipment	(49,481,322)	(5,686,968)	80,230		(55,088,060)
Right-to-use lease equipment	(838,015)	(226,558)	622,019		(442,554)
SBITA GASB 96	(600,671)	(600,672)	973,459		(227,884)
Total accumulated depreciation	(480,602,116)	(33,075,604)	4,695,450		(508,982,270)
Governmental activities capital assets, net	$743,061,193	$29,103,052	($963,599)	$	$771,200,646

Less associated bonds	($949,810,512)
Less leases payable	(611,636)
Plus unspent bond proceeds net of capital related liabilities	270,026,356
Plus deferred charge on refunding	7,314,551
Net Investment in Capital Assets	$98,119,405

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

Instruction	$9,785,657
Instructional resources and media services	472,107
Curriculum and staff development	6,808
Instructional leadership	3,985,845
School leadership	351,468
Guidance and counseling services	60,231
Health services	65,308
Student (pupil) transportation	1,281,810
Child nutrition services	1,577,835
Co-curricular activities	1,798,403
General administration	2,896,567
Plant maintenance and operations	4,641,023
Security and monitoring services	2,071,585
Data processing services	3,508,944
Community services	572,013
Total	$33,075,604

At June 30, 2024 the District has ongoing construction projects where the active commitments with contractors are as follows:

	Construction in Progress	Remaining Commitments
ESSER II - Momentum	$428,208	$48,578
ESSER II - Spring Leadership Academy	10,063,003	102,730
Education, Performance and Instructional Center	1,640,348	7,304,670
New Spring High School	2,368,363	22,244,022
Reroofing District Wide	349,800	339,200
Refinishing District Wide	3,463,263	2,937,987
HVAC Chillers District Wide	849,250	353,250
Building Automated System Controls (BAS) District Wide	990,000	330,000
Marquees District Wide	39,400	600
Film & Vestibules District Wide	415,800	288,200
Westfield High School Athletic Field House - 2 Roof-top Units (RTUs)	9,563	2,938
Transportation T-Building Renovations	17,388	17,798
Marshall Elementary School T-Building Renovations	598,418	198,871
Update Web Filtering	133,833	113,667
Replacements at End of Life Data Center	71,656	146,585
Firewall Upgrade	75,004	140,432
Uninterrupted Power Supply (UPS) District Refresh	1,518,020	5,446
Wireless Refresh District Wide	476,661	125,505
Bus Tablets with Cards System	593,703	381,110
Safety System Updates District Wide	115,200	3,039,279
Police Dispatch Radio Console Systems	79,200	316,800
Exterior Safety District Wide	671,148	1,362,939
Transportation	3,607	1,103,273
Total	$24,970,836	$40,903,880

Leases

In June 2023, the District has entered into an agreement to lease copiers and printers. The lease agreement requires annual payments of $139,550 and expires June 2027. As defined by GASB 87, The District had noncancellable leases for copiers and other equipment. Starting with the commencement date of each lease, the District recognizes a long-term liability measured at the present value of future minimum payments to be made during the lease term using an estimated incremental borrowing rate for similar financings. Lease liabilities are recognized when this measurement is $5,000 or greater and the lease term exceeds one year. Payments are fixed and made monthly or annually depending on the lease term. Additionally, lease assets are amortized on a straight-line basis over the shorter of the lease term or their useful lives. The total amount of leased equipment for the District for year ended June 30, 2024 was $886,767, with related amortization net of retirements of $442,554.

Right to Use Assets by Asset Class
Year ended June 30, 2024

Copiers

In the fiscal year 2024, The District leased 204 copiers as right to use assets. Principal and interest payments on these assets at June 30, 2024, are summarized as follows:

Year Ending June 30	Principal	Interest	Total
2025	$222,880	$17,719	$240,599
2026	153,773	10,824	164,597
2027	135,661	3,889	139,550
	$512,314	$32,432	$544,746

Other Equipment

In addition, the District leased a postage machine and printer. Principal and interest payments on these assets at June 30, 2024, are summarized as follows:

Year Ending June 30	Principal	Interest	Total
2025	$22,183	$58	$22,241

Subscription-Based Information Technology Arrangements

The District has noncancellable subscription-based information technology arrangements. The commencement date for these arrangements was July 1, 2023, per the implementation of GASB 96. The District recognizes a long-term liability measured at the present value of future minimum payments to be made during the subscription term using an estimated incremental borrowing rate for similar financings. Subscription-based information technology arrangement liabilities are recognized when this measurement is $200,000 or greater and the term exceeds one year. Payments are fixed and made monthly or annually depending on the term. Additionally, subscription-based information technology arrangements are amortized on a straight-line basis over the shorter of the term or their useful lives. In fiscal year 2024, the District identified four of these technology arrangements for a total amount of $1,277,306, with related amortization of $600,671. Principal and interest payments on these assets at June 30, 2024, are summarized as follows:

Year Ending June 30	Principal	Interest	Total
2025	$77,139	$1,463	$78,602

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund financial statements as of June 30, 2024, was as follows:

	Receivable	Payable
General Fund	$8,240,513	$15,179,321
Debt Service Fund		217,268
Capital Projects Funds	8,711,809	246,077
Non-Major Other Governmental Funds	8,144,013	13,524,034
Internal Service Fund	4,070,365	
Total	$29,166,700	$29,166,700

All interfund balances are routine in nature, used to pay back funds as necessary, and are expected to be repaid within one year. Most of the amounts represent short-term borrowing between funds for operating expense payments.

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without requirement for repayment". The following is a summary of the District's transfers for the year ended June 30, 2024:

Transfer Out	Transfer In	Amount
General Fund	Child Nutrition Fund	$36,167
General Fund	Internal Service Fund	16,252,022
		$16,288,189

The transfer from the General Fund to the Child Nutrition Fund was for income surveys and unpaid student lunch charges. The transfer from the General Fund to the self-funded medical insurance fund was due to an operating loss sustained by the fund.

Note 7 - Deferred Inflows of Resources and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities in the current period. Revenue recognition in governmental funds does not occur until resources that have been received in advance are earned.

The following is a summary of deferred inflows of resources and unearned revenue by fund at June 30, 2024:

	Unavailable Revenue	Unearned Revenue
Deferred Inflows of Resources:		
General Fund - Property Taxes	$6,014,095	
Debt Service Fund - Property Taxes	2,708,804	
Unearned Revenue:		
General Fund - Advance Funding	5,471	
Non-Major Other Governmental Funds - Advance Funding		1,510,700
Total	$8,728,370	$1,510,700

Note 8 - Long-Term Liabilities

The District's long-term liabilities consist of bond indebtedness, leases, subscription-based technology arrangements, accrued compensated absences, and workers' compensation liability. Bonds are payable solely from future revenues of the Debt Service Fund which consist principally of property taxes collected by the District, state funding, and investment income. Lease obligations are payable from the General Fund and non-major governmental funds. The same governmental funds used to pay the employee's salary are used to liquidate the liability for accrued compensated absences. These funds have included the General Fund and the Child Nutrition Fund. Workers' compensation claim liabilities are generally liquidated by the General Fund in the current and prior year.

Changes in Long-term Liabilities

The following is a summary of the long-term liability activity of the District for the fiscal year ended June 30, 2024:

	Balance 7/1/2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
General obligation bonds	$892,170,000		($36,720,000)	$855,450,000	$44,385,000
Premium from sale of bonds	99,292,429		(4,931,916)	94,360,513	
Total bonds payable	991,462,429		(41,651,916)	949,810,513	44,385,000
Leases	208,925	502,497	(176,925)	534,497	245,063
Subscription Based Information Technology Arrangements	696,838		(619,699)	77,139	77,139
Accrued compensated absences	1,454,053	664,255	(628,024)	1,490,284	846,613
Workers' compensation claims	1,501,374	802,415	(815,241)	1,488,548	781,199
Medical insurance claims	3,106,785	34,644,383	(33,646,628)	4,104,540	4,104,540
Total long-term liabilities	$998,430,404	$36,613,550	($77,538,433)	$957,505,521	$50,439,554

The District's net pension liability as of June 30, 2024 was $189,688,736, which is an increase of $50,186,751 from the District's June 30, 2023 net pension liability of $139,501,985.
The District's net OPEB liability as of June 30, 2024 was $70,347,833, which was a decrease of $3,697,327 from the District's June 30, 2023 net OPEB liability of $74,045,160.

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction, acquisition, and equipment of school buildings, including safety, security, and technology improvements, for the purchase of necessary sites for school buildings, for the purchase of new school buses, and for refunding outstanding bonds of the District. These bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds, term bonds, and/or serial bonds with various amounts of principal maturing each year. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures.

General obligation bonds payable at June 30, 2024, are summarized as follows:

Series	Maturing Through	Interest Rates (%)	Original Issuance	Outstanding Balance
2014 Ref	2030	3.250 - 5.000	$76,865,000	$55,655,000
2015 Ref	2033	4.000 - 5.000	136,870,000	88,280,000
2016 Ref	2034	3.500 - 5.000	80,120,000	53,670,000
2017	2042	4.000 - 5.000	198,715,000	170,150,000
2017A Ref	2029	3.000 - 5.000	53,615,000	53,615,000
2018 Ref	2033	4.000 - 5.000	10,385,000	5,785,000
2019	2043	4.000 - 5.000	98,070,000	90,810,000
2020 Ref	2026	5.000	29,425,000	14,690,000
2021 Ref	2027	5.000	8,795,000	6,170,000
2021A Ref	2028	.980 - 5.000	26,795,000	23,165,000
2023	2052	4.000 - 5.000	293,460,000	293,460,000
			$1,013,115,000	$855,450,000

On November 8, 2022, the District's voters authorized the issuance of general obligation bonds under three separate propositions totaling $850,000,000. As of June 30, 2024 $550,000,000 of the 2022 bond authorization remains unissued.

Election	Purpose	Amount Voted	Unissued
Proposition A	Construction, acquisition, and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses, and safety and security	$681,000,000	$441,000,000
Proposition B	Education and performance center	$141,000,000	$91,000,000
Proposition C	Acquisition or update of District technology equipment, systems and infrastructure, including laptops, personal computing devices and software to integrate and implement such technology	$28,000,000	$18,000,000
Total		$850,000,000	$550,000,000

Principal and interest payments on general obligation bonds payable at June 30, 2024, are summarized as follows:

Year Ending June 30	Principal	Interest	Total
2025	$44,385,000	$38,171,388	$82,556,388
2026	46,410,000	36,098,884	82,508,884
2027	48,530,000	33,820,847	82,350,847
2028	50,840,000	31,443,478	82,283,478
2029	51,610,000	29,015,129	80,625,129
2030-2034	210,195,000	112,217,200	322,412,200
2035-2039	126,695,000	75,701,900	202,396,900
2040-2044	137,610,000	44,778,325	182,388,325
2045-2049	70,595,000	22,185,775	92,780,775
2050-2053	68,580,000	5,620,800	74,200,800
Total	$855,450,000	$429,053,726	$1,284,503,726

In accordance with the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Rebatable arbitrage is the excess of the amount earned on investments purchased with bond proceeds over the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. Rebatable arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary of the bond issue and upon final redemption of all outstanding bonds of the issue. The District has estimated that it has no arbitrage liability as of June 30, 2024.

Unspent Bond Proceeds

Bond Status by Series	Total Proceeds Received	Proceeds Spent	Unspent Proceeds
Series 2017	$225,000,000	$224,690,206	$309,794
Series 2019	105,000,000	104,946,958	53,042
Series 2023	300,000,000	30,978,931	269,021,069
Total	$630,000,000	$360,616,095	$269,383,905

Does not include refundings. Proceeds received and proceeds spent do not include interest earned on the proceeds.

Note 9 - Revenues from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects	Non-Major Other Governmental Funds	Total Governmental Funds
Property taxes	$118,454,321	$82,053,318			$200,507,639
Penalty & interest	989,817	535,004			1,524,821
Tuition and fees	120,781			$16,202	136,983
Earnings on investments	3,949,068	4,217,041	$15,788,956	590,483	24,545,548
Food sales				1,212,542	1,212,542
Other local	2,500,161			3,357,640	5,857,801
Total	$126,014,148	$86,805,363	$15,788,956	$5,176,867	$233,785,334

Note 10 - Risk Management

Property, Casualty and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of property; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

Health Insurance Fund

Beginning September 2022, the only health insurance plan available to District employees was the District sponsored self-funded plan to provide health care benefits to employees and their dependents. The plan was administered by a third party. The District was protected against catastrophic individual or aggregate loss through stop-loss coverage carried through an insurance carrier.

Premiums are paid into an internal service fund and are available to pay claims and administrative costs of the program. These interfund premiums are reported as revenues in the internal service fund.

Estimates of claims payable and of claims incurred but not reported as of June 30, 2024, are reflected as claims payable of the fund. These estimates were determined based on claims information supplied by the claims administrator. The plan is funded to discharge liabilities as they become due.

The following is a summary of the changes in the claims payable for the health insurance internal service fund for fiscal year 2024:

Fiscal Year	Beginning of Fiscal Year Claims Payable	Current Year Claims	Claims Payments	Balance at Fiscal Year End	Portion of Balance Due and Payable at Year End
2024	$3,106,785	$34,644,383	$33,646,628	$4,104,540	$4,104,540
2023	$1,266,168	$31,013,990	$29,173,373	$3,106,785	$3,106,785

Workers' Compensation

The District established a self-insured risk management program for workers' compensation. Transactions related to the plan are accounted for in the General Fund. Claims administration, loss control, and consultant services are provided by a third-party administrator. Liabilities that are considered due and payable as of June 30, 2024, are included in the governmental funds financial statements. Liabilities also include an estimated amount for claims that have been incurred but not yet reported, which was determined based on the District's historical claims experience and an estimate of the remaining liability for known claims. This estimated amount is accounted for in the government-wide financial statements as a long-term liability. An excess coverage insurance policy provides coverage in excess of $450,000 per occurrence for workers' compensation injuries. It also provides coverage in excess of $450,000 per employee for occupational disease claims, if they should arise. There were no significant reductions in insurance coverage from the prior year. The amount of settlements has not exceeded insurance coverage in each of the past three fiscal years. The following is a summary of the changes in workers' compensation claims payable for fiscal years 2023 and 2024:

Fiscal Year	Beginning of Fiscal Year Claims Payable	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End	Portion of Balance Due and Payable at Year End
2024	$1,501,374	$802,415	$815,241	$1,488,548	$781,199
2023	$1,441,131	$711,338	$651,095	$1,501,374	$961,934

Note 11 - PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx, selecting About TRS then Publications then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

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 will be paid in January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS

Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 through 2025.

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

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

	Fiscal Year 2024 Contributions
Employer (District)	$13,602,493
Employee (Member)	$23,532,140
Non-employer Contributing Entity On-behalf Contributions (State)	$14,059,870

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025.

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

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the total pension liability to August 31, 2023. The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the four year period ending August 31, 2021 and were adopted in July 2022.

Valuation Date	August 31, 2022, rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2020	4.13% The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2122
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022. For a full description of these assumptions please see the actuarial valuation report dated November 22, 2022.

<u>Discount Rate</u>

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative 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 of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions the pension plan's fiduciary net position was projected to be available to make all 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 rate of return on pension plan investments is 7.00 percent.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2023 are summarized on the next page:

Asset Class	Target Allocation [2] %	Long-Term Expected Geometric Real Rate of Return [3]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.A.	18.00%	4.00%	1.00%
Non-U.S. Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity [1]	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return [1]		3.60%	
Stable Value Hedge Funds	5.00%	4.10%	0.20%
Real Return			
Real Estate	15.00%	4.90%	1.10%
Energy, Natural Resources and Infrastructure	6.00%	4.80%	0.40%
Commodities		4.40%	
Risk Parity	8.00%	4.50%	0.40%
Asset Allocation Leverage			
Cash	2.00%	3.70%	
Asset Allocation Leverage	-6.00%	4.40%	-0.10%
Inflation Expectation			2.30%
Volatility Drag [4]			-0.90%
Expected Return	100.00%		8.00%

[1] *Absolute Return includes Credit Sensitive Investments.*

[2] *Target allocations are based on the fiscal year 2023 policy model.*

[3] *Capital Market Assumptions come from Aon Hewitt as of August 31, 2023.*

[4] *The volatility drag results from the conversion between arithmetic and geometric mean returns.*

Changes 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.

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	$283,595,165	$189,688,736	$111,605,489

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

On June 30, 2024, the District reported a liability of $189,688,736 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$189,688,736
State's proportionate share of the net pension liability associated with the District	170,786,330
Total	$360,475,066

The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

On August 31, 2023, the District's proportion of the collective net pension liability was 0.2762% which was an increase of 0.0412% from its proportion measured as of August 31, 2022.

For the year ended June 30, 2024, the District recognized pension expense of $35,796,440. The District also recognized on-behalf revenue and expense of $25,787,258 for support provided by the State.

On June 30, 2024, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$6,758,674	($2,296,923)
Changes of assumption	17,940,839	(4,390,532)
Net difference between projected and actual earnings on pension plan investments	27,604,315	
Changes in proportion and differences between District contributions and proportionate share of contributions	23,196,108	(3,030,378)
District Contributions subsequent to the measurement date	11,143,743	
Total	$86,643,679	($9,717,833)

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of $11,143,743 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Pension Expense
2025	$13,381,374
2026	10,043,603
2027	28,111,918
2028	11,322,034
2029	2,923,177
	$65,782,106

The District will continue to make the required pension contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net Pension Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. The General Fund and Special Revenue Funds typically liquidate the net pension liability.

Note 12 – Defined Other Post-Employment Benefit Plans

<u>Plan Description</u>

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575. The Board of Trustees 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 Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/Pages/about_publications.aspx, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension system.

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.

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

	TRS-Care Monthly Premium Rates	
Retiree Type	Medicare	Non-Medicare
Retiree or 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 participating employers based on active employee compensation. 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 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act.

The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates Plan Fiscal Year Ending August 31, 2024	2023
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
District	0.75%	0.75%
Federal/private funding remitted by District	1.25%	1.25%

	Fiscal Year 2024 Contributions
Employer (District)	$2,807,003
Employee (Member)	$1,864,407
Non-employer Contributing Entity On-behalf Contributions (State)	$4,541,453

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 employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of $535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $21.3 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.

Actuarial Assumptions

The actuarial valuation 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. In addition to the Demographic assumptions; salary increases, inflation rates used for members of TRS are identical to the assumptions employed in the August 31, 2023 TRS annual pension actuarial valuation.

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). 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 percent for Medicare retirees and 7.00 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 7.75 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2022, rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	4.13% as of August 31, 2023
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Healthcare Trend Rates	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.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

<u>Discount Rate</u>

A single discount rate of 4.13 percent was used to measure the total OPEB liability. This was an increase of 0.22 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate. The single discount rate changed from 3.91 percent as of August 31, 2022 to 4.13 percent, as of August 31, 2023. This change decreased the Total OPEB Liability. The following presents the Net OPEB Liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 3.13 percent or one percentage point higher, 5.13 percent, than the AA/Aa 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."

Discount Rate Sensitivity Analysis

Discount Rate – The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage lower than and 1 percentage higher than the discount rate that was used (4.13%) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease (3.13%)	Current Rate (4.13%)	1% Increase (5.13%)
District's proportional share of the Net OPEB liability:	$82,855,099	$70,347,833	$60,141,608

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

On June 30, 2024, the District reported a liability of $70,347,833 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$70,347,833
State's proportionate share that is associated with the District	84,885,473
Total	$155,233,306

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 thru August 31, 2023.

On August 31, 2023, the District's proportion of the collective Net OPEB Liability was 0.3178% which was an increase of 0.0086% from its proportion measured as of August 31, 2022.

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

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
District's proportional share of the Net OPEB liability:	$57,927,920	$70,347,833	$86,326,094

Changes Since the Prior Actuarial Valuation

The single discount rate changed from 3.91 percent as of August 31, 2022 to 4.13 percent, as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study. This change decreased the Total OPEB Liability.

Change in Benefit Terms Since Prior Measurement Date

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

For the year ended June 30, 2024, the District recognized negative OPEB expense of $11,328,027 and an additional negative on-behalf expense and revenue of $18,146,722 for support provided by the State.

On June 30, 2024, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	$3,182,706	($59,184,376)
Changes of assumption	9,601,966	(43,075,844)
Net difference between projected and actual earnings on OPEB plan investments	30,394	
Changes in proportion and differences between the District contributions and proportionate share of contributions	18,801,230	(3,635,240)
District contributions subsequent to the measurement date	2,313,064	
Total	$33,929,360	($105,895,460)

The $2,313,064 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	OPEB Expense Amount
2025	($17,183,358)
2026	(13,956,822)
2027	(9,588,656)
2028	(11,800,745)
2029	(9,873,511)
Thereafter	(11,876,072)
	($74,279,164)

The District will continue to make the required OPEB contributions based on the staturorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net OPEB Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. The General Fund and Special Revenue Funds typically liquidate the net OPEB liability.

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective. January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2024, 2023, and 2022, the subsidy payments received by TRS-Care on-behalf of the District were $1,593,111, $1,479,068, and $834,882, respectively. The information for the year ended June 30, 2024 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Fiscal Year	Medicare Part D
2024	$1,593,111
2023	$1,479,068
2022	$834,882

Note 13 - Shared Services Arrangement

The District participates in the North Harris County Regional Day School Program for the Deaf shared services arrangement with Aldine Independent School District. The District only pays for services provided to students that are not enrolled in the Regional Day School for the Deaf. The costs associated with these services vary based on need. Total costs paid to Aldine Independent School District for evaluation and admission, review, and dismissal (ARD) services for non-enrolled students totaled $562,347 for the year ended June 30, 2024.

Note 14 - Commitments and Contingencies

The District received significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies and the TEA. Any disallowed claims resulting from such audits would become a liability of the General Fund. However, in the opinion of management, potential disallowed claims, if any, would not have a material effect on the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2024.

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

Note 15 - Subsequent Events

Series 2024A School Building Bonds

In September 2024, the District utilized $18,000,000 of the November 8, 2022 bond authorization under Proposition C through new debt issuance of $16,895,000 Unlimited Tax School Building Bonds, Series 2024A. The bonds will be used to pay for the acquisition or update of District technology equipment, systems and infrastructure, including laptops and personal computing devices.

Series 2024B Refunding Bonds

In September 2024, the District issued $41,130,000 in Unlimited Tax Refunding Bonds, Series 2024B. The proceeds from the sale of the Bonds, along with the District contribution of $2,715,975, were used to refund $46,885,000 of the outstanding Unlimited Tax Refunding Bonds, Series 2014. As a result of this refunding, the District reduced its future debt service payments by $6,886,275 and realized an economic gain of $6,223,694 (difference between the present value of the debt service payments on the old debt and the new debt) or $3,507,719 less the District contribution.

APPENDIX E
THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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	-	-	-	-	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.

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.

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	-	-
US 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.

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

Investment Type	As of 8-31-24		
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 <u>less</u> the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population <u>prior to</u> the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.86% 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.

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	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)	No. 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.

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

[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.