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

PRELIMINARY OFFICIAL STATEMENT
Dated: December 23, 2024

NEW ISSUE: BOOK-ENTRY-ONLY
In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds (see "TAX MATTERS" herein).

$588,815,000*
CONROE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Montgomery County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

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

The Conroe Independent School District (the "District") is issuing its $588,815,000* Unlimited Tax School Building Bonds, Series 2025 (the "Bonds,") in accordance with the Constitution and general laws of the State of Texas (the "State"). The Bonds are authorized by Chapter 45, Texas Education Code; Chapter 1371, Texas Government Code; an election held in and for the District on November 7, 2023 (the "Election"); and a bond order (the "Bond Order") approved by the Board of Trustees of the District (the "Board") on September 17, 2024. In the Bond Order, the Board delegated to the District's Superintendent or Chief Financial Officer (each a "Pricing Officer") the authority to complete the sale of the Bonds. The terms of sale will be included in a pricing certificate (the "Pricing Certificate"), which will be approved and executed by a Pricing Officer (the Bond Order and the Pricing Certificate are collectively referred to 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 limit as to rate or amount, against all taxable property located within the District. **An application has been filed by the District with, and conditional approval has been received from, the Texas Education Agency for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D").**

Interest on the Bonds will accrue from the date of their initial delivery ("Delivery Date") to the underwriters named below (the "Underwriters"), and will be payable on August 15, 2025, and semiannually thereafter on each succeeding February 15 and August 15 until stated maturity or prior redemption. 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 Bonds maturing on and after February 15, 2036*, are subject to redemption prior to maturity at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035*, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Optional Redemption"). If two or more consecutive maturities are combined to create one or more term bonds (the "Term Bonds"), such Term Bonds will additionally be subject to mandatory sinking fund redemption as provided herein (see "THE BONDS – Mandatory Sinking Fund Redemption for the Bonds").

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., Dallas, Texas, 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 for (i) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, and the purchase of new school buses, including new schools, campus additions, campus renovations and infrastructure, safety, transportation and technology improvements; (ii) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and upgrading of technology devices and instructional technology; (iii) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement, and equipment of school buildings in the District, including physical education classrooms/elementary gymnasiums and career and technical education agricultural barns (iv) capitalized interest; and (v) to pay the costs of issuance related to the Bonds (see "THE BONDS – Purpose").

CUSIP PREFIX: 208418 / MATURITY, PRINCIPAL AMOUNT, INTEREST RATE, INITIAL YIELD & 9 DIGIT CUSIP –
See Maturity Schedule on Page ii

The Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Houston, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about February 4, 2025.

PIPER SANDLER & CO. **RAYMOND JAMES**
BAIRD **CREWS & ASSOCIATES**
HILLTOPSECURITIES **MESIROW FINANCIAL, INC.**

* Preliminary, subject to change.

MATURITY SCHEDULE*

$588,815,000* Unlimited Tax School Building Bonds, Series 2025

Maturity Date (2/15) (a)	Principal Amount*	Interest Rate	Initial Yield (b)	CUSIP No. 208418 (c)	Maturity Date (2/15) (a)	Principal Amount*	Interest Rate	Initial Yield (b)	CUSIP No. 208418 (c)
2026	$ 1,790,000	%	%		2039	$32,835,000	%	%	
2027	475,000				2040	29,200,000			
2028	450,000				2041	30,700,000			
2029	475,000				2042	35,705,000			
2030	495,000				2043	37,545,000			
2031	6,050,000				2044	39,465,000			
2032	6,360,000				2045	41,490,000			
2033	6,690,000				2046	43,390,000			
2034	7,030,000				2047	45,170,000			
2035	7,390,000				2048	47,015,000			
2036	22,155,000				2049	48,925,000			
2037	23,290,000				2050	50,810,000			
2038	23,915,000								

(Interest Accrues from the Delivery Date)

* Preliminary, subject to change.

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

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

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.

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

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

None of the District, the Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its book-entry-only system described under "BOOK-ENTRY-ONLY SYSTEM" or the affairs of the TEA described under "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" or "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" as such information has been provided by DTC and TEA, respectively.

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

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

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

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	Conroe Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in Montgomery County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District, see "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and "APPENDIX B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY".
Authority for Issuance	The District's Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State. The Bonds are being issued for school building purposes and are authorized by Chapter 45, Texas Education Code; Chapter 1371, Texas Government Code; an election held in and for the District on November 7, 2023 (the "Election"); and a bond order (the "Bond Order") approved by the Board on September 17, 2024. In the Bond Order, the Board delegated to the District's Superintendent or Chief Financial Officer (each a "Pricing Officer") the authority to complete the sale of the Bonds. The terms of the sale will be included in a pricing certificate for the Bonds (the "Pricing Certificate") which will be approved and executed by a Pricing Officer (the Bond Order and the Pricing Certificate are collectively referred to as the "Order") (see "THE BONDS – Authorization").
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"). The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable solely from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property within the District.
Payment of Interest	Interest on the Bonds will accrue from the date of their initial delivery and will be payable on August 15, 2025 and semiannually thereafter on each succeeding February 15 and August 15 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months (see "THE BONDS – General Description").
Security	The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District (see "THE BONDS – Security"). Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Redemption Provisions	The Bonds maturing on and after February 15, 2036*, are subject to redemption prior to maturity at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035*, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If two or more consecutive maturities are combined to create one or more term bonds (the "Term Bonds"), such Term Bonds will be subject to mandatory sinking fund redemption as provided herein (see "THE BONDS – Mandatory Sinking Fund Redemption for the Bonds").
Use of Proceeds	Proceeds from the sale of the Bonds will be used for (i) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, and the purchase of new school buses, including new schools, campus additions, campus renovations and infrastructure, safety, transportation and technology improvements; (ii) the design, construction, acquisition, rehabilitation, renovation,

* Preliminary, subject to change.

	expansion, improvement and upgrading of technology devices and instructional technology; (iii) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement, and equipment of school buildings in the District, including physical education classrooms/elementary gymnasiums and career and technical education agricultural barns (iv) capitalized interest; and (v) to pay the costs of issuance related to the Bonds (see "THE BONDS – Purpose").
Tax Exemption	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds (see "TAX MATTERS").
Ratings	Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P"), have assigned municipal bond ratings of "Aaa" and "AAA", respectively, to the Bonds based upon the guarantee of the Bonds by the Permanent School Fund of the State of Texas. Moody's and S&P generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa" and "AAA", respectively (see "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The underlying rating for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is "Aa1" by Moody's and "AA+" by S&P (see "RATINGS").
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000, or integral multiples thereof, of principal amount. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal amount of the Bonds at maturity, or amounts due upon a prior redemption date and interest with respect to the Bonds will be payable by the Paying Agent/Registrar (as defined below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. (see "THE BONDS – Paying Agent/Registrar").
Continuing Disclosure of Information	Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events which will be available to investors as described in the section captioned "CONTINUING DISCLOSURE OF INFORMATION." Also see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" for a description of the undertaking of the Texas Education Agency to provide certain information on a continuing basis.
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legality	Delivery of the Bonds is subject to, among other things, the approval by the Attorney General of Texas and the rendering of opinion as to legality by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel.

For additional information regarding the District, please contact:

Karen Garza Chief Financial Officer Conroe Independent School District 3205 West Davis Conroe, Texas 77304-2098 Phone: (936) 709-7802	or	John Robuck Managing Director BOK Financial Securities, Inc. 1401 McKinney Street, Suite 1000 Houston, Texas 77010 Phone: (713) 289-5897

CONROE INDEPENDENT SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Length of Service	Term Expires November	Occupation
Misty Odenweller President	2 Years	2026	Small Business Owner
Tiffany Baumann Nelson First Vice President	2 Years	2026	Executive Director of Keep US Fed Montgomery County
Melissa Dungan Second Vice President	2 Years	2026	Environmental Compliance, NTG Environmental
Lindsay Dawson Secretary	(a)	2028	Founder and CEO of uThrive Academy
Marianne Horton Assistant Secretary	(a)	2028	Freelance Writer, Photographer and Substitute Teacher
Melissa Semmler Trustee	(a)	2028	Adjunct Professor
Nicole May Trustee	(a)	2028	Founder, MOCO Dyslexia Partnership

(a) Elected on November 5, 2024.

CERTAIN DISTRICT OFFICIALS

Name	Position	Length of Service with District
Dr. Curtis Null	Superintendent of Schools	22 Years (a)
Dr. Bethany Medford	Deputy Superintendent of Schools	20 Years
Dr. Shellie Winkler	Assistant Superintendent for Elementary Schools	24 Years
Dr. Jeffrey Stichler	Assistant Superintendent for Middle Schools	25 Years
Dr. Christopher Povich	Assistant Superintendent for High Schools	27 Years
Dr. Hedith Sauceda-Upshaw	Assistant Superintendent for Teaching and Learning	25 Years
Dr. Tamika Taylor	Assistant Superintendent of Student Support Services	18 Years
Chris McCord	Assistant Superintendent of Operations	26 Years
Carrie Galatas	General Counsel	27 Years
Karen Garza	Chief Financial Officer	18 Years

(a) Six years in current position.

CONSULTANTS AND ADVISORS

Auditor .... Weaver and Tidwell, L.L.P.
Houston, Texas

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

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

PRELIMINARY OFFICIAL STATEMENT RELATING TO

CONROE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Montgomery County, Texas)

$588,815,000*
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

INTRODUCTORY STATEMENT

General

This Official Statement, including Appendices A, B and D, has been prepared by the Conroe Independent School District (the "District"), located in Montgomery County, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2025 (the "Bonds").

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

There follows in this Official Statement descriptions of the Bonds and the Order (as defined herein), and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the District's Financial Advisor, BOK Financial Securities, Inc., 1401 McKinney Street, Suite 1000, Houston, Texas 77010.

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

THE BONDS

Authorization

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"). The Bonds are authorized by Chapter 45, Texas Education Code; Chapter 1371, Texas Government Code; an election held in and for the District on November 7, 2023 (the "Election"); and a bond order (the "Bond Order") approved by the Board of Trustees of the District (the "Board") on September 17, 2024. In the Bond Order, the Board delegated to the District's Superintendent or Chief Financial Officer (each a "Pricing Officer") the authority to complete the sale of the Bonds. The terms of the sale will be included in a pricing certificate for the Bonds (the "Pricing Certificate"), which will be approved and executed by a Pricing Officer (the Bond Order and the Pricing Certificate are collectively referred to as the "Order"). Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

Purpose

Proceeds from the sale of the Bonds will be used for (i) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, and the purchase of new school buses, including new schools, campus additions, campus renovations and infrastructure, safety, transportation and technology improvements; (ii) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement and upgrading of technology devices and instructional technology; (iii) the design, construction, acquisition, rehabilitation, renovation, expansion, improvement, and equipment of school buildings in the District, including physical education classrooms/elementary gymnasiums and career and technical education agricultural barns (iv) capitalized interest; and (v) to pay the costs of issuance related to the Bonds.

General Description

The Bonds will accrue interest from the date of their initial delivery (the "Delivery Date") to the Underwriters, and such interest is payable on February 15 and August 15 in each year, commencing August 15, 2025, until maturity or prior redemption. Interest 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").

---
* Preliminary, subject to change.

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. Principal amount of the Bonds at maturity or amounts due upon a prior redemption date and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" for a more complete description of such system.

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

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 limit as to rate or amount, on all taxable property within the District, as provided in the Order. Additionally, the District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM").

Permanent School Fund Guarantee

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

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

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 amount for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment

The record date ("Record Date") for determining the person to whom the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date. In the event of a nonpayment of interest on a scheduled payment date that continues for 30 days or more 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 or on behalf of 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.

Optional Redemption*

The Bonds maturing on and after February 15, 2036* are subject to redemption prior to maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035* or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds or portions thereof within a maturity, to be redeemed.

Mandatory Sinking Fund Redemption*

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on page ii hereof are combined to create one or more term Bonds (the "Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Bond and continuing on February 15 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on page ii hereof.

Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed. The principal amount of the Term Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions of the Order and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption

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

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

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

* Preliminary, subject to change.

Legality

The Bonds are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel (see "LEGAL MATTERS" and "APPENDIX C – FORM OF LEGAL OPINION OF BOND COUNSEL").

Payment Record

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

Defeasance of Bonds*

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

Sources and Uses of Funds

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

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

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

Future Borrowing

At an election held on November 7, 2023, voters in the District approved $1,972,877,000 in school building bonds. After the sale of the Bonds, the District will have $777,877,000* of voter authorized but unissued bonds. Depending on the rate of development within the District, changes in assessed valuation, and the amounts, interest rates, maturities and the timing of issuance of any additional bonds, increases in the District's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on the District's outstanding bonds, the Bonds, and any such future bonds.

Other Borrowing

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

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

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

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

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

* Preliminary, subject to change.

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

Redemption proceeds, principal amounts and interest payments 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.

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.

REGISTERED OWNERS' REMEDIES

The Order does not provide for the appointment of a trustee to represent the interests of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

Chapter 1371, Texas Government Code ("Chapter 1371"), which forms part of the authority for the issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. However, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages beyond Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants.

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

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

LEGAL MATTERS

The District will furnish to the Underwriters a complete transcript of the proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State 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 Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel in substantially the form attached hereto as APPENDIX C.

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

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

TAX MATTERS

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

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

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

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

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

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

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

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

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the public school finance system (the "Finance System") as it is currently structured. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

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

2023 Legislative Sessions

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

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

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

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

Local Funding for School Districts

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

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

Maximum Compressed Tax Rate. The "Maximum Compressed Tax Rate" or the "MCR" is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year's MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2023-2024 school year, the Legislature reduced the maximum MCR, establishing $0.6880 as the maximum rate and $0.6192 as the floor. For the 2024-2025 school year, $0.6855 was established as the maximum tax rate and $0.6169 as the floor.

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

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

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

State Funding for School Districts

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

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

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

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

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

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

The fast growth allotment weights are 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to $315 million for the 2023-2024 school year and $320 million for the 2024-2025 school year.

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of $126.21 per student in WADA in 2024 and $129.52 per student in WADA in 2025 for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of $49.28 per student in WADA for each

Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

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

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

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

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

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

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

Local Revenue Level in Excess of Entitlement

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

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2024-2025 school year, the District has been designated as an "excess local revenue" district by the TEA. In accordance with Chapter 49, the District has entered into an agreement to purchase attendance credits. However, the District is not subject to an obligation to make recapture payments.

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

If the District were to consolidate (or consolidate its tax base for all purposes) with a district not designated as an excess local revenue district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of an annexing district (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein).

Although the Legislature set aside approximately $4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions, the Legislature did not take action on such funding during the 2023 Legislative Sessions. Recent Legislative changes affecting the rate of compression and property tax exemptions applicable to school districts have resulted in the State becoming responsible for a larger percentage of school funding (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions"). The Legislature did not increase the basic allotment during the 2023 Legislative Sessions. For a detailed discussion of State funding for school districts see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM". The District's 2024-2025 budget includes an approximately $11.9 million deficit. However, based on enrollment growth, the District does not currently expect to realize the full amount of the budgeted deficit. The District will utilize fund balance to address any shortfall. See "APPENDIX A – Financial Information Regarding the District – Table 11 – Comparative Statement of General Revenues and Expenditures."

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

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

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

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

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $100,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

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

State Mandated Freeze on School District Taxes

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

The total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is elderly or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the maximum compressed rate of the maintenance and operations taxes imposed for those purposes on the homestead.

Personal Property

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

Freeport and Goods-in-Transit Exemptions

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). During the Regular Session of the 88th Texas Legislature, House Bill 5 ("HB 5") was enacted into law. HB 5 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 HB 5, 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. HB 5 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 HB 5. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as non-renewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements. The District is still in the process of reviewing HB 5 and cannot make any representations as to what impact, if any, HB 5 will have on its finances or operations.

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $59,562,331 for the 2024 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

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 Montgomery County. The Appraisal District is governed by a board of directors appointed by voters of the governing bodies of various political subdivisions in Montgomery County. The District's taxes are collected by the Montgomery County Tax Assessor-Collector (see "AD VALOREM TAX PROCEDURES – Valuation of Taxable Property").

The District grants a $5,000 local option, additional exemption for persons who are 65 years of age or older and disabled persons above the amount of the State-mandated exemption.

The District has not granted a local option, additional exemption of up to 20% of the market value of residence homesteads.

The District does not tax non-business personal property.

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

The District does exempt Freeport Property from taxation.

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

The District is not currently a participant in any TIRZ.

The District is not currently a participant in any tax abatement or tax limitation agreements.

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

Split payments of taxes are not permitted. Discounts for the early payment of taxes are not permitted.

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 May 25, 1963 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

I&S Tax Rate Limitations

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, Texas Education Code, as amended ("Section 45.0031"), 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 district voters 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 reduce 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. The District is required to deposit any State allotments provided solely for payment of debt service into the District's interest and sinking fund upon receipt of such amounts. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code (except refunding bonds issued to refund commercial paper notes), are not subject to the $0.50 tax rate 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 $0.50 threshold tax rate test when applied to subsequent bond issues. 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 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. **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.** The District has not used projected property values or State assistance (other than EDA or IFA allotment funding) to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

RATINGS

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

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the view of such organization and the District makes no representation as to the appropriateness of the ratings. A securities rating is not a recommendation to buy, sell or hold securities. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such rating company, circumstances so warrant.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

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

Legal Investments

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

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

Investment Policies

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

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

Additional Provisions

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

Current Investments

As of August 31, 2024 (Unaudited), the District's investable funds were invested in the following investment instruments:

Investment Instrument	Book Value	Percentage
Agency	$ 32,379,521	3.86%
Money Market	80,580,280	9.60
Investment Pools	706,335,842	84.15
Municipal Bonds	1,000,000	6.12
Commercial Paper	19,102,169	2.28
Total	$839,397,812	**100.00%**

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ended August 31, 2024 the State contributed $40,115,721 to TRS on behalf of the District, District employees paid $44,260,896 and other contributions into the plan made from federal and private grants and the District for salaries above the statutory minimum were $13,611,037. For more detailed information concerning the Plan, see Note 13 to the District's audited financial statements for the fiscal year ended August 31, 2023, attached hereto as APPENDIX E.

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

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit post-employment health care plan. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with TRS-Care, see Note 14 to the District's audited financial statements for the fiscal year ended August 31, 2023, attached hereto as APPENDIX E.

In June 2015, GASB Statement No. 75 (*Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* – which supersedes GASB Statement No. 45) ("GASB 75") was issued to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions ("OPEB"). GASB 75 requires reporting entities, such as the District, to recognize their proportionate share of the net OPEB liability in the TRS-Care Plan and a deferred outflow for the contributions made by the District subsequent to the measurement date in the Statement of Net Position, a government-wide financial statement. The changes related to OPEB in the Statement of Net Position to implement GASB 75 are reflected in the Statement of Activities, a government-wide financial statement. The changes related to the OPEB affect only the government-wide financial statements and do not affect the General Fund balance. The calculation of OPEB contributions is unaffected by the change. Such reporting began with the District's fiscal year ended August 31, 2018. To date, the District has met all funding requirements of the TRS-Care Plan.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rule Making Board ("MSRB").

Annual Reports

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

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

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

Notices of Certain Events

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

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

The term “financial obligation” shall mean, for purposes of the events in clauses (15) and (16) a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The District intends the words used in clauses (15) and (16) and the definition of financial obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the “2018 Release”) and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Availability of Information from MSRB

The District has agreed to provide the information only to the MSRB, accompanied by identifying information and in an electronic format, as prescribed by the MSRB. The MSRB has prescribed that such information must be filed with the MSRB pursuant to its EMMA system. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District’s duties under federal or state securities laws.

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

Compliance with Prior Undertakings

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

SEVERE WEATHER EVENTS

The District is located near the Texas Gulf Coast. Land located in this area is susceptible to, and land in the District has experienced on several occasions in the last five years, high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a future weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District’s tax rate. Further, Texas law allows school districts to increase property tax rates without voter approval upon the occurrence of certain natural 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. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

EXPOSURE TO OIL AND GAS INDUSTRY

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

CYBERSECURITY

The District, like other school districts in the State, utilizes technology in conducting its operations. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the District may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the District. The District employs a multi-layered approach to combating cybersecurity threats. While the District deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the District's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings.

LITIGATION

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

FINANCIAL ADVISOR

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

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering price to the public, as shown on page ii hereof, plus a [net] premium of $__________, less an underwriting discount of $____________. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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

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

The report of Weaver and Tidwell, L.L.P. relating to District's financial statements for the fiscal year ended August 31, 2023 is included in this Official Statement in APPENDIX E; however, Weaver and Tidwell, L.L.P. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement. The District currently expects to receive its audited financial statements for the fiscal year ended August 31, 2024 in mid-January, 2025. Once accepted by the Board the District expects to post the Financial Statements to EMMA in accordance with its existing continuing disclosure undertakings.

CONCLUDING STATEMENT

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

MISCELLANEOUS

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

/s/ ______________________________
President, Board of Trustees
Conroe Independent School District

ATTEST:

/s/ ______________________________
Secretary, Board of Trustees
Conroe Independent School District

APPENDIX A
FINANCIAL INFORMATION REGARDING THE DISTRICT

Table 1
SELECTED FINANCIAL INFORMATION

2024 Certified Taxable Assessed Valuation (100% of market value as of January 1, 2024)	$	55,452,574,579 (a)(b)
Direct Debt:		
Outstanding Bonds (as of January 1, 2025)	$	2,004,715,000
Plus: The Bonds		588,815,000 *
Total Direct Debt	$	2,593,530,000 *
Estimated Overlapping Debt	$	2,057,849,890
Total Direct and Estimated Overlapping Debt	$	4,651,379,890 *
Debt Service Fund Balance (as of August 31, 2024)	$	23,796,603 (c)

Debt Ratios: (d)	% of 2024 Certified Taxable Assessed Valuation	Estimated Population (405,859)	Enrollment (75,500)
Direct Tax Supported Debt	4.68%	$6,390	$34,351
Direct Tax Supported and Estimated Overlapping Debt	8.39%	$11,461	$61,608

Estimated Debt Service Requirements:		
Average (Fiscal Years 2025-2050)	$	157,589,266 (d)
Maximum (Fiscal Year 2025)	$	184,364,358 (d)
Tax Collections:		
Arithmetic Average, Tax Years (2019-2023) - Current Years		99.20%
- Current and Prior Years		100.08%

---

* Preliminary, subject to change.

(a) Certified values provided by the Montgomery Central Appraisal District (the "Appraisal District"). See "AD VALOREM TAX PROCEDURES."

(b) Value includes the application of a $100,000 state-mandated general homestead exemption.

(c) Unaudited, as of August 31, 2024. The unaudited information has not been prepared or reviewed by the District's independent auditor. The unaudited information is derived from internal account balances of the District as calculated by the District. The unaudited information is subject to revision upon completion of the District's annual audit.

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

Table 2
ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

Taxing Jurisdiction	Gross Tax Debt as of December 1, 2024	Overlapping Percent	Overlapping Amount
Conroe MUD # 1	$ 25,035,000	88.43%	$ 22,138,451
Conroe MMD # 1	96,495,000	100.00%	96,495,000
Conroe, City of	520,665,000	74.87%	389,821,886
East Plantation UD	4,850,000	100.00%	4,850,000
Lone Star College Sys	507,100,000	17.74%	89,959,540
Montgomery Co	417,980,000	58.36%	243,933,128
Montgomery Co DD # 10	14,940,000	100.00%	14,940,000
Montgomery Co MUD # 15	37,935,000	100.00%	37,935,000
Montgomery Co MUD # 36	1,260,000	100.00%	1,260,000
Montgomery Co MUD # 39	7,540,000	100.00%	7,540,000
Montgomery Co MUD # 42	14,130,000	100.00%	14,130,000
Montgomery Co MUD # 46	42,755,000	98.42%	42,079,471
Montgomery Co MUD # 47	6,865,000	99.32%	6,818,318
Montgomery Co MUD # 60	3,430,000	100.00%	3,430,000
Montgomery Co MUD # 67	13,995,000	100.00%	13,995,000
Montgomery Co MUD # 88	28,720,000	100.00%	28,720,000
Montgomery Co MUD # 89	13,955,000	100.00%	13,955,000
Montgomery Co MUD # 90	11,240,000	100.00%	11,240,000
Montgomery Co MUD # 92	18,745,000	100.00%	18,745,000
Montgomery Co MUD # 94	26,150,000	100.00%	26,150,000
Montgomery Co MUD # 95	68,980,000	100.00%	68,980,000
Montgomery Co MUD # 99	47,330,000	100.00%	47,330,000
Montgomery Co MUD # 105	76,745,000	100.00%	76,745,000
Montgomery Co MUD # 107	19,030,000	100.00%	19,030,000
Montgomery Co MUD # 111	53,005,000	100.00%	53,005,000
Montgomery Co MUD # 112	32,145,000	100.00%	32,145,000
Montgomery Co MUD # 113	118,430,000	61.22%	72,502,846
Montgomery Co MUD # 115	42,295,000	100.00%	42,295,000
Montgomery Co MUD # 119	99,355,000	100.00%	99,355,000
Montgomery Co MUD # 121	33,730,000	87.75%	29,598,075
Montgomery Co MUD # 127	28,420,000	100.00%	28,420,000
Montgomery Co MUD # 132	21,605,000	100.00%	21,605,000
Montgomery Co MUD # 138	47,895,000	63.87%	30,590,537
Montgomery Co MUD # 139	80,040,000	100.00%	80,040,000
Montgomery Co MUD # 142	8,275,000	100.00%	8,275,000
Montgomery Co MUD # 144	18,140,000	100.00%	18,140,000
Montgomery Co MUD # 145	8,095,000	100.00%	8,095,000
Montgomery Co MUD # 147	2,680,000	100.00%	2,680,000
Montgomery Co MUD # 148	5,220,000	100.00%	5,220,000
Montgomery Co MUD # 149	2,100,000	99.99%	2,099,790
Montgomery Co MUD # 152A	24,075,000	100.00%	24,075,000
Montgomery Co MUD # 164	16,110,000	100.00%	16,110,000
Montgomery Co UD # 4	14,710,000	5.53%	813,463
Montgomery WC&ID # 1	23,139,997	100.00%	23,139,997
Montgomery WC&ID # 205	7,100,000	100.00%	7,100,000
Oak Ridge N, City of	11,615,000	100.00%	11,615,000
Rayford Rd MUD	17,380,000	100.00%	17,380,000
River Plantation MUD	8,415,000	100.00%	8,415,000
Shenandoah, City of	14,549,000	100.00%	14,549,000
Southern Montg Co MUD	7,085,000	100.00%	7,085,000
Spring Creek UD	52,700,000	100.00%	52,700,000
Texas National MUD	5,955,000	7.86%	468,063
The Woodlands Metro Ctr MUD	5,805,000	100.00%	5,805,000
The Woodlands RUD # 1	19,715,000	98.76%	19,470,534
The Woodlands Township	17,775,000	83.47%	14,836,793
TOTAL ESTIMATED OVERLAPPING			$ 2,057,849,890
The District (a)			2,593,530,000
TOTAL DIRECT AND OVERLAPPING DEBT (a)			$ 4,651,379,890

	Direct Debt (a)	Direct and Estimated Overlapping Debt (a)
Per 2024 Certified Taxable Assessed Valuation ($55,452,574,579) (b)	4.68%	8.39%
Per Capita (405,859)	$6,390	$11,461
Per Student (75,500)	$34,351	$61,608

(a) Includes the Bonds. Preliminary, subject to change.
(b) Certified values provided by the Appraisal District.

Table 3
PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Assessed Valuation (a)	Tax Rate Per $100 of Assessed Valuation	Adjusted Tax Levy	% of Collections: Current Year	% of Collections: Current and Prior Years (b)	Fiscal Year Ending 8-31
2014	$ 26,928,550,056	$1.2800	$ 344,685,441	99.3%	100.5%	2015
2015	29,840,409,057	1.2800	378,256,391	99.2%	100.3%	2016
2016	32,423,298,323	1.2800	412,503,483	99.2%	100.3%	2017
2017	33,799,892,825	1.2800	429,095,967	99.3%	100.0%	2018
2018	35,737,543,316	1.2800	452,854,751	99.3%	100.1%	2019
2019	38,094,894,351	1.2300	464,302,840	99.3%	99.9%	2020
2020	40,120,650,247	1.2125	481,456,997	99.1%	100.3%	2021
2021	43,115,433,624	1.1760	500,158,706	99.2%	100.3%	2022
2022	52,134,762,079	1.1146	564,675,369	99.1%	99.8%	2023
2023 (c)	54,875,597,445	0.9621	483,336,064	99.1%	100.0%	2024
2024 (c)	55,452,574,579	0.9496	526,577,648	(In Process of Collection)		2025

(a) Source: The District and the Appraisal District. Values may differ from those shown in the District's financial statement and elsewhere in this Official Statement due to subsequent adjustments.
(b) Includes penalties and interest.
(c) Value includes the application of a $100,000 state-mandated general homestead exemption.

Table 4
TAX RATE DISTRIBUTION

	2024	2023	2022	2021	2020
Maintenance (a)	$0.6696	$0.7021	$0.8546	$0.9160	$0.9525
Debt Service	0.2800	0.2600	0.2600	0.2600	0.2600
Total	$0.9496	$0.9621	$1.1146	$1.1760	$1.2125

(a) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for information regarding the legislatively-mandated compression of the District's Maintenance and Operations tax rate.

Table 5
ANALYSIS OF DELINQUENT TAXES

Tax Year	Outstanding Delinquent Taxes August 31, 2024	Adjusted Tax Levy	Percentage of Tax Levy
2023	$ 4,504,221	$ 483,336,064	0.93%
2022	2,384,658	564,675,369	0.42%
2021	1,224,251	500,158,706	0.24%
2020	950,015	481,546,997	0.20%
2019	657,497	464,302,840	0.14%
2018	583,271	452,854,751	0.13%
2017	551,260	429,095,967	0.13%
2016	582,403	412,503,483	0.14%
2015	333,064	378,256,391	0.09%
2014 & Prior	1,294,840	(a)	(a)

(a) Various levies and percentages.

Table 6
ANALYSIS OF TAX BASE

Type of Property	2024 Tax Roll (a)(b) Amount	%	2023 Tax Roll (a)(b) Amount	%	2022 Tax Roll (a) Amount	%
Residential	$ 50,075,103,003	72.51%	$ 48,642,878,387	71.78%	$ 43,445,302,041	69.94%
Vacant Lots/Tracts	1,323,218,578	1.92%	1,276,283,625	1.88%	1,296,214,787	2.09%
Acreage	524,516,905	0.76%	543,548,280	0.80%	550,483,600	0.89%
Farm & Ranch	882,772,504	1.28%	922,237,683	1.36%	931,279,652	1.50%
Commercial & Industrial	11,030,528,878	15.97%	10,705,876,707	15.80%	10,820,789,845	17.42%
Utilities	888,884,065	1.29%	759,757,280	1.12%	679,784,822	1.09%
Minerals	55,308,397	0.08%	44,973,310	0.07%	34,303,550	0.06%
Other	4,277,019,831	6.19%	4,867,413,680	7.18%	4,360,883,192	7.02%
Total A.V.	$ 69,057,352,161	100.00%	$ 67,762,968,952	100.00%	$ 62,119,041,489	100.00%
Less: Exemption	(13,604,777,582)		(12,887,371,507)		(9,984,279,410)	
Total Taxable A.V. (c)	$ 55,452,574,579		$ 54,875,597,445		$ 52,134,762,079	

(a) Source: State Property Tax Board – Report of Property Value and the Appraisal District.
(b) Value includes the application of a $100,000 state-mandated general homestead exemption.
(c) Values may differ from those shown in the District's financial statement and elsewhere in this Official Statement due to subsequent adjustments.

Table 7
HISTORICAL TOP TEN TAXPAYERS

Principal Taxpayer	Type of Property	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation
Entergy Texas Inc.	Electric Utility	$ 381,731,690	$ 338,547,690	$ 304,954,460
Woodlands Land Dev. LP	Real Estate Developers	228,051,012	242,576,124	258,768,854
HH Woodlands Tower Holding LLC	Real Estate	206,071,200	206,071,200	206,071,200
The Woodlands Mall Assoc.	Retail Mall	200,313,659	193,360,000	194,306,149
McKesson Corporation	Manufacturing	197,237,487	176,211,455	207,184,428
IMI MSW LLC	Real Estate	143,897,471	140,022,810	140,022,810
Ball Metal Container Corporation	Manufacturing	134,067,470	149,329,290	147,330,120
HH Hacket Tower Holdings LLC	Real Estate	126,126,630	126,126,630	126,126,630
HL Champion Holding Company LLC	Real Estate	115,724,040	117,149,530	117,149,530
MEPT Boardwalk Town Center LLC	Real Estate	113,000,000	(a)	(a)
BL R Owner LLC	Real Estate	(a)	113,031,150	(a)
Wal-Mart Real Estate Bus. Trst.	Retail	(a)	(a)	145,653,816
Total Ten Principal Taxpayers		$ 1,846,220,659	$ 1,802,425,879	$ 1,847,567,997
Percentage Ten Principal Taxpayers Comprise of their Respective Tax Rolls		3.33%	3.28%	3.54%

(a) Not a principal taxpayer in such tax year.

Table 8
PRO FORMA OUTSTANDING UNLIMITED TAX DEBT SERVICE

FY Ending 8-31	Current Total Debt Service	Plus: The Bonds * Principal*	Interest (a)	Total	Total Debt Service Requirements*
2025	$ 169,992,854		$ 14,371,503	$ 14,371,503	$ 184,364,358
2026	150,801,885	$ 1,790,000	27,042,900	28,832,900	179,634,785
2027	149,339,360	475,000	26,986,275	27,461,275	176,800,635
2028	149,385,110	450,000	26,963,150	27,413,150	176,798,260
2029	149,384,760	475,000	26,940,025	27,415,025	176,799,785
2030	149,389,260	495,000	26,915,775	27,410,775	176,800,035
2031	146,499,360	6,050,000	26,752,150	32,802,150	179,301,510
2032	146,501,635	6,360,000	26,441,900	32,801,900	179,303,535
2033	146,495,310	6,690,000	26,115,650	32,805,650	179,300,960
2034	146,499,660	7,030,000	25,772,650	32,802,650	179,302,310
2035	146,499,798	7,390,000	25,412,150	32,802,150	179,301,948
2036	126,823,198	22,155,000	24,673,525	46,828,525	173,651,723
2037	127,020,285	23,290,000	23,537,400	46,827,400	173,847,685
2038	125,373,468	23,915,000	22,357,275	46,272,275	171,645,743
2039	117,465,238	32,835,000	20,938,525	53,773,525	171,238,763
2040	121,724,025	29,200,000	19,387,650	48,587,650	170,311,675
2041	121,720,750	30,700,000	17,890,150	48,590,150	170,310,900
2042	113,957,338	35,705,000	16,230,025	51,935,025	165,892,363
2043	102,559,031	37,545,000	14,398,775	51,943,775	154,502,806
2044	87,558,288	39,465,000	12,473,525	51,938,525	139,496,813
2045	87,557,368	41,490,000	10,449,650	51,939,650	139,497,018
2046	79,658,943	43,390,000	8,544,600	51,934,600	131,593,543
2047	67,357,356	45,170,000	6,773,400	51,943,400	119,300,756
2048	46,307,175	47,015,000	4,929,700	51,944,700	98,251,875
2049	46,309,025	48,925,000	3,010,900	51,935,900	98,244,925
2050		50,810,000	1,016,200	51,826,200	51,826,200
Totals	$ 3,022,180,477	$ 588,815,000	$ 486,325,428	$ 1,075,140,428	$ 4,097,320,905

Estimated Average Annual Requirements (2025-2050) .... $ 157,589,266 (b)
Estimated Maximum Annual Requirement (2025) .... $ 184,364,358 (b)

---

* Preliminary, subject to change.
(a) Interest estimated at current market rates for illustrative purposes.
(b) Includes the Bonds. Preliminary, subject to change.

Table 9
AUTHORIZED BUT UNISSUED BONDS

After the sale of the Bonds, the District will have $777,877,000* of voter authorized but unissued bonds. Depending on the rate of development within the District, changes in assessed valuation, and the amounts, interest rates, maturities and the timing of issuance of any additional bonds, increases in the District's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on the District's outstanding bonds, the Bonds, and any such future bonds. In addition to unlimited tax bonds, the District may incur other financial obligations payable from its collection of taxes and other sources of revenues, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contracted obligations, delinquent tax notes and leases for various purposes payable from State appropriations and surplus maintenance taxes.

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

Date Authorized	Proposition/Purpose	Amount Authorized	Amount Issued to Date	Amount Being Issued (a)*	Authorized But Unissued
11/7/2023	A - School Building & Security	$ 1,820,000,000	$ 556,912,000	$ 558,375,000	$ 704,713,000
11/7/2023	B - Technology	40,000,000	12,300,000	9,775,000	17,925,000
11/7/2023	C - Athletic Additions & CTE	112,877,000	25,788,000	31,850,000	55,239,000
	Totals:	$ 1,972,877,000	$ 595,000,000	$ 600,000,000	$ 777,877,000

* Preliminary, subject to change.

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

Table 10
TAX ADEQUACY

Estimated Average Annual Debt Service Requirements (2025-2050)…………………………………………………	$ 157,589,266	(b)
$0.290 Tax Rate on the 2024 Certified Taxable Assessed Valuation at 98% collection produces (a)……………………………………………………………………………………….	$ 157,596,217	
Estimated Maximum Annual Debt Service Requirements (2025)……………………………………………………….	$ 184,364,358	(b)
$0.340 Tax Rate on the 2024 Certified Taxable Assessed Valuation at 98% collection produces (a)……………………………………………………………………………………….	$ 184,767,978	

* Preliminary, subject to change.

(a) Current year collections have exceeded 98% in each of the last ten years.

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

Table 11
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Year Ended August 31,				
	2024 (a)	2023	2022	2021	2020
Beginning Fund Balance – (September)	$ 163,771,549	$ 182,141,626	$ 181,095,089	$ 163,944,773	$ 140,083,042
Revenues:					
Local and Intermediate	$ 371,859,281	$ 450,597,022	$ 395,030,989	$ 384,716,660	$ 377,849,737
State Program Revenues	311,734,653	188,834,632	205,984,323	186,249,062	181,583,895
Federal Sources	4,471,914	11,434,312	13,164,401	29,928,571	4,723,637
Total Revenues	$ 688,065,848	$ 650,865,966	$ 614,179,713	$ 600,894,293	$ 564,157,269
Expenditures:					
Instruction	$ 425,732,360	$ 404,870,023	$ 373,409,139	$ 345,753,133	$ 333,145,654
Instructional Resources & Media Services	6,816,789	6,375,316	6,209,693	6,012,183	5,857,554
Curriculum and Staff Development	15,309,243	9,985,204	9,194,330	8,073,635	6,647,305
Instructional Administration	8,007,962	6,849,597	6,244,300	5,705,252	4,804,826
School Administration	45,109,154	40,794,113	38,693,574	36,498,112	35,251,067
Guidance & Counseling Services	26,128,983	23,307,860	21,850,060	20,213,609	18,533,077
Social Work	1,327,592	1,320,585	1,276,272	746,272	706,705
Health Services	8,992,572	1,260,798	617,528	6,657,892	6,356,178
Pupil Transportation	35,555,707	34,086,939	31,187,104	27,131,666	25,632,602
Co-curricular Activities	16,215,918	15,221,291	13,437,617	11,766,399	11,530,322
General Administration	12,507,082	11,462,372	10,235,257	9,097,114	8,956,343
Plant Maintenance & Operations	76,124,446	70,122,788	62,521,719	55,695,354	52,190,713
Security & Monitoring	11,447,517	9,371,899	8,902,118	8,373,195	7,864,299
Data Processing	9,674,567	8,630,992	8,038,187	7,506,404	7,441,977
Ancillary Services	61,414	9,425	8,431	5,503	3,040
Debt Service	197,105	1,472,998	406,050	0	0
Facilities Acquisition & Construction	1,561,680	2,298,926	1,038,894	211,474	1,101,789
Other Intergovernmental Charges	4,509,519	4,059,701	3,862,903	3,871,780	3,847,087
Total Expenditures	$ 705,279,610	$ 651,500,827	$ 597,133,176	$ 553,318,977	$ 529,870,538
Excess (Deficiency) of Revenues & Other Resources Over Expenditures	$ (17,213,762)	$ (634,861)	$ 17,046,537	$ 47,575,316	$ 34,286,731
OTHER RESOURCES & USES:					
Other Resources	$ 18,800,000	$ 1,064,784	$ -	$ -	$ -
Other (Uses)	0	(18,800,000)	(16,000,000)	(30,425,000)	(10,425,000)
Total Other Resources & (Uses)	$ 18,800,000 (b)	$ (17,735,216) (c)	$ (16,000,000) (d)	$ (30,425,000) (e)	$ (10,425,000) (f)
Ending Fund Balance – (August 31)	$ 165,357,787	$ 163,771,549	$ 182,141,626	$ 181,095,089	$ 163,944,773

(a) Unaudited, as of August 31, 2024. The unaudited information has not been prepared or reviewed by the District's independent auditor. The unaudited information is derived from internal account balances of the District as calculated by the District. The unaudited information is subject to revision upon completion of the District's annual audit.
(b) Includes a $18,800,000 transfer from the District's Capital Maintenance Fund that was set aside as contingency for projects related to the 2019 Bond Election.
(c) Includes a $18,800,000 transfer to the District's Capital Maintenance Find to create a contingency fund available to aid in the completion of capital projects approved by the voters in 2019.
(d) Includes a $16,000,000 transfer to the District's Capital Maintenance Fund to support planned capital maintenance expenditures.
(e) Includes a $30,000,000 transfer to the District's Capital Maintenance Fund to support planned capital maintenance expenditures.
(f) Includes a $10,000,000 transfer to the District's Capital Maintenance Fund to support planned capital maintenance expenditures.
Source: The District's audited financial statements.

Table 12
COMPARATIVE STATEMENT OF DEBT SERVICE FUND REVENUES AND EXPENDITURES

	Fiscal Year Ended August 31,				
	2024 (a)	2023	2022	2021	2020
Revenues					
Local and Intermediate Sources	$ 130,517,344	$ 133,344,094	$ 111,041,675	$ 103,374,083	$ 98,336,657
State Revenues	13,695,228	4,440,044	1,330,393	1,406,799	1,391,224
Federal Program Revenues	2,821,034	0	0	0	0
Total Revenues	$ 147,033,606	$ 137,784,138	$ 112,372,068	$ 104,780,882	$ 99,727,881
Expenditures					
Principal	$ 84,056,945	$ 66,230,000	$ 50,775,000	$ 46,810,000	$ 47,245,000
Interest & Fees	80,038,306	67,340,000	62,111,672	57,949,398	55,630,216
Total Expenditures	$ 164,095,251	$ 133,570,000	$ 112,886,672	$ 104,759,398	$ 102,875,216
Fund Balance					
Beginning Balance September 1	$ 23,612,095	$ 19,397,957	$ 17,694,374	$ 19,084,934	$ 20,032,539
Excess (Deficiency of Revenues Over Expenditures)	(17,061,645)	4,214,138	(514,604)	21,484	(3,147,335)
Other Sources (Uses)	17,246,153	0	2,218,187	(1,412,044)	2,199,730
Ending Balance, August 31	$ 23,796,603	$ 23,612,095	$ 19,397,957	$ 17,694,374	$ 19,084,934

____

(a) Unaudited, as of August 31, 2024. The unaudited information has not been prepared or reviewed by the District's independent auditor. The unaudited information is derived from internal account balances of the District as calculated by the District. The unaudited information is subject to revision upon completion of the District's annual audit.

Source: The District's audited financial statements.

APPENDIX B
GENERAL INFORMATION REGARDING
THE DISTRICT AND ITS ECONOMY

Description of the District

The Conroe Independent School District (the "District") is located approximately 28 miles north of downtown Houston, in Montgomery County adjacent to the northern boundary of Harris County. The District is bisected by Interstate Highway 45 (the Houston-Dallas Freeway), U.S. Highway 75, State Highways 105 and 242, and Farm-to-Market roads 1314, 3083, 1484 and 2854. The District encompasses approximately 30% of the land area of Montgomery County, consists of approximately 345 square miles and includes such communities as the City of Conroe, The Woodlands, Timber Lakes, Cut and Shoot, Woodloch, Chateau Woods and Oak Ridge North.

The District operates seven high schools (Grades 9-12), three 9th grade schools, seven junior high schools (Grades 7-8), eleven intermediate schools (Grades 5-6), five elementary/intermediate schools (Grades K-6) and thirty-three elementary schools (Grades K-4). The District also offers vocational training and accelerated learning programs at the Academy for Science and Health Professions, the Academy of Science and Technology and the Academy for Careers in Engineering and Science. In addition to its vocational programs, the District has a Guidance and Placement Center and Resource and Development Center for students with learning problems. As of September 17, 2024, the District employed 9,720 persons, of which 5,369 were in the instructional field. Administration accounts for 383 employees and 3,968 employees are support personnel.

The following table has been prepared by District officials and sets forth historical and projected enrollment data through 2027-28.

School Year	Enrollment
2012-13	53,934
2013-14	55,009
2014-15	56,363
2015-16	58,239
2016-17	59,764
2017-18	61,614
2018-19	62,837
2019-20	64,799
2020-21	64,563
2021-22	67,761
2022-23	70,794
2023-24	72,352
2024-25(a)	74,000
2025-26(b)	75,500
2026-27(b)	77,000
2027-28(b)	78,500

(a) As of September 17, 2024.
(b) Projected by the District.

Capacity and Enrollment by School

School Name	2024/2025 Enrollment (a)	Capacity
Elementaries:		
Anderson	687	800
Armstrong	639	770
Austin	822	950
Bartlett	899	950
Birnham Woods	879	1,000
Bradley	986	1,000
Broadway	948	1,000
Buckalew	744	770
Bush	898	850
Creighton	893	770
David	628	700
Deretchin	1,256	1,185
Ford	891	900
Galatas	803	850
Giesinger	747	700
Glen Loch	598	600
Gordon-Reed	667	650
Hailey	608	680
Hines	872	950
Hope	736	1,000
Houser	685	920
Houston	822	1,000
Kaufman	881	1,000
Lamar	753	770
Milam	438	1,000
Oak Ridge	627	750
Patterson	893	1,000
Powell	841	850
Reaves	697	730
Rice	640	730
Ride	560	660
Runyan	480	610
San Jacinto	631	850
Snyder	863	1,000
Stewart	940	800
Suchma	1,407	1,000
Tough	966	1,185
Wilkinson	746	1,000
Intermediates:		
Bozman	1,033	1,000
Clark	949	1,000
Collins	758	800
Cox	1,048	1,000
Cryar	849	1,000
Grangerland	577	1,000
Mitchell	1,223	1,200
Travis	531	700
Veterans Memorial	753	1,050
Vogel	1,001	1,185
Wilkerson	754	730
Junior Highs:		
Irons	1,273	1,200
Knox	1,416	1,200
McCullough	2,163	2,300
Moorhead	1,349	1,100
Peet	1,385	1,500
Stockton	1,337	1,450
York	2,005	1,500

[Table Continued on Next Page]

High Schools:		
Caney Creek	2,873	3,100
Conroe	4,090	3,400
Conroe – 9th Grade Campus	1,419	1,100
Grand Oaks	3,970	3,000
Oak Ridge	2,070	2,300
Oak Ridge – 9th Grade Campus	757	1,468
The Woodlands	3,400	3,000
The Woodlands – 9th Grade Campus	1,151	1,400
The Woodlands College Park	3,354	2,850
Washington High School	166	250
Other Schools:		
DAEP/JJAEP	44	66
Virtual School (Grades 5-8)	231	240
Totals	74,000	75,069

(a) As of September 17, 2024.

CITY OF CONROE

The City of Conroe (the "City") has no obligation with respect to the District or its debt. The information concerning the City is included solely to provide information concerning economic and other matters within the District.

The City, the county seat of Montgomery County, is located in southeast Texas, approximately 35 miles north of Houston. Conroe is serviced by Interstate 45, Texas 75 (north-south), Texas 105 (east-west) and Loop 336 which encircles Greater Conroe. The City is the principal center of commerce in Montgomery County. The City's population has increased from 56,207 in 2010 to 89,956 in 2020, representing a 60.04% growth rate.

In 1973, Lake Conroe was completed, forming a 21,000 acre reservoir which is owned by the San Jacinto River Authority and the City of Houston. The recreational and development opportunities afforded by the lake have had a positive economic impact on the City of Conroe and Montgomery County economies.

THE WOODLANDS

The Woodlands has no obligation with respect to the District or its debt. The information concerning The Woodlands is included solely to provide information concerning economic and other matters within the District.

The Woodlands is a community located primarily within the District that is being developed approximately 27-32 miles north of downtown Houston. Located within a 28,000-acre tract of densely forested land, the community is generally situated adjacent to and west of Interstate Highway 45, south of FM 1488, and north of Spring Creek, the boundary line between Montgomery and Harris Counties. Additional acreage, known as The Woodlands Trade Center ("Trade Center") is adjacent to and east of Interstate Highway 45 between Texas State Highway 242 and FM 1488.

The Woodlands is located in a market sector of the greater Houston metropolitan area containing approximately 150 residential developments. Residential developments located in the market sector offer a variety of housing ranging in price generally from $200,000 to in excess of $7.0 million. The majority of these subdivisions offer some recreational facilities (e.g., swimming pools and clubhouses) and a few provide golf and tennis facilities. In some cases, schools are located within the subdivisions.

Formal opening of The Woodlands occurred in October 1974. Substantial development has occurred in the Village of Grogan's Mill, the Village of Panther Creek, the Village of Cochran's Crossing, the Village of Indian Springs, the Village of Alden Bridge, the Village of Sterling Ridge, Village of Creekside Park, and College Park, which are the eight residential villages planned for The Woodlands; parts of the Town Center, Research Forest, College Park; and The Trade Center. These areas currently have a population of approximately 120,000 people, and 2,460 employers provide employment for approximately 66,000 people.

ECONOMIC AND GROWTH INDICATORS

U.S. Census of Population

	Montgomery County		City of Conroe, TX	
	Number	% Change	Number	% Change
1930	14,588	-15.84	2,457	+32.24
1940	23,055	+58.04	4,624	+88.20
1950	24,504	+6.28	7,298	+57.83
1960	26,839	+9.53	9,192	+25.95
1970	49,479	+84.35	11,969	+30.21
1980	127,722	+158.04	20,447	+70.83
1990	182,201	+42.65	27,610	+35.03
2000	293,768	+61.23	36,811	+33.32
2010	455,746	+55.14	56,207	+52.69
2020	620,443	+36.14	89,956	+60.04

Source: United States Census Bureau.

Employment Statistics

Montgomery County

	2024 (a)	2023	2022	2021	2020
Labor Force	324,352	311,467	302,110	294,875	289,558
Employed	310,324	299,211	290,130	277,933	267,945
Unemployed	14,028	12,256	11,980	16,942	21,613
Unemployment Rate	4.3%	3.9%	4.0%	5.7%	7.5%

City of Conroe

	2024 (a)	2023	2022	2021	2020
Labor Force	49,536	47,570	46,129	45,045	44,398
Employed	47,374	45,677	44,291	42,429	40,904
Unemployed	2,162	1,893	1,838	2,616	3,494
Unemployment Rate	4.4%	4.0%	4.0%	5.8%	7.9%

(a) As of November 30, 2024.
Source: Texas Workforce Commission.

APPENDIX C
FORM OF LEGAL OPINION OF BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
609 Main Street
40th Floor
Houston, TX 77002

+1 713 652 6400

orrick.com

February 4, 2025

We have acted as bond counsel to the Conroe Independent School District (the "District") in connection with the issuance of $__________ aggregate principal amount of bonds designated as "Conroe Independent School District Unlimited Tax School Building Bonds, Series 2025" (the "Bonds"). The Bonds are authorized by an election held in the District on November 7, 2023 and an order adopted by the Board of Trustees of the District (the "Board") on September 17, 2024 authorizing the issuance of the Bonds and the pricing certificate executed on the date of the sale of the Bonds finalizing the terms thereof (together, the "Bond Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Order.

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

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

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

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

2. The Board has power and is obligated to levy an annual ad valorem tax, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

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

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D
THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund(1)

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

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

In November 2022, the SBOE approved a $3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of $1.2 billion for the biennium.
Efforts to achieve the intergenerational equity objective, as described above, result in changes in the Distribution Rate for each biennial period. The following table sets forth the Distribution Rates announced by the SBOE in the fall of each even-numbered year to be applicable for the following biennium.

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

1 Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of $600 million per year directly to the ASF for fiscal biennium 2024-25.

2 The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

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

(1) Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of $600 million per year directly to the ASF for fiscal biennium 2024-25.

(2) The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

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

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

[Remainder of Page Intentionally Left Blank]

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

Investment Schedule - PSF(SLB)1

Fair Value (in millions) August 31, 2023

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

1 Unaudited figures from Table 5 in the FY 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

2 Historical Cost of investments at August 31, 2023 was: Sovereign Lands $838,776.71; Discretionary Internal Investments $129,728,504.04; Other Lands $38,241,863.70; and Minerals $13,437,063.73.

3 Includes an estimated 1,000,000.00 acres in freshwater rivers.

4 Includes an estimated 1,747,600.00 in excess acreage.

5 Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.

6 Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

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

The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

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

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

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

Infectious Disease Outbreak

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

(2) At August 31, 2023, mineral assets, sovereign and other lands and discretionary internal investments, and cash managed by the SLB had book values of approximately $13.4 million, $168.8 million, and $708.4 million, respectively, and market values of approximately $5,435.6 million, $678.4 million, and $508.4 million, respectively.

Permanent School Fund Guaranteed Bonds

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

(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.

(2) At August 31, 2023 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $178,520,723,868, of which $62,789,897,186 represents interest to be paid. As shown in the table above, at August 31, 2023, there were $115,730,826,682 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $154,120,128,859 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2023, the amount of outstanding bond guarantees represented 76.36% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[(1)]

Fiscal Year Ended 8/31	School District Bonds		Charter District Bonds		Totals	
	Number of Issues	Principal Amount ($)	Number of Issues	Principal Amount ($)	Number of Issues	Principal Amount ($)
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023[(2)]	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682

(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

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

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

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

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

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

[Remainder of Page Intentionally Left Blank]

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

Portfolio	Return	Benchmark Return[2]
Total PSF(CORP) Portfolio	6.14%	4.38
Domestic Large Cap Equities	16.09	15.94
Domestic Small/Mid Cap Equities	9.31	9.14
International Equities	12.38	11.89
Emerging Market Equity	2.48	1.25
Fixed Income	(1.30)	(1.19)
U.S. Treasuries	(9.21)	(9.69)
Absolute Return	7.59	3.58
Real Estate	(1.96)	(3.13)
Private Equity	4.55	0.20
Real Return	(5.51)	(5.88)
Emerging Market Debt	12.68	11.34
High Yield	7.80	7.19
Emerging Manager Program	33.35	0.97
Natural Resources	5.70	3.67
Infrastructure	14.22	3.67

(1) Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2023.
(2) Benchmarks are as set forth in the Annual Report for year ended August 31, 2023.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, interest in real estate, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2023, $2.1 billion was distributed to the ASF, $345 million of which was distributed by the PSF(CORP) on behalf of the SLB.

Other Events and Disclosures

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

As of August 31, 2023, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

The Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

The TEA and the PSF Corporation may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited financial statements will be provided when available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is composed of two primary segments: the financial assets (PSF(CORP)) managed by PSF Corporation, and the non-financial assets (PSF(SLB)) managed by the SLB. Each of these segments is reported separately und different bases of accounting.

The PSF Corporation classified as a proprietary endowment fund and reported by the State of Texas as a discretely presented component unit and accounted for on an economic resources measurement focus and the full accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the full accrual basis of accounting, all revenues reported are recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

The SLB manages the Fund's non-financial assets (PSF(SLB)), is classified as a governmental permanent fund and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related liability is incurred, if measurable.

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than $10 million of outstanding municipal securities.

APPENDIX E
EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

The information contained in this Appendix consists of excerpts from the Conroe Independent School District Annual Financial Report for the Year Ended August 31, 2023, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

CONROE
INDEPENDENT
SCHOOL DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Year Ended
August 31, 2023

Conroe Independent School District

ANNUAL COMPREHENSIVE FINANCIAL REPORT

of the Conroe Independent School District

For the year ended August 31, 2023

Prepared By

Darrin Rice
Chief Financial Officer

Karen Garza
Director of Finance

Janith Stowers
Business & Accounting Manager

Cyndi Westrup
Business & Accounting Manager

Rachael Batalla
Senior Accountant

Desiree Smith
Senior Accountant

CONROE INDEPENDENT SCHOOL DISTRICT

CERTIFICATE OF BOARD

Conroe Independent School District	Montgomery	170-902
Name of School	County	Co.- Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2023 at a meeting of the Board of Trustees of such school district on the 16th of January, 2024.

Board Secretary

Board President

Conroe Independent School District

CONROE
INDEPENDENT
SCHOOL DISTRICT

Introductory Section

January 10, 2024

Mr. Skeeter Hubert, President,
Members of the Board of Trustees, and Citizens
Conroe Independent School District
3205 West Davis
Conroe, TX 77304

Dear Members of the Board of Trustees and Citizens:

The Texas Education Code requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report of the Conroe Independent School District (the District) for the fiscal year ended August 31, 2023.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operation of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Management of the District is responsible for establishing and maintaining internal control structures designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The financial statements of the District have been audited by Weaver and Tidwell LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2023, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District’s financial statements for the fiscal year ended August 31, 2023, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated “Single Audit” designed to meet the special need of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit section of this report. The results of the District's Single Audit for the fiscal year ended August 31, 2023, provided no instances of material weaknesses in the internal control structures or material violations of applicable laws and regulations.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the District

Residents of the District elect a seven-member Board of Trustees (the Board), each of which serves for four years. Monthly meetings of the Board are posted and advertised as prescribed under state laws so that the Board may fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or study sessions are scheduled as needed. The Board has final control over all school matters except as limited by state law.

Serving the communities of Conroe, The Woodlands, Oak Ridge North, Shenandoah, and Cut 'n Shoot, the District's boundaries encompass approximately 348 square miles in Montgomery County. During the 2022-2023 fiscal year, the District operated six senior high schools (including three ninth grade campuses), three high school academies, seven junior high schools, eleven intermediate schools, five elementary/intermediate (K-6), thirty-three elementary schools, a career and technology education center, and three alternative campuses. The District serves over 73,000 students, and provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular and enriched academic education, special education for children with special needs, career and technology education, and programs for students with limited English proficiency. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics.

The District's vision of where it is headed is the culmination of months of study, collective thought, and thoughtful activities by all constituent groups in the District.

A Vision for CISD

CISD is a learning community united in its commitment to ensuring all students graduate with confidence and competence. The schools and communities work together to provide performance standards which can be applied to the real world. This is achieved through the implementation of quality in instruction, operations, and leadership.

The goals for improvement, which grew out of a comprehensive needs assessment and the work of the Strategic Planning Task Force, target increased academic performance; involvement of parents and community; strategies and support for all students to read and comprehend on level by the end of third grade; closing the achievement gap; dropouts; advancing technology; continuation of Total Quality Management; and safe school environments.

The District attracts highly qualified personnel because of its commitment to excellence. During the 2022-2023 school year, the District employed nearly 8,900 employees consisting of professionals, office professionals, paraprofessionals, and auxiliary staff. Professional employees include more than 4,500 classroom teachers.

Economic Condition and Outlook

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

Located just north of Houston, Texas in Montgomery County, the Conroe Independent School District covers 348 square miles and is a dynamic factor in the quality of life and economic development efforts of the area. Since the early 1990's, the District has been experiencing a rapid and consistent growth of nearly 3,000 students per year for the last two years and into the forseeable future. The age of the District's school buildings ranges from earliest construction in 1926, through recent additions in 2023. The residential and commercial growth and the overall economic health of the area have dramatically increased in recent years. Increased property values and growth in the District's tax base easily demonstrate this.

With strong collaborative ties with the chambers of commerce and the business community, with the other local governmental entities in the area and with the Lone Star College District, CISD is making new inroads in building support and targeting resources to achieve the greatest impact for all of our students. The financial, cultural, educational and recreational climate of the area is a testimony to the collective leadership and to the communities' progressive attitude toward responsible growth and their vision of the future.

Financial Information

Accounting Systems – The Board of Trustees maintains a system of accounting controls designed to assist the administration in meeting its responsibility for accurately reporting the financial condition of the District. The system is designed to provide reasonable assurance that assets are safeguarded against loss, theft, or misuse so activities can be recorded and transacted by the administration for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's framework of internal controls has been designed to provide reasonable, rather than an absolute, assurance that the financial statements will be free from material misstatement.

The cost of operating the District's schools and the revenues to cover these costs are accounted for through the General Fund. Food Service operations and special programs funded by state or federal government grants are accounted for in Special Revenue Funds.

The District accounts for school construction financed by bond sales through a Capital Projects Fund. During the 2018-2019 school year, the District established a Capital Maintenance Fund using available fund balance. This fund will be used for capital maintenance projects.

A specific portion of the tax rate is dedicated to payment of bond principal and interest. These transactions are recorded in the Debt Service Fund.

The District has established Internal Service Funds to account for the transactions of its self funded employee insurance.

Included in the ACFR as Fiduciary Funds are financial schedules for student activity funds.

The District's accounting records are maintained on a modified accrual basis for governmental fund types and a full accrual basis for the proprietary fund types as prescribed by Texas Education Agency Financial Accountability System Resource Guide (FASRG). Additionally, the District has prepared the government-wide financial statements on the full accrual basis as required by GASB Statement No. 34.

Financial data is submitted by the District to the Texas Education Agency through the Public Education Information Management System (PEIMS). The data is analyzed, reviewed and presented to the State Board of Education.

Budgetary Process – State law requires that every local education agency in Texas prepare and file an annual budget of anticipated revenues and expenditures with the Texas Education Agency. The budget itself is prepared utilizing a detailed line item approach for governmental fund types and is prepared in accordance with the budgeting requirements as outlined in the FASRG. The annual budget serves as the foundation for the District's financial planning and control. The District maintains budgetary controls throughout all of its financial systems. The objective of these controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the Board of Trustees. Activities of the general fund, child nutrition fund, debt service fund and capital projects funds are included in the annually appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function within each individual fund. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Although encumbered amounts lapse at year-end, they are generally re-appropriated as part of the next year's budget through a Board-adopted budget amendment. The budget may be amended during the year to address unanticipated or changing needs of the District. Changes to functional expenditures categories, revenue objects, or other sources and uses require Board approval.

Significant Financial Activities- The District's total tax base grew from approximately $43.1 billion to approximately $52.1 billion in 22-23, an increase of over 20.9%. The tax rates per $100 of assessed value for the past five years are shown on the following table.

	18-19	19-20	20-21	21-22	22-23
M & O	$1.0600	$ 0.9700	$ 0.9525	$ 0.9160	$ 0.8546
I & S	0.2200	0.2600	0.2600	0.2600	0.2600
	$1.2800	**$ 1.2300**	**$ 1.2125**	**$ 1.1760**	**$ 1.1146**

The District scored the highest possible rating of "Superior" for the Schools FIRST (Financial Integrity Rating System of Texas), a financial accountability system for Texas School Districts. The primary goal of Schools FIRST is to ensure quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

Major Indicators

In looking at the most common indicators of quality in a school system, the following are examples of what is going on in the District:

Test Scores – The State of Texas created a new assessment test called State of Texas Assessment of Academic Readiness or (STAAR) beginning with the 2011-2012 school year. Conroe Independent School District received a letter rating of B for the 2021-2022 school year. Ratings for the 2022-2023 school year have not yet been released.

Attendance Rate - Despite the rapid growth in the District and the problems facing families today, the attendance rate in the District remains high.

Dropout Rate - The dropout rate has decreased over the last several years and is below the State average, meaning more students are finishing high school and are entering college or the work force.

Public Support - The 2019 Bond Referendum passed with a 56 percent positive vote in every geographic area of the District. Patrons continue to be extremely supportive of the District's efforts.

Other Information

Awards - The District has been awarded the Certificate of Excellence in Financial Reporting awarded to government entities by the Association of School Business Officials International for the 2021-2022 annual comprehensive financial report. The District feels the current annual comprehensive financial report continues to meet the requirements for this award, and we will again submit the report for review. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Conroe Independent School District for its annual comprehensive financial report for the fiscal year ended August 31, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. These awards are displayed in the Introductory Section.

Acknowledgments - We would like to express appreciation to the Board of Trustees for concern in providing fiscal accountability to the patrons of our District and for its leadership in the development of one of the best educational operations within the State of Texas. Many hours have been devoted to this District by teachers, principals and administrators, and supporting staff and thanks is extended to the entire Conroe Independent School District Team who have worked so hard to provide a high-quality, cost-efficient education to the students we serve. Additionally, the preparation of this report was accomplished through much time and effort on the part of the District finance department, and special appreciation is expressed to them.

Dr. Curtis Null
Superintendent

Darrin Rice
Chief Financial Officer

Consultants and Advisors

Independent Auditors

Weaver and Tidwell, L.L.P.
4400 Post Oak Parkway, Suite 1100 • Houston, Texas 77027

Financial Advisor

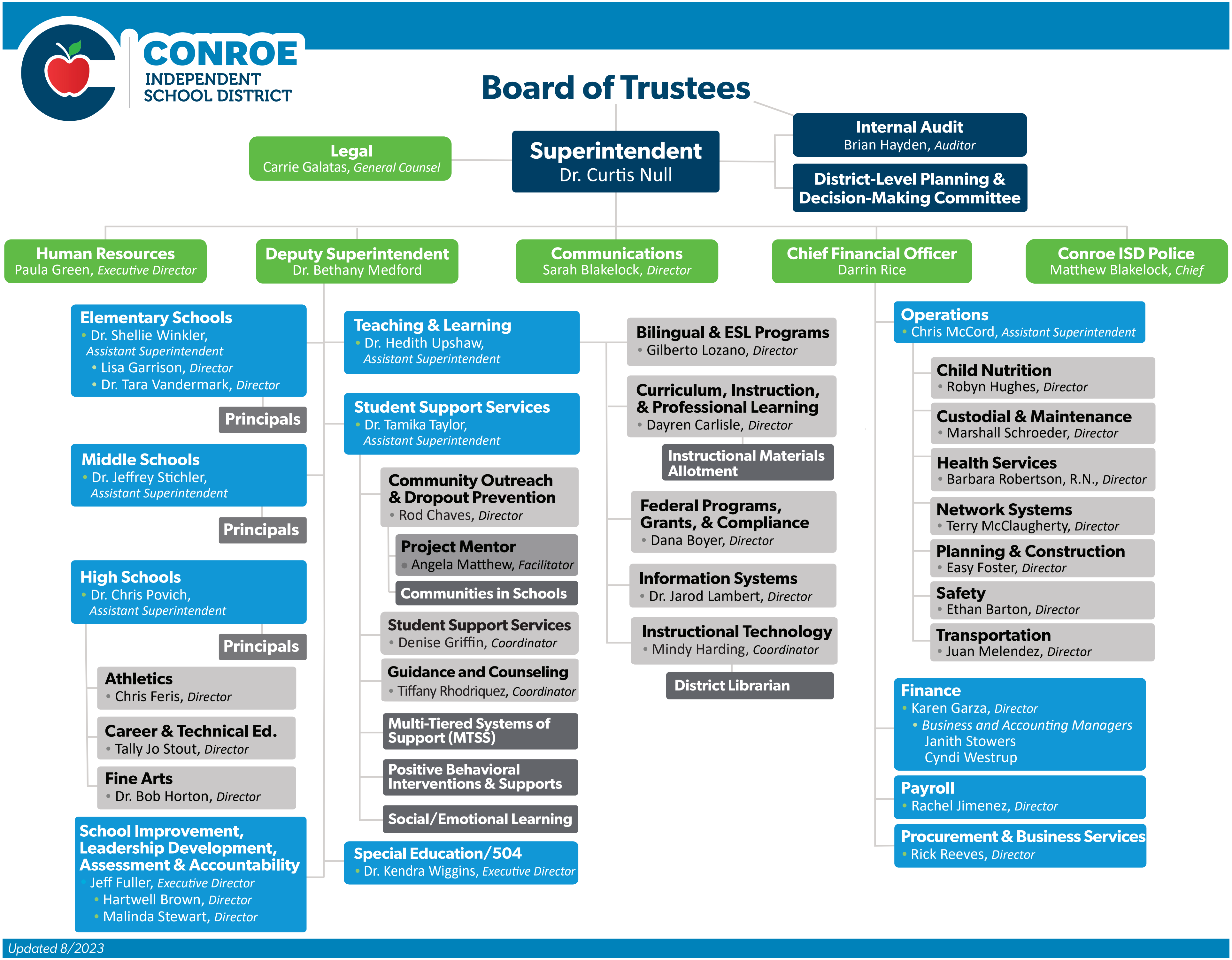
BOK Financial Securities Inc.
1401 McKinney Street • Suite 1000 • Houston, Texas 77010

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
600 Main Street • Houston, Texas 77002

Depository Bank

Woodforest National Bank
1330 Lake Robbins Drive, Suite 100 • The Woodlands, Texas 77380


CONROE INDEPENDENT SCHOOL DISTRICT
Board of Trustees
Superintendent
Dr. Curtis Null
Legal
Carrie Galatas, General Counsel
Internal Audit
Brian Hayden, Auditor
District-Level Planning & Decision-Making Committee
Human Resources
Paula Green, Executive Director
Deputy Superintendent
Dr. Bethany Medford
Communications
Sarah Blakelock, Director
Chief Financial Officer
Darrin Rice
Conroe ISD Police
Matthew Blakelock, Chief
Elementary Schools
Dr. Shellie Winkler, Assistant Superintendent
Lisa Garrison, Director
Dr. Tara Vandermark, Director
Principals
Middle Schools
Dr. Jeffrey Stichler, Assistant Superintendent
Principals
High Schools
Dr. Chris Povich, Assistant Superintendent
Principals
Athletics
Chris Feris, Director
Career & Technical Ed.
Tally Jo Stout, Director
Fine Arts
Dr. Bob Horton, Director
School Improvement, Leadership Development, Assessment & Accountability
Jeff Fuller, Executive Director
Hartwell Brown, Director
Malinda Stewart, Director
Teaching & Learning
Dr. Hedith Upshaw, Assistant Superintendent
Student Support Services
Dr. Tamika Taylor, Assistant Superintendent
Community Outreach & Dropout Prevention
Rod Chaves, Director
Project Mentor
Angela Matthew, Facilitator
Communities in Schools
Student Support Services
Denise Griffin, Coordinator
Guidance and Counseling
Tiffany Rhodriquez, Coordinator
Multi-Tiered Systems of Support (MTSS)
Positive Behavioral Interventions & Supports
Social/Emotional Learning
Special Education/504
Dr. Kendra Wiggins, Executive Director
Bilingual & ESL Programs
Gilberto Lozano, Director
Curriculum, Instruction, & Professional Learning
Dayren Carlisle, Director
Instructional Materials Allotment
Federal Programs, Grants, & Compliance
Dana Boyer, Director
Information Systems
Dr. Jarod Lambert, Director
Instructional Technology
Mindy Harding, Coordinator
District Librarian
Operations
Chris McCord, Assistant Superintendent
Child Nutrition
Robyn Hughes, Director
Custodial & Maintenance
Marshall Schroeder, Director
Health Services
Barbara Robertson, R.N., Director
Network Systems
Terry McClaugherty, Director
Planning & Construction
Easy Foster, Director
Safety
Ethan Barton, Director
Transportation
Juan Melendez, Director
Finance
Karen Garza, Director
Business and Accounting Managers
Janith Stowers
Cyndi Westrup
Payroll
Rachel Jimenez, Director
Procurement & Business Services
Rick Reeves, Director
Updated 8/2023

Conroe

Independent School District

Elected Officials

Board of Trustees

Appointed Officials

Conroe Independent School District

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Conroe Independent School District

for its Annual Comprehensive Financial Report
for the Fiscal Year Ended August 31, 2022.

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

CERTIFICATE OF EXCELLENCE
IN FINANCIAL REPORTING

John W. Hutchison
President

Siobhán McMahon, CAE
Chief Operations Officer/
Interim Executive Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Conroe Independent School District
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2022

Christopher P. Morrill

Executive Director/CEO

Conroe Independent School District

CONROE INDEPENDENT SCHOOL DISTRICT

Financial Section

weaver
Assurance • Tax • Advisory

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended August 31, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Weaver and Tidwell, L.L.P.
4400 Post Oak Parkway Suite 1100 | Houston, Texas 77027
Main: 713.850.8787

The Board of Trustees
Conroe Independent School District

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

The Board of Trustees
Conroe 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 nonmajor governmental fund financial statements, Schedule of Long-Term Debt, and Additional Supplementary Schedules, as listed in the table of contents (the Supplementary Information), and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information Included in the Annual Report

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

Other Reporting Required by *Government Auditing Standards*

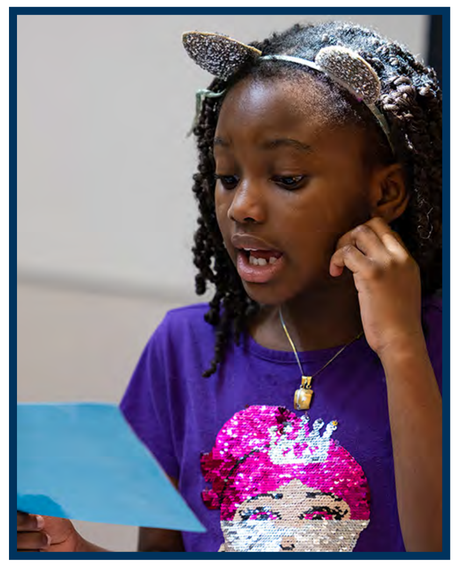
In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
January 10, 2024

Conroe Independent School District



CONROE
INDEPENDENT
SCHOOL DISTRICT

Conroe Independent School District
Management's Discussion and Analysis
For the Year Ended August 31, 2023
(Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2023. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows of resources at year end by $66,049,927, giving the District an ending net position of $66,049,927. The District's ending net position includes net pension and OPEB liabilities of $129.3 million and $225.8 million, respectively.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $363,831,431. Approximately 42 percent of this total amount, $153,878,716 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $153,878,716, or 23 percent of the total general fund expenditures.

Overview of the Financial Statements

The 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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no business-type activities and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over the 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 requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and child nutrition fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The budget comparison schedules can be found on pages 62, and 97-99. The basic governmental fund financial statements can be found on pages 14-20 of this report.

- **Proprietary funds.** Proprietary funds provide the same type of information as the government–wide financial statements, only in more detail. There are two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no business-type activities or enterprise funds. The second type of proprietary fund is the internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the internal service funds to report activities for its self-funded insurance program. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and 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 separate statements of fiduciary net position and changes in fiduciary position that can be found on pages 24-25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-59 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 62-71 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 78-88 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows of the district by $66,049,927 as of August 31, 2023. This is an increase in net position from 2021-2022 of $35,294,567.

The District's Net Position

	2023	2022
Current and other assets	$ 500,880,962	$ 692,893,256
Capital assets (net)	1,781,775,068	1,613,046,523
Total assets	2,282,656,030	2,305,939,779
Deferred outflows of resources	200,173,726	142,195,227
Total assets and deferred outflows of resources	2,482,829,756	2,448,135,006
Long-term liabilities outstanding	1,994,099,579	2,000,532,902
Due within one year	85,433,701	74,071,757
Other liabilities	123,715,619	105,883,090
Total liabilities	2,203,248,899	2,180,487,749
Deferred inflows of resources	213,530,930	236,891,897
Total liabilities and deferred inflows of resources	2,416,779,829	2,417,379,646
Net position:		
Net investment in capital assets	128,173,853	86,927,552
Restricted	36,573,356	32,333,148
Unrestricted	(98,697,282)	(88,505,340)
Total net position	$ 66,049,927	$ 30,755,360

Net investment in capital assets (e.g., land, building, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is $128,173,853. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, $36,573,356 represents resources that are subject to external restrictions on how they may be used.

Governmental activities. The District's total net position increased by $35.3 million. This increase is primarily due to the increase in net investments in capital assets as a result of projects from the 2019 bond referendum. The total cost of all government activities this year was $850,311,239. The amount that our taxpayers paid for these activities through property taxes was $565,095,129. There was a net increase in revenues of $89,017,095 or 11.17% for the year. The majority of the increase was due to increased taxable property values and state funding for student growth.

Changes in the District's Net Position

	2023	2022
Revenues:		
Program Revenues:		
Charges for Services	$ 12,735,230	$ 6,161,174
Operating Grants & Contributions	113,734,285	101,341,200
General Revenues:		
Property Taxes	565,095,129	502,064,043
State Grants	150,343,001	168,662,763
Investment Earnings	28,629,918	2,168,324
Other	15,068,243	16,191,207
Total Revenues	885,605,806	796,588,711
Expenses:		
Instruction	458,616,504	409,397,268
Instructional Resources and Media Services	10,044,155	9,255,501
Curriculum and Staff Development	21,698,880	19,262,507
Instructional Leadership	7,673,278	6,642,865
School Leadership	41,402,682	36,691,888
Guidance and Counseling	34,230,658	29,106,841
Social Work Services	1,805,057	1,746,679
Health Services	9,361,352	7,688,708
Student (Pupil) Transportation	35,807,653	30,987,693
Food Services	31,661,945	27,910,829
Cocurricular/Extracurricular Activities	20,783,584	17,823,375
General Administration	11,637,109	10,182,283
Plant Maintenance and Operations	77,383,391	69,533,729
Security and Monitoring Services	9,593,120	8,652,246
Data Processing Services	15,278,456	11,645,623
Ancillary Services	486,913	508,310
Debt Service - Interest on Long Term Debt	58,786,801	52,158,093
Other Intergovernmental Charges	4,059,701	3,862,903
Total Expenses	850,311,239	753,057,341
Increase in Net Position	35,294,567	43,531,370
Beginning Net Position	30,755,360	(12,776,010)
Ending Net Position	$ 66,049,927	$ 30,755,360

Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, The District's governmental funds reported combined ending fund balances of $363,831,431, a decrease of $211,173,664. Approximately 42 percent of this total amount $153,878,716 constitutes unassigned fund balance. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been committed 1) for inventory $3,366,492; 2) to pay debt service $23,612,095; 3) for capital projects $163,252,597; 4) for food service and grants $13,195,190; and 5) to liquidate purchase orders of the prior period $6,526,341.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $153,878,716, while the total fund balance was $163,771,549. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 23 percent of the total general fund expenditures, while the total fund balance represents 25 percent of that same amount. The fund balance of the District's general fund decreased by $18,370,077 during the current fiscal year.

To create a bond contingency fund for the 2019 bond referendum the District transferred $18.8 million of excess fund balance to the capital maintenance fund to be used for capital building repairs and improvements.

The debt service fund has a total fund balance of $23,612,095, all of which is restricted for the payment of debt service. The increase in fund balance during this period in the debt service fund was $4,214,138.

The capital projects fund has a total fund balance of $163,252,597. Of that amount $126,026,913 is restricted for the construction, equipping, and acquisition of major capital facilities. The remaining amounts are committed or assigned for other uses, $37,225,684.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to the budgeted revenue and appropriations. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal year for amounts committed & assigned in the prior year.
- Amendments approved during the year for unexpected occurrences.

The District made the following amendments to budgeted revenue:

- $359,603 increase for campus donations to the budget
- $9,438,930 increase for Medicaid
- $3,490,000 increase for state foundation revenues
- $1,000,000 increase for TRS On Behalf

Following is a summary of amendments made to appropriations:

- $5,082,898 increase for prior year encumbrances
- $359,603 increase for campus donations to the budget
- $3,490,000 increase for payroll

- $1,000,000 increase for TRS On Behalf
- $1,600,000 increase for above district student travel
- $3,700,000 increase for Phonics curriculum adoption
- $3,000,000 increase for portable buildings
- $9,438,930 increase for Medicaid

After appropriations were amended as described above, actual revenues were $5.7 million over final budgeted amounts. Actual expenditures were $9.8 million below final budget amounts.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2023, amounts to $1,781,775,068 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment and right-to-use assets (equipment) and SBITAs.

District's Capital Assets

(net of depreciation/amoritzation)

	2023	2022
Land	$ 111,446,235	$ 83,561,702
Buildings and Improvements	1,624,121,114	1,430,352,137
Construction in Progress	14,173,996	72,947,937
Furniture and Equipment	28,272,354	25,475,820
Right-to-Use Assets-Equipment	327,762	708,927
Right-to-Use Assets-SBITA*	3,433,607	1,361,654
Totals, net	$1,781,775,068	$1,614,408,177

* Beginning balances have been adjusted to reflect the adoption of GASB 96, SBITAs

Additional information on the District's capital assets can be found in note 5 on page 44 of this report.

Long-term debt. At the end of August 31, 2023, the District had total bonded debt outstanding of $1,550,285,000, a decrease of $66,230,000 from the prior year. This decrease is due to the District paying down principal on current debt.

The "Aaa" long-term rating on the District's Texas' bonds reflects the Texas Permanent School Fund guarantee. The "AAA" Standard & Poor underlying rating on the District's unenhanced debt reflects the District's: 1) participation in the strong and growing Houston area economy, 2) strong administrative management, and 3) satisfactory financial performance.

The State issues guidelines recommending that a government entity should limit the amount of general obligation debt to 10 percent of its total assessed valuation. The current debt limitation for the District is $5,213,476,208 which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in note 8 on pages 45-47 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the region is 4.6 percent, the state and national rates are 4.1 and 3.8 percent, respectively.
- The District's student attendance rate stayed the same at 92%.
- The District's enrollment has experienced an increase of 4.4 percent.
- The District's taxable valuation has increased by 20.92 percent. The District's M&O tax rate is currently at $.8546 per $100 in assessed property value.
- The District has appropriated General Fund revenues and expenditures in the 2023-24 budget of $672,772,241 and $672,772,241 respectively. Expenditures include budget increases of $37.85 million for personnel, $3 million for portable buildings, $6.86 million for general expense and $1.75 million for TRS on Behalf.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Chief Financial Officer, Conroe I.S.D., 3205 West Davis, Conroe, Texas 77304.

CONROE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2023

Data Control Codes		Governmental Activities
	ASSETS	
	Current assets:	
1110	Cash and cash equivalents	$ 6,466,314
1120	Current Investments	407,321,877
1220	Property taxes receivable	12,622,623
1230	Allowance for uncollectible	(1,972,233)
1240	Due from other governments	44,066,441
1250	Accrued interest	265,445
1290	Other receivables	1,793,771
1293	Lease receivables	871,157
1300	Inventories	4,741,997
1410	Deferred charges	157,500
	Total current and other assets	476,334,892
	Noncurrent assets:	
	Capital assets:	
1510	Land	111,446,235
1520	Building and improvements - net of depreciation	1,624,121,114
1530	Furniture and equipment - net of depreciation	28,272,354
1559	Right to use assets - equipment - net of amortization	327,762
1553	Right to use assets - SBITAs - net of amortization	3,433,607
1580	Construction in Progress	14,173,996
	Total capital assets (net)	1,781,775,068
1910	Long-term investments	24,546,070
	Total noncurrent assets	1,806,321,138
1000	**Total assets**	2,282,656,030
	DEFERRED OUTFLOWS OF RESOURCES	
1700	Deferred loss on issuance of refunding bonds	16,739,727
1705	Deferred resources outflow related to net pension liability	113,656,083
1706	Deferred resources outflow related to net OPEB liability	69,777,916
	Total deferred outflows of resources	200,173,726
	Total assets and deferred outflows of resources	2,482,829,756
	LIABILITIES	
	Current liabilities:	
2110	Accounts payable	55,092,301
2130	Right to use lease asset payable - equipment - current year	338,479
2131	Right to use SBITA payable - current year	2,128,150
2140	Interest payable	2,820,389
2150	Payroll deductions and withholdings payable	5,942,585
2160	Accrued wages payable	56,507,245
2180	Due to other governments	169
2300	Unearned revenue	886,301
	Total current liabilities	123,715,619
	Noncurrent liabilities:	
2501	Noncurrent liabilites due within one year	85,433,701
2502	Noncurrent liabilities due in more than one year	1,652,067,093
2533	Right to use SBITA payable - long term	259,242
2590	Arbitrage liability	2,479,422
2540	Net pension liability	223,627,723
2545	Net OPEB liability	115,666,099
	Total noncurrent liabilities	2,079,533,280
2000	**Total liabilities**	2,203,248,899
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred gain on issuance of refunding bonds	13,484,370
2603	Deferred resource inflow related to leases	821,289
2605	Deferred resource inflow related to net pension liability	19,283,464
2606	Deferred resource inflow related to net OPEB liability	179,941,807
	Total deferred inflows of resources	213,530,930
	Total liabilities and deferred inflows of resources	2,416,779,829
	NET POSITION	
3200	Net investment in capital assets	128,173,853
	Restricted for:	
3820	Federal and state programs	186,609
3820	Food services	12,774,652
3850	Debt service	23,612,095
3900	Unrestricted	(98,697,282)
3000	**Total net position**	$ 66,049,927

See Notes to the Basic Financial Statements.

CONROE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	GOVERNMENTAL ACTIVITIES:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
11	Instruction	$ 458,616,504	$ 554,112	$ 41,973,651	$ (416,088,741)
12	Instructional Resources and Media Services	10,044,155	-	247,118	(9,797,037)
13	Curriculum and Staff Development	21,698,880	-	11,352,721	(10,346,159)
21	Instructional Leadership	7,673,278	-	1,146,935	(6,526,343)
23	School Leadership	41,402,682	-	2,689,811	(38,712,871)
31	Guidance and Counseling	34,230,658	-	11,906,863	(22,323,795)
32	Social Work Services	1,805,057	-	534,427	(1,270,630)
33	Health Services	9,361,352	-	8,029,111	(1,332,241)
34	Student (Pupil) Transportation	35,807,653	-	9,102,632	(26,705,021)
35	Food Services	31,661,945	10,061,936	20,025,136	(1,574,873)
36	Cocurricular/Extracurricular Activities	20,783,584	1,175,073	277,359	(19,331,152)
41	General Administration	11,637,109	-	369,090	(11,268,019)
51	Plant Maintenance and Operations	77,383,391	944,109	3,753,367	(72,685,915)
52	Security and Monitoring Services	9,593,120	-	395,220	(9,197,900)
53	Data Processing Services	15,278,456	-	269,773	(15,008,683)
61	Ancillary Services	486,913	-	468,590	(18,323)
72	Debt Service - Interest and Fees	58,786,801	-	1,192,481	(57,594,320)
99	Tax Appraisal and Collection	4,059,701	-	-	(4,059,701)
	TOTAL PRIMARY GOVERNMENT:	$ 850,311,239	$ 12,735,230	$ 113,734,285	(723,841,724)

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	433,391,693
DT	Property taxes, levied for debt service	131,703,436
SF	State aid-grants and contributions not restricted to specific programs	150,343,001
IE	Investment earnings	28,629,918
S1	SHARS/MAC	11,434,312
MI	Miscellaneous	3,633,931
TR	Total general revenues	759,136,291
CN	Change in net position	35,294,567
NB	Beginning net position	30,755,360
NE	Net position—ending	$ 66,049,927

See Notes to the Basic Financial Statements.

CONROE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		General Fund	Debt Service Fund
	ASSETS		
1110	Cash and Cash Equivalents	$ 4,881,138	$ 12,273
1120	Current Investments	160,899,990	23,027,324
1220	Property Taxes - Delinquent	9,849,525	2,773,098
1230	Allowance for Uncollectible Taxes	(1,638,212)	(334,021)
1240	Due From TEA	37,059,872	378,947
1250	Accrued Interest	265,445	-
1260	Due From Other Funds	-	68,549
1290	Sundry Receivables	786,956	-
1293	Lease Receivable	871,157	-
1310	Inventories, at Cost	3,366,492	-
1410	Deferred Expenditures	-	-
1910	Long-Term Investments	24,546,070	-
1000	**Total Assets**	$ 240,888,433	$ 25,926,170
	LIABILITIES		
2110	Accounts Payable	$ 6,836,002	$ 18,000
2150	Payroll Deductions and Withholdings Payable	5,942,585	-
2160	Accrued Wages Payable	55,707,716	-
2170	Due to Other Funds	68,549	-
2180	Due to Other Governments	169	-
2300	Unearned Revenue	-	-
2000	**Total Liabilities**	68,555,021	18,000
	DEFERRED INFLOWS OF RESOURCES		
2601	Deferred Property Taxes	7,740,574	2,296,075
2603	Deferred Leases	821,289	-
2600	**Total deferred inflows of resources**	8,561,863	2,296,075
	FUND BALANCES		
	Nonspendable:		
3410	Inventory	3,366,492	-
	Restricted for:		
3480	Debt Service	-	23,612,095
3470	Capital Expenditures	-	-
3450	Food Service Operations	-	-
3450	Grant Operations	-	-
	Committed to:		
3545	Technology & Food Service	-	-
3545	Other Purposes	-	-
3590	Assigned to:		
3590	Other Purposes	6,526,341	-
3600	Unassigned:	153,878,716	-
3000	**Total Fund Balances**	163,771,549	23,612,095
4000	**Total Liabilities, Deferred Inflows and Fund Balances**	$ 240,888,433	$ 25,926,170

See Notes to the Basic Financial Statements.

Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
$ 640,302	$ 507,894	$ 6,041,607
204,594,608	8,499,108	397,021,030
-	-	12,622,623
-	-	(1,972,233)
-	6,627,622	44,066,441
-	-	265,445
-	4,301,610	4,370,159
-	290	787,246
-	-	871,157
-	1,375,505	4,741,997
-	157,500	157,500
-	-	24,546,070
$ 205,234,910	$ 21,469,529	$ 493,519,042
$ 41,982,313	$ 2,286,899	$ 51,123,214
-	-	5,942,585
-	799,529	56,507,245
-	4,301,610	4,370,159
-	-	169
-	886,301	886,301
41,982,313	8,274,339	118,829,673
-	-	10,036,649
-	-	821,289
-	-	10,857,938
-	-	3,366,492
-	-	23,612,095
126,026,913	-	126,026,913
-	12,774,652	12,774,652
-	186,609	186,609
-	233,929	233,929
37,225,684	-	37,225,684
-	-	6,526,341
-	-	153,878,716
163,252,597	13,195,190	363,831,431
$ 205,234,910	$ 21,469,529	$ 493,519,042

CONROE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2023

Total fund balances--governmental funds		$ 363,831,431
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Historical cost	2,523,542,178	
Accumulated depreciation / amortization	(741,767,110)	
Change due to Capital Assets	1,781,775,068	1,781,775,068
Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, and therefore are recorded as deferred inflows of resources in the funds.		10,036,649
Internal service funds are used by the District's management to charge the costs of the health insurance program to the individual funds. The assets and liabilities of the internal service funds are included in the government wide statement of net position.		7,762,992
Deferred outflows of resources for pension related items were not recognized on the balance sheet for governmental funds.		113,656,083
Deferred outflows of resources for OPEB related items were not recognized on the balance sheet for governmental funds.		69,777,916
Deferred inflows of resources for pension related items were not recognized on the balance sheet for governmental funds.		(19,283,464)
Deferred inflows of resources for OPEB related items were not recognized on the balance sheet for governmental funds.		(179,941,807)
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:		
Net pension liability	223,627,723	
Net OPEB Liability	115,666,099	
Bonds payable	1,550,285,000	
Leases payable	338,479	
SBITA payable	2,387,392	
Arbitrage payable	2,479,422	
Deferred loss on refunding	(16,739,727)	
Deferred gain on refunding	13,484,370	
Premiums on Issuance	186,029,180	
Compensated Absences	1,186,614	
Interest Payable	2,820,389	
Change due to Long-term Liabilities	2,081,564,941	(2,081,564,941)
Total net position--governmental activities		$ 66,049,927

See Notes to the Basic Financial Statements.

Conroe Independent School District

CONROE
INDEPENDENT
SCHOOL DISTRICT

CONROE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		General Fund	Debt Service Fund
	REVENUES		
5700	Total Local and Intermediate Sources	$ 450,597,022	$ 133,344,094
5800	State Program Revenues	188,834,632	4,440,044
5900	Federal Program Revenues	11,434,312	-
5020	**Total Revenues**	650,865,966	137,784,138
	EXPENDITURES		
	Current:		
0011	Instruction	404,870,023	-
0012	Instructional Resources & Media Service	6,375,316	-
0013	Curriculum & Instructional Staff Development	9,985,204	-
0021	Instructional Administration	6,849,597	-
0023	School Administration	40,794,113	-
0031	Guidance and Counseling	23,307,860	-
0032	Social Work Services	1,320,585	-
0033	Health Services	1,260,798	-
0034	Student (Pupil) Transportation	34,086,939	-
0035	Food Services	-	-
0036	Cocurricular/Extracurricular Activities	15,221,291	-
0041	General Administration	11,462,372	-
0051	Plant Maintenance and Operations	70,122,788	-
0052	Security and Monitoring Services	9,371,899	-
0053	Data Processing Services	8,630,992	-
0061	Ancillary Services	9,425	-
0070	Debt Service:		
0071	Principal	1,450,854	66,230,000
0072	Interest	22,144	67,299,020
0073	Bond Issuance Cost and Fees	-	40,980
0081	Facilities Acquisition and Construction	2,298,926	-
0099	Other Intergovernmental Charges	4,059,701	-
6030	**Total Expenditures**	651,500,827	133,570,000
1100	**Excess of Revenues Over (Under) Expenditures**	(634,861)	4,214,138
	OTHER FINANCING SOURCES AND (USES)		
7911	Capital-Related Debt Issuance	-	-
7913	Proceeds from Right to Use Leased Assets and SBITA	1,064,784	-
7916	Premium or Discount on Issuance of Bonds	-	-
7915	Transfers in	-	-
8911	Transfers out	(18,800,000)	-
7080	**Total Other Financing Sources and (Uses)**	(17,735,216)	-
1200	Net Change in Fund Balances	(18,370,077)	4,214,138
0100	**Fund Balance - September 1**	182,141,626	19,397,957
3000	**Fund Balance - August 31**	$ 163,771,549	$ 23,612,095

See Notes to the Basic Financial Statements.

Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
$ 13,580,146	$ 10,061,935	$ 607,583,197
-	7,588,291	200,862,967
-	87,559,983	98,994,295
13,580,146	105,210,209	907,440,459
-	36,346,317	441,216,340
-	131,941	6,507,257
-	11,158,100	21,143,304
-	1,025,779	7,875,376
-	1,872,399	42,666,512
-	11,451,744	34,759,604
-	516,735	1,837,320
-	8,010,408	9,271,206
-	1,118,395	35,205,334
-	30,458,685	30,458,685
-	99,525	15,320,816
-	201,174	11,663,546
348,727	3,071,152	73,542,667
-	264,936	9,636,835
3,408,054	161,739	12,200,785
-	468,460	477,885
-	1,190,852	68,871,706
-	1,629	67,322,793
-	-	40,980
225,523,052	-	227,821,978
-	-	4,059,701
229,279,833	107,549,970	1,121,900,630
(215,699,687)	(2,339,761)	(214,460,171)
-	-	-
-	2,221,723	3,286,507
-	-	-
18,800,000	-	18,800,000
-	-	(18,800,000)
18,800,000	2,221,723	3,286,507
(196,899,687)	(118,038)	(211,173,664)
360,152,284	13,313,228	575,005,095
$ 163,252,597	$ 13,195,190	$ 363,831,431

CONROE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Net change in fund balances—total governmental funds	$	(211,173,664)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. The capital outlays that were expensed for governmental purposes but capitalized in Statement of Net Position was:		228,214,359
Capital asset disposals in the current year, net of accumulated depreciations not expensed in governmental funds were:		(172,779)
Total depreciation and amortization recorded in Statement of Activities not recorded in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.		(60,674,689)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. For the Statement of Activities for the entity wide, a portion of the current year property tax is recognized as income in the current year along with the related penalty and interest. The difference between the fund basis and full accrual basis on property taxes was:		1,725,923
Amortization of gain/loss on refunding bonds and premium on bonds payable.		10,850,726
Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position.		66,230,000
Interest expense accrual amount for the current year over prior year amount.		205,668
Pension expenses not recognized on the fund financial statements under the modified accrual basis are recognized on the accrual basis in the government-wide financial statements. The effect of the change is to decrease net position.		(11,384,143)
OPEB expenses not recognized on the fund financial statements under the modified accrual basis are recognized on the accrual basis in the government-wide financial statements. The effect of the change is to increase net position.		13,532,093
Lease and SBITA expenditures are offset with other financing sources in the fund financials but are eliminated in the Statement of Net Position.		(3,286,507)
Internal service funds are used by management to charge the costs of workers compensation and health insurance to the funds. This credits back income/loss of those funds to the net position of the government.		1,540,632
Repayment of lease asset payables and SBITA payables are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		2,641,706
Interest expense related to long term arbitrage payable is recognized on the government wide financials but not the fund financials.		(2,479,422)
Change in compensated absences to accrual basis		(475,336)
Change in net position of governmental activities	$	35,294,567

See Notes to the Basic Financial Statements.

CONROE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
AUGUST 31, 2023

Data Control Codes		Internal Service Fund AUGUST 31, 2023
	ASSETS	
	Current Assets:	
1110	Cash and Cash Equivalents	$ 424,707
1120	Current Investments	10,300,847
1290	Sundry Receivables	1,006,525
	Total Current Assets	11,732,079
1000	**Total Assets**	11,732,079
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	3,969,087
	Total Current Liabilities	3,969,087
2000	**Total Liabilities**	3,969,087
	NET POSITION	
3300	Unrestricted	7,762,992
3000	**Total Net Position**	$ 7,762,992

See Notes to the Basic Financial Statements.

CONROE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Internal Service Fund AUGUST 31, 2023
	OPERATING REVENUES	
	Premium Contributions:	
5700	Employee	$ 21,334,009
5700	Employer	31,740,928
5020	Total Operating Revenues	53,074,937
	OPERATING EXPENSES	
6400	Claims and Administration	51,917,377
6030	Total Operating Expenses	51,917,377
	Operating Income	1,157,560
	NONOPERATING REVENUES	
7020	Earnings on Investments	383,072
	Total Nonoperating Revenues	383,072
1300	**Change in Net Position**	1,540,632
0100	**Net Position - September 1 (Beginning)**	6,222,360
3300	**Net Position - August 31 (Ending)**	$ 7,762,992

See Notes to the Basic Financial Statements.

CONROE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2023

	Internal Service Fund AUGUST 31, 2023
Cash Flows From Operating Activities:	
Cash Received from User Charges	$ 53,074,937
Cash Payments for Insurance Claims	(50,397,861)
Net Cash provided by Operating Activities	2,677,076
Cash Flows From Investing Activities:	
Purchase of Investments, net	(3,595,831)
Proceeds From Earnings on Investments	383,072
Net Cash used in Investing Activities	(3,212,759)
Net Decrease in Cash and Cash Equivalents	(535,683)
Cash and Cash Equivalents at Beginning of the Year:	960,390
Cash and Cash Equivalents at the End of the Year	$ 424,707
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income:	$ 1,157,560
Effect of Increases and Decrease in Current Assets and Liabilities:	
(Increase)Decrease in Sundry Receivables	1,076,556
Increase (Decrease) in Accounts Payable	442,960
Net Cash provided by Operating Activities	$ 2,677,076

See Notes to the Basic Financial Statements.

CONROE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
AUGUST 31, 2023

Data Control Code		Custodial Funds August 31, 2023
	ASSETS	
1110	Cash and Cash Equivalents	$ 9,419,957
1290	Sundry Receivables	33,332
	Total Assets	9,453,289
	LIABILITIES	
2110	Accounts Payable	9,424
	Total Liabilities	9,424
	NET POSITION	
3800	Restricted for Student Clubs/Organizations & Teacher Groups	9,443,865
	Total Net Position	$ 9,443,865

See Notes to the Basic Financial Statements.

CONRoe INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Code		Custodial Funds
	ADDITIONS	
	Dues and Contributions:	
5700	Student Clubs/Organizations & Teacher Groups	$ 12,725,777
	Total Additions	12,725,777
	DEDUCTIONS	
6400	Miscellaneous Operating Expenses	12,065,401
	Total Deductions	12,065,401
	Net Increase in Fiduciary Net Position	660,376
NB	Net Position - Beginning	8,783,489
NE	**Net Position - Ending**	$ 9,443,865

See Notes to the Basic Financial Statements.

Conroe Independent School District

CONROE
INDEPENDENT
SCHOOL DISTRICT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Conroe Independent School District (the District) is an independent public educational agency operating under applicable laws and regulations of the State of Texas. A seven member Board of Trustees elected by the District's residents to staggered three-year terms autonomously governs the District.

The financial statements of the Conroe Independent School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Terminology and Classification - The District, throughout its accounting system, utilizes terminology and classification as required by the *Financial Accountability System Resource Guide* published by the TEA, which provides a uniform chart of accounts for all funds and a glossary containing definitions of terms as necessary for common understanding.

Financial Reporting

The financial reporting model for state and local governments includes management's discussion and analysis, government wide financial statements, required supplementary information and fund financial statements and notes.

A. Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by GAAP, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by GAAP. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under GAAP include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Government Wide and Fund Financial Statements

The government wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed for these statements. The governmental activities are supported by tax revenues and intergovernmental revenues. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government Wide and Fund Financial Statements (continued)

restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Funds Balance Sheet and Proprietary Fund Statement of Net Position and as other sources and other uses on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the Government-wide Statements. Interfund services provided and used are not eliminated in the process of consolidation. Interfund activities between governmental funds and fiduciary funds are reclassified as receivable or payable on the Government-wide Statement of Activities.

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund. The accounting used for fiduciary funds is the *economic resources measurement focus*. Grant funds are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to pension liability, OPEB liability, compensated absences, leases and SBITA's, and claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program, and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, child nutrition service, debt service, and capital projects.

The *debt service fund* accounts for the payment of principal and interest on bonded long-term debt and contractual obligations of the District. The primary source of revenue for debt service is the apportionment of local property taxes and state allocated revenue.

The *capital projects fund* includes funds, which are used to account for the expenditures of resources, accumulated from sales of bonds and related interest earnings for the acquisition and construction of school facilities and other capital asset acquisitions.

Additionally, the District reports the following funds:

Governmental Funds:

Special Revenue Funds

The Special Revenue funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulations. The Special Revenue Funds include various funds, which are used to account for the District's Child Nutrition Program, including local, state, and federal revenue sources. The Child Nutrition Fund is the only legally adopted budgeted fund. For all other special revenue funds in the fund type, project accounting is employed to maintain integrity for the various sources of the funds. Resources accounted for in these funds are awarded to the District for the purpose of accomplishing specific educational tasks as defined by the grantors in contracts or other agreements.

Proprietary Fund:

Internal Service Fund

The District's internal service fund is used to account for the operation of the District's employee health insurance plan. The health insurance plan is funded through premiums paid by the general fund and special revenue funds to fund claims and administrative expenses. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Fiduciary Fund:

Custodial Fund

The custodial fund accounts for resources held for the benefit of student and staff organizations. The custodial fund is not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Stewardship, Compliance and Accountability

An annual budget for the General, Debt Service, and Child Nutrition Fund must be prepared and adopted by the Board of Trustees prior to expenditure of funds. The annual budgeting process is summarized as follows:

Beginning in January, budget goals and guidelines are established by the Superintendent and Board of Trustees. Campuses and departments are requested to submit budget requests based on the goals established for the budget year. Public hearings are held for citizen comments. The Board of Trustees approves the final budget on a fund-by-fund basis and establishes a tax rate to support the approved budget. The Board of Trustees adopted the 2022-23 budget on August 16, 2022.

A comprehensive detailed budget document is prepared for review by taxpayers, credit rating agencies and other interested parties. The annual budget is recorded as an integral part of the accounting system, providing appropriate budgetary control over revenues, expenditures, and transfers through comparison of actual data and encumbrances to budgetary data.

The District prepares its individual fund budgets for governmental fund types on a GAAP basis. Fund budgets are incorporated into the accounting system to be used as a management tool, and are reviewed by the Board of Trustees at their regular monthly meeting. The Board has legal authority to amend the adopted budget as necessary during the fiscal year, and budget amendments are submitted to the Board of Trustees on a monthly basis as necessary; the Board must approve any increases or changes in functional expenditure categories or revenue accounts prior to expenditure. Appropriations in the General Fund were increased by $41,465,477 during the fiscal year. This increase consists primarily of re-appropriation of prior year encumbrances, amendment to the payroll budget for the increase in positions to, and implementing GASB 87 and 96. The District uses amended budget figures for reporting and budgetary control purposes. Expenditures may not exceed total amended appropriations by fund at the function level. However, should this occur, the final official budget does not need to be adjusted at year-end should they exceed appropriations only at the functional level. Unexpended appropriations lapse at year-end.

F. Revenue Sources

Specific revenue sources which have been treated as susceptible to accrual under the modified accrual basis of accounting criteria (both measurable and available to finance expenditures of the fiscal period) are:

- The District's Property tax revenues, to the extent that historical data indicate they are collectible soon enough in the subsequent period to finance current period expenditures. Such time does not exceed 60 days after the close of the fiscal year.
- State revenue owed to the District for the 2022-23 fiscal year.
- Grants and revenues from other governments.
- Interest earned on investments.

G. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, right to use leased equipment and right to use assets – SBITAS, and construction-in-progress are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated use life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets (continued)

Land and Construction in Progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	40
Buses	10
Right-to-use leased equipment	1-5
Other Vehicles	7
Other Furniture and Equipment	2-5
Right-to-use assets - SBITAs	1-8

H. Investments

Investments consist primarily of local government investment pools, Money Market accounts, U.S. Governmental Agency securities, and Municipal Bonds. Investments of the District are stated at fair value or amortized cost, as applicable, in accordance with Generally Accepted Accounting Principles, as further described in Note 2. Current Investments consist of investments with a maturity of less than one year from August, 31 2023. Long Term investments consist of investments with a maturity greater than one year from August 31, 2023.

I. Inventories

Inventories, which consist primarily of supplies and equipment, are recorded using the consumption method and are stated at cost using the first-in, first-out method. Food Commodities are used only in the child nutrition program and are recorded as unearned revenue since title does not pass to the school district until the commodities are used.

J. Encumbrances

Encumbrance accounting is utilized in all governmental funds. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, General Fund appropriations lapse each August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at August 31, 2023 that were provided for in the subsequent year's General Fund budget were $6,526,341. These amounts are classified as assigned fund balance on the Governmental Funds Balance Sheet.

K. Liabilities for Compensated Absences

The District pays compensated absences to certain employees at the time of their separation and/or retirement. Payment for accrued sick leave at the time of retirement is limited to the current salary rate for accumulated sick leave days, up to a maximum of 60 days, for employees hired before July 1, 1988, and currently eligible for retirement. In addition, upon separation or retirement, payment for each day of accrued local leave is paid at the current standard substitute certified teacher rate for professional staff or the substitute paraprofessional rate for paraprofessional and auxiliary staff, to a maximum of $5,000. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee. The payment for the accrued sick leave and/or accrued local leave is made with the employees' final pay check and includes all salary related payments. Compensated absences are reported in governmental funds only if they have matured. No balances are reported as liabilities for compensated absences in the governmental funds as of August 31, 2023.

L. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, and demand deposits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Comparative Data

Comparative total data for the prior year has been presented only for certain funds in the supplementary information in order to provide an understanding of the changes in the financial position and operations of these funds.

N. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.
- District contributions to the pension and OPEB plans after the measurement date are recognized in the subsequent year.
- Deferred inflows from leases are adjusted over the life of the lease by the current portion of the principal received.

O. Other Financing Sources

Amounts recognized as other financing sources represent proceeds from issuance of bonds received by the district and related payments to escrow and operating transfers.

P. Fund Balances and Net Position

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). In accordance with GASB 54 the District classifies governmental fund balances as follows:

Non-Spendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long term receivables.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

Committed – Committed fund balances are amounts constrained to specific purposes by the District itself, using a resolution passed by its highest decision making authority (the Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint. The Coke Grant in the Non-Major Governmental Funds has committed $233,929 for Operations and Food Services. The Capital Projects Fund has $37,225,684 committed for capital acquisition and construction.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Fund Balances and Net Position (continued)

Assigned – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent or the Chief Financial Officer pursuant to the District's fund balance policy. At August 31, 2023, $6,526,341 of fund balance in the General Fund was assigned for encumbrances.

Unassigned – amounts that are available for any purpose are considered unassigned fund balance. Positive numbers can only be reported in the general fund.

Net Position may serve over time as a useful indication of a government's financial position. Net position on the Statement of Net Position includes the following: *Net Investment in Capital Assets* – this component of net position reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets; *Restricted* –this component of net position reports the difference between assets and liabilities of the District that consist of assets with constraints placed on their use by external parties; *Unrestricted* –the difference between the assets and liabilities that is not reported in Net Investment in Capital Assets, or Restricted Net Position.

Q. Leases

Lessee

The District is a lessee for noncancellable leases of property and equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in the government-wide and proprietary fund financial statements.

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

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

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

The district has entered into multiple lease agreements as lessee. The leases allow the right to use equipment over the terms of the lease. The Distrit is required to make monthly payments at its incremental borrowing rate. The lease rate, term, and ending lease liabilities are as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Leases (continued)

Leases Payable
Governmental Activities - Lessee

	Interest Rate	Lease Term in Months	Ending Balance
Equipment	3.59%	22 - 34	$ 338,479
Total Governmental Activities			$ 338,479

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. As of August 31, 2023, the schedule of lease payments is as follows:

Principal and Interest Requirements to Maturity
Governmental Activities - Lessee

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 338,479	$ 5,594	$ 344,073
Total Requirements	$ 338,479	$ 5,594	$ 344,073

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

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

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

The District has entered into multiple lease agreements as a lessor. The leases allow the lease the right-to-use cell tower and District sites over the term of the lease. The District receives monthly payments at its incremental borrowing rate. The lease rate, terms, and ending lease receivables are as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Leases (continued)

Leases Receivable
Governmental Activities - Lessor

	Interest Rate	Lease Term in Months	Ending Balance
Cell Tower	3.59%	140 - 222	$ 858,438
Site Lease	3.59%	48	12,719
Total Governmental Activities			$ 871,157

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. As of August 31, 2023, expectation of lease receipts through the expiration of all leases is as follows:

Principal and Interest Expected to Maturity
Governmental Activities - Lessor

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 41,468	$ 30,603	$ 72,071
2025	44,683	29,061	73,744
2026	41,356	27,512	68,868
2027	44,670	25,973	70,643
2028	48,159	24,312	72,471
2029-2033	296,587	91,942	388,529
2034 - 2038	282,784	36,254	319,038
2039 - 2040	71,450	2,061	73,511
Total Requirements	$ 871,157	$ 267,718	$ 1,138,875

R. Subscription-Based Information Technology Arrangements (SBITA)

The District has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The District recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with capital assets, in the government-wide and proprietary fund financial statements.

At the commencement of a SBITA, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments. The subscription asset is initially measured at the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straightline basis over the shorter of the subscription term or the useful life of the underlying IT assets. Key estimates and judgements related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District uses its incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Subscription-Based Information Technology Arrangements (SBITA) (continued)

- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the District is reasonably certain to exercise such option, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District has entered into multiple subscription arrangements for both governmental activities and businesstype activities. The subscriptions allow the right to use information technology over the terms of the subscription. The District is required to make annual payments at its incremental borrowing rate or interest rate stated or implied within the subscriptions. The subscription rate, terms, and ending subscription liabilities are as follows:

SBITA Payable
Governmental Activities - Lessee

	Interest Rate	Lease Term in Months	Ending Balance
IT Software	1.58% - 3.07%	16 - 36	$ 2,387,392
Total Governmental Activities			$ 2,387,392

The District monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. As of August 31, 2023, the schedule of subscription payments is as follows:

Principal and Interest Requirements to Maturity
Governmental Activities - SBITA

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 2,128,150	$ 48,924	$ 2,177,074
2025	220,380	4,961	225,341
2026	37,233	726	37,959
2027	1,629	26	1,655
Total Requirements	$ 2,387,392	$ 54,637	$ 2,442,029

S. Use of Estimates

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

T. Data Control Codes

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Restricted Resources

When the District has both restricted and unrestricted resources available to fund an expenditure, the District intends to use the restricted resources first. Furthermore, committed fund balances are reduced first, followed by assigned amounts and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

V. 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.

W. Other Post-employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other 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.

X. Implementation of New Accounting Standard

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022 and all reporting periods thereafter. GASB 96 was implemented in the District's 2022-23 financial statements, resulting in recognition of $1,361,654 in subscription assets and subscription liabilities as of September 1, 2022 within governmental activities to conform to the new standard.

Y. Recently Issued Accounting Pronouncements

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

NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS

A. Deposits (Cash)

Deposits and investment transactions of the District are regulated by State statutes through provisions of Chapter 23, Subchapter E, Sections 23.71 through 23.8 (The School Depository Act) of the Texas Education Code and other code sections referenced therein and through provisions of the Texas Revised

NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS (continued)

A. Deposits (Cash) (continued)

Civil Statutes, Title 47 Article 2529c, and 2548a regarding security for District funds in Depository institutions.

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

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

Acceptable collateral securities include direct obligations of the United States of America (U.S.) bonds of any agency of the U.S., (except Farmers Home Administration Insured Notes), bonds of the State of Texas or of any county, school district, city, or town of the State of Texas that have been rated A or better by Moody's Investor Services, Inc., and letters of credit issued by a federal home loan bank, as authorized by Chapter 2257 Collateral for Public Funds of the Government Code.

The District must approve all collateral securities prior to the security being pledged. The depository can change collateral securities pledged to secure District funds only upon obtaining the written approval of the District. All demand and time deposits in the depository bank were entirely covered by federal depository insurance and by acceptable collateral securities held in the District's name by an agent of the District at year-end in accordance with provisions of the depository contract. The District's highest balance of $34,857,075.60 occurred on August 29, 2023 and the value of collateral pledged and FDIC insurance on that date totaled $60,250,000.

A summary of the District's cash and cash equivalents at August 31, 2023 is shown below.

	Cash On hand	Bank Deposits	Total
General	$ 500	$ 4,880,638	$ 4,881,138
Debt Service	-	12,273	12,273
Capital Projects	-	640,302	640,302
Other Governmental	18,175	489,719	507,894
Total Governmental	18,675	6,022,932	6,041,607
Internal Service	-	424,707	424,707
Total Entity Wide	18,675	6,447,639	6,466,314
Fiduciary	-	9,419,957	9,419,957
Total	$ 18,675	$ 15,867,596	$ 15,886,271

B. Investments

The Board of Trustees of the District has adopted a written investment policy (the "Investment Policy") regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The Public Funds Investment Act requires an annual audit of investment

NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS (continued)

B. Investments (continued)

practices. Additionally, the investments and investment practices of the District are in compliance with the Trustees' investment policies.

The District's investment policy emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment and the maximum average dollar weighted maturity allowed for fund groups. In addition, it includes an "Investment Strategy Statement" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield.

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

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

The District's investments are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial risk. Custodial Credit risk for investments is the risk that, in 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 bank trust department hold all securities owned by the District. The District generally holds all US government securities to maturity. The District did not purchase any derivative investment products during the current year nor participate in any reverse repurchase agreements or security lending agreement during the fiscal year 2022-23.

THIS SPACE INTENTIONALLY LEFT BLANK

NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS (continued)

B. Investments (continued)

As of August 31, 2023, the District's investment balances, weighted average maturity and credit rating of investments are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds	Internal Service Fund	Total
Current Investments							
Investment Pool							
Lone Star	$ 17,963,969	$ 22,920,791	$ 141,780,741	$ 8,499,108	$ 191,164,609	$ 10,300,847	$ 201,465,456
TexasClass	33,003,532	-	62,813,867	-	95,817,399	-	95,817,399
TexPool	5,561,826	-	-	-	5,561,826	-	5,561,826
Money Market Fund	76,336,017	106,533	-	-	76,442,550	-	76,442,550
Municipal Bonds	4,785,444	-	-	-	4,785,444	-	4,785,444
Treasury Notes	23,249,202	-	-	-	23,249,202	-	23,249,202
Total Current Investments	160,899,990	23,027,324	204,594,608	8,499,108	397,021,030	10,300,847	407,321,877
Long-Term Investments							
US Government Agency Securities	16,508,103	-	-	-	16,508,103	-	16,508,103
Treasury Notes	8,037,967	-	-	-	8,037,967	-	8,037,967
Total Long-Term Investments	24,546,070	-	-	-	24,546,070	-	24,546,070
Total Investments	$ 185,446,060	$ 23,027,324	$ 204,594,608	$ 8,499,108	$ 421,567,100	$ 10,300,847	$ 431,867,947

	Value at August 31, 2023	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk (S & P Rating)
Investments Measured at Amortized Cost							
Investment Pools							
Texpool	$ 5,561,826				1.288%	24	AAAm
Money Market Fund	76,442,550				17.700%	1	AAAm
Investments Measured at Net Asset Value (NAV)							
Investment Pools							
Lone Star	201,465,456				46.650%	84	AAAf/S1+
Texas CLASS	95,817,399				22.187%	68	AAAm
Investments Subject to Fair Value							
Municipal Bonds	4,785,444	-	4,785,444	-	1.108%	245	AA+
U.S. Government Agency Bonds:							
Federal Home Loan Bank Notes	16,508,103	-	16,508,103	-	3.822%	647	AA+
Treasury Notes	31,287,169	31,287,169	-	-	7.245%	263	AA+
Total	$ 431,867,947	$ 31,287,169	$ 21,293,547	$ -	100.000%		
Portfolio Weighted Average Maturity						101	

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 a 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 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.

NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS (continued)

B. Investments (continued)

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.

Certain investment types are not required to be measured at fair value; these include money market funds and certain other short-term, highly liquid debt instruments as well as certain investment pools which are measured at amortized cost, and other investment pools which are measured at the net asset value (NAV) determined by the pool, which approximates fair value. These instruments are exempt from categorization within the fair value hierarchy.

The *U. S. Government Agency Securities and Municipal Bonds* are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Local Government Investment Pools

As of August 31, 2023 the District's investments included Lone Star Investment Pool, Texas Class and TexPool. These pools are set up in accordance with the Texas Public Funds Investment Act for participant's investments. The Texas State Comptroller of Public Accounts and the State Auditor's office exercise regulatory oversight responsibility in monitoring external pools operations in compliance with the Public Fund Investment Act. External pools must have an advisory Board composed of both participants in the external pool and other persons who do not have a business relationship with the external pools. The advisory Board has oversight responsibility for operations, designation of management and accountability for fiscal matters. The advisory board members review the investment policy as required by the State. State statute requires that the external pools maintain at least an AAA or AAA-m or equivalent rating by a nationally recognized rating service. The investment pools do not have any limitations or restrictions on withdrawals, such as notice periods or maximum transaction amounts, and do not impose any liquidity fees or redemption gates.

Investment Risk

The risk exposure for governmental, individual major funds, non-major funds in the aggregate and fiduciary funds types of the District are not significantly greater than the deposit and investment risk of the overall primary government.

The District's Investment Policy seeks to control risk. Such risk is controlled by investing in compliance with the District's Investment Policy, qualifying the broker and financial institutions with whom the District will purchase investments, sufficient collateralization, portfolio diversification, and limiting maturity.

Credit Risk

As of August 31, 2023, the District invested in Lone Star Investment Pool, Texpool, Texas Class, TD Ameritrade Federated Government Obligations Fund, Woodforest Bank Public Fund Premium Account, Municipal Bonds, US Government Agency Securities, and US Treasury Notes. District policy requires investment pools to have a rating of at least AAAm by Standard and Poor's and obligations of the United States or its agencies to have a rating not less than an A or its equivalent.

NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS (continued)

B. Investments (continued)

Concentration of Credit Risk:

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Interest Rate Risk

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that District's investment portfolio as a whole will not exceed the weighted average maturity of 18 months (547 days). The Investment Policy also limits that no investment shall have an original stated maturity greater than 3 years.

Adjustments to Investments' Fair Value

The District's portfolio value fluctuates in an inverse relationship to any change in interest rates. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen. The District's investments in Municipal Bonds, U.S. Government Agency Securities, and US Treasury Notes are reported by the District at fair value in accordance with GAAP. The District had no gains or losses from the sales of securities because they were held to maturity. The amount of increase or decrease in the fair value of investments is included in investment income. The District recorded a $1,421,354 decrease in the fair value of investments for the year ended August 31, 2023.

	Governmental Funds	Proprietary Funds	Total
Interest Income	$ 29,668,200	$ 383,072	$ 30,051,272
Net decrease in fair value of investments	(1,421,354)	-	(1,421,354)
Total Investment Income	$ 28,246,846	$ 383,072	$ 28,629,918

NOTE 3 - PROPERTY TAXES

The District's ad valorem property tax is levied each October 1, based on the assessed value determined by the Montgomery Central Appraisal District (MCAD) for all real and business personal property located in the District. The MCAD, a separate governmental entity, is responsible for the recording and appraisal of property for all taxing units in the County, including the District. The MCAD is required by state law to assess property at 100% of its appraised value. Further, real property must be re-appraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the MCAD Appraisal Review Board through various appeals and, if necessary, legal action. Taxes are levied and due on October 1, of each year, and become delinquent on the following February 1. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value for the 2022-23 fiscal year was $52,134,762,079.

The tax rates assessed for the year ended August 31, 2023, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $0.8546 and $0.26 per $100 of valuation, respectively, for a total of $1.1146 per $100 of valuation. Total current and delinquent tax collections, including penalty and interest, for the year ended August 31, 2023, were 99.84% of the current tax levy. Delinquent taxes are prorated between general operations and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

NOTE 3 - PROPERTY TAXES (continued)

Net property taxes receivable at August 31, 2023, consisted of the following:

	General Fund	Debt Service	Total
Delinquent Taxes - Current Year Levy	$ 3,825,397	$ 1,162,083	$ 4,987,480
Delinquent Taxes - Prior Year Levy	6,024,128	1,611,015	7,635,143
Total Property Taxes Delinquent	9,849,525	2,773,098	12,622,623
Less Allowance for uncollectible taxes	(1,638,212)	(334,021)	(1,972,233)
Net Property Taxes Receivable	$ 8,211,313	$ 2,439,077	$ 10,650,390

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2023, consisted of the following individual fund receivables and payables:

	Receivable	Payable
General Fund		
Debt Service	$ -	$ 68,549
Total General Fund	-	68,549
Debt Service Fund		
General Fund	68,549	-
Total Debt Service Fund	68,549	-
Non Major Governmental Funds		
Homeless Children & Youth Grant	-	544
ESEA Title I Part A	-	287,654
ESEA Title I Part C-Migrant	-	16,113
Idea B Formula	-	144,098
Idea B Preschool	-	721
Child Nutrition	4,301,610	-
Carl Perkins		45,402
ESEA Title II	-	32,617
Title III	-	18,193
TCLAS		162
ESSER II	-	109,701
ESSER III		1,054,907
Idea B Formula - ARP	-	11,898
Title IV	-	6,159
Idea B Discretionary Deaf		891
Instructional Materials	-	2,327,819
Other State Funds		243,435
State Deaf	-	1,296
Total Non Major Governmental	$ 4,301,610	$ 4,301,610

The District has not cleared the interfund payables and receivables at year-end. Most of the amounts represent short-term borrowings between funds for operating expense payments.

NOTE 5 – CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended August 31, 2023:

	Beginning Balance	Additions & Transfers In	Retirements & Transfers Out	Ending Balance
Capital Assets, not being depreciated or amortized:				
Land	$ 83,561,702	$ 27,884,533	$ -	$ 111,446,235
Construction in progress	72,947,937	67,096,951	(125,870,892)	14,173,996
Total Capital Assets, not being depreciated or amortized	156,509,639	94,981,484	(125,870,892)	125,620,231
Capital Assets, being depreciated and amortized:				
Buildings and Improvements	2,039,816,464	244,348,981	-	2,284,165,445
Furniture and Equipment	99,375,445	11,468,279	(2,830,998)	108,012,726
Right-to-Use Assets-Equipment	1,095,615	12,150	-	1,107,765
Right-to-Use Assets-SBITA*	1,361,654	3,274,357	-	4,636,011
Total Capital Assets, being depreciated and amortized	2,141,649,178	259,103,767	(2,830,998)	2,397,921,947
Less accumulated depreciation and amortization for:				
Buildings and Improvements	(609,464,327)	(50,580,004)	-	(660,044,331)
Furniture and Equipment	(73,899,625)	(8,498,966)	2,658,219	(79,740,372)
Right-to-Use Assets-Equipment	(386,688)	(393,315)	-	(780,003)
Right-to-Use Assets-SBITA	-	(1,202,404)	-	(1,202,404)
Total accumulated depreciation and amortization	(683,750,640)	(60,674,689)	2,658,219	(741,767,110)
Total Capital Assets, being depreciated and amoritzed, net	1,457,898,538	198,429,078	(172,779)	1,656,154,837
Governmental activities Capital Assets, net	$ 1,614,408,177	$ 293,410,562	$ (126,043,671)	$ 1,781,775,068

* Beginning balances have been adjusted to reflect the adoption of GASB 96, SBITAs

Depreciation and amortization expense of the governmental activities w as charged to functions / programs as follow s:

Instruction	$ 34,756,715
Instructional Resources & Media Service	3,208,834
Curriculum & Instructional Staff Development	1,115,356
Instructional Administration	79,824
School Administration	604,416
Guidance and Counseling	649,141
Health Services	156,983
Student (Pupil) Transportation	1,773,910
Food Services	2,060,329
Cocurricular/Extracurricular Activities	5,214,093
General Administration	507,444
Plant Maintenance and Operations	6,378,794
Security and Monitoring Services	464,382
Data Processing Services	3,704,468
	$ 60,674,689

NOTE 6 - UNEARNED REVENUE

Unearned revenue as of August 31, 2023, consisted of the following:

	General	Non Major Funds	Debt Service	Total
Child Nutrition	$ -	$ 886,301	-	$ 886,301
Total	$ -	$ 886,301	$ -	$ 886,301

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources as of August 31, 2023, consisted of the following:

	General	Non Major Funds	Debt Service	Total
Property Taxes	$ 7,740,574	$ -	$ 2,296,075	$ 10,036,649
Leases	821,289	-	-	821,289
Total	$ 8,561,863	$ -	$ 2,296,075	$ 10,857,938

NOTE 8 - LONG-TERM DEBT AND DEBT SERVICE

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

By local referendum, the District has adopted the provisions of Section 20 of the Texas Education Code requiring the levy each year of a tax rate, unlimited as to amount, sufficient to meet principal and interest requirements during the ensuing fiscal year. Resources from the property taxes for servicing bonded debt principal and interest are accumulated in, and expended from, the Debt Service Fund (Article 278e-1, VCS).

The voters of the District authorized the sale of general obligation bonds in the amount of $653,570,000 in an election held November 5, 2019. As of August 31, 2023 all of the 2019 bonds have been sold.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 1,616,515,000	$ -	$ (66,230,000)	$ 1,550,285,000	$ 73,975,000
Plus Premiums on Bonds	197,664,220	-	(11,635,040)	186,029,180	11,158,428
Total Bonds Payable	1,814,179,220	-	(77,865,040)	1,736,314,180	85,133,428
Compensated Absences	711,278	644,565	(169,229)	1,186,614	300,273
Lease Payable	719,416	12,150	(393,087)	338,479	338,479
SBITA Payable*	1,361,654	3,274,357	(2,248,619)	2,387,392	2,128,150
Net Pension Liability	86,473,036	154,731,885	(17,577,198)	223,627,723	-
Net OPEB Liability	172,908,251	-	(57,242,152)	115,666,099	-
Total Long Term Liabilities	$ 2,076,352,855	$ 158,662,957	$ (155,495,325)	$ 2,079,520,487	$ 87,900,330

* Beginning balances have been adjusted to reflect the adoption of GASB 96, SBITAs

NOTE 8 -LONG-TERM DEBT AND DEBT SERVICE (continued)

Current Year Information - Debt service requirements to maturity for these issues are summarized as follows:

Year Ended	Current Interest Bonds		
August 31	Principal	Interest	Total
2024	$ 73,975,000	$ 63,051,873	$ 137,026,873
2025	71,080,000	59,485,548	130,565,548
2026	68,715,000	56,112,098	124,827,098
2027	72,100,000	52,727,523	124,827,523
2028	74,050,000	49,298,723	123,348,723
2029	77,455,000	45,894,873	123,349,873
2030	81,085,000	42,264,866	123,349,866
2031	75,470,000	38,626,873	114,096,873
2032	79,010,000	35,088,866	114,098,866
2033	82,585,000	31,514,854	114,099,854
2034	86,055,000	28,042,173	114,097,173
2035	89,430,000	24,668,485	114,098,485
2036	59,475,000	21,808,622	81,283,622
2037	61,865,000	19,416,585	81,281,585
2038	63,845,000	16,950,892	80,795,892
2039	63,995,000	14,402,662	78,397,662
2040	63,405,000	11,951,825	75,356,825
2041	65,760,000	9,595,925	75,355,925
2042	60,360,000	7,296,012	67,656,012
2043	51,025,000	5,231,331	56,256,331
2044	37,645,000	3,605,212	41,250,212
2045	38,975,000	2,277,217	41,252,217
2046	32,210,000	1,145,067	33,355,067
2047	20,715,000	339,881	21,054,881
	$ 1,550,285,000	$ 640,797,986	$ 2,191,082,986

NOTE 8 - LONG-TERM DEBT AND DEBT SERVICE (continued)

Outstanding Debt

Outstanding debt at August 31, 2023 consisted of the following:

Original Issue Amount	Description	Interest Rate	Matures	Amount Outstanding Aug 31, 2023
$ 76,920,000	Unlimited Tax Schoolhouse Bonds, Series 2014	2.00-5.00%	2039	$ 46,745,000
129,205,000	Unlimited Tax Schoolhouse Bonds, Series 2014A	2.00-5.00%	2039	70,135,000
21,085,000	Unlimited Tax Schoolhouse Bonds, Series 2014B	2.00-5.00%	2030	15,355,000
117,665,000	Unlimited Tax Schoolhouse Bonds, Series 2015	2.00-5.00%	2035	106,305,000
138,015,000	Unlimited Tax Schoolhouse Bonds, Series 2016	5.00%	2041	113,285,000
206,675,000	Unlimited Tax Schoolhouse Bonds, Series 2016A	3.00-4.00%	2042	182,275,000
97,540,000	Unlimited Tax Schoolhouse Bonds, Series 2017	3.00 - 5.00%	2035	89,995,000
174,435,000	Unlimited Tax Schoolhouse Bonds, Series 2018	3.00 - 5.00%	2043	167,860,000
66,755,000	Unlimited Tax Refunding Bonds, Series 2019	4.00 - 5.00%	2026	28,430,000
116,125,000	Unlimited Tax Schoolhouse Bonds, Series 2020	2.50 - 5.00%	2045	112,425,000
328,325,000	Unlimited Tax School Building and Refunding Bonds, Series 2020A	2.25 - 5.00%	2046	309,800,000
162,010,000	Unlimited Tax Schoolhouse Bonds, Series 2022	1.00 - 5.00%	2047	160,175,000
154,120,000	Unlimited Tax Schoolhouse Bonds, Series 2022A	4.00 - 5.00%	2047	147,500,000
$ 1,788,875,000	**Total General Obligation Bonds**			$ 1,550,285,000

Current Year Defeasance of Long-term Debt

During the fiscal year the District completed a partial defeasance of Series 2014 bonds, consisting of $3,485,000 in principal maturities dated 2038 - 2039. Debt Service Fund resources of $3,549,892 were placed in escrow for the scheduled redemption date of February 1, 2024.

Prior Year Advance Refunding of Long-term Debt

The District has no defeased bonds outstanding as of August 31, 2023 resulting from prior year advance refundings.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Construction - During the 2022-23 fiscal year, the District continued construction of new facilities as well as renovation of some existing facilities. As of August 31, 2023, the District's construction commitments with the contractors are as follows:

Campus/Location	Authorized Contract	Total In Progress	Remaining Commitment
Bartlett	$ 37,933,268	$ 14,173,996	$ 23,759,272
CHS Master Plan	144,998,625	104,987,156	40,011,469
Hines Elementary	35,443,652	34,218,461	1,225,191
Transportation Centers	16,546,408	10,282,752	6,263,656
ORHS Overhaul & CTE	57,390,656	55,280,352	2,110,304
Safety & Security 22	10,957,058	7,381,582	3,575,476
TOTAL	$ 303,269,667	$ 226,324,299	$ 76,945,368

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

Federal Financial Assistance - 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 is subject to audit by the grantor agencies and the TEA. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual funds included herein or on the overall financial position of the District at August 31, 2023.

Legal Proceedings - The District is a defendant in various 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 proceeding will not have a material adverse effect on the accompanying basic financial statements.

NOTE 10 - GENERAL FUND FEDERAL PROGRAM REVENUE

Programs that are federally funded are accounted for in the Special Revenue Funds of the District. The District received $11,434,312 in revenue from the SHARS and MAC Medicaid Programs. These programs are accounted for in the General Fund as required by the TEA.

NOTE 11 – REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General	Debt Service	Capital Projects	Other Non Major Funds	Total
Property Taxes	$ 429,536,744	$ 130,537,126	$ -	$ -	$ 560,073,870
Penalties, Interest, and Other Tax Related Income	2,607,092	688,244	-	-	3,295,336
Summer School, Tuition and Fees	554,112	-	-	-	554,112
Investment Income	12,145,960	2,118,724	13,580,146	402,016	28,246,846
Food Sales	-	-	-	9,657,662	9,657,662
Co-Curricular Student Activities	1,534,676	-	-	-	1,534,676
Building Rental	944,110	-	-	-	944,110
Other	3,274,328	-	-	2,257	3,276,585
Total	$ 450,597,022	$ 133,344,094	$ 13,580,146	$ 10,061,935	$ 607,583,197

Building Rental revenues include revenues from leases recognized under GASB 87 amounting to 70,522 for the year ending August 31, 2023.

NOTE 12 - OTHER FINANCING SOURCES AND OTHER FINANCING USES

Other financing sources general fund consist of $1,064,784 in proceeds from Right to Use Leased Assets and SBITAs. Other financing sources in the capital projects fund consist of a transfer in of $18,800,000 from the general fund. Other financing uses in the general fund consist of a transfer out of $18,800,000 into the capital maintenance fund to assist with the completion of the 2019 bond projects, if needed. Other financing sources in other non major fund consist of $2,221,723 in proceeds from Right to Use Leased Assets and SBITAs.

NOTE 12 - OTHER FINANCING SOURCES AND OTHER FINANCING USES (continued)

For the year ended August 31, 2023 other resources and uses consist of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Non Major Funds
Other Financing Sources				
Proceeds from Right to Use Leased Assets and SBITA	$ 1,064,784	$ -	$ -	$ 2,221,723
Transfers in		-	18,800,000	-
Total Other Financing Sources	$ 1,064,784	$ -	$ 18,800,000	$ 2,221,723
Other Financing Uses				
Transfers out	$ (18,800,000)	$ -	$ -	$ -
Total Other Financing Uses	$ (18,800,000)	$ -	$ -	$ -

NOTE 13 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.

B. Pension Plan Fiduciary Net Position

Detailed 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_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

C. 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 in under a previous rule. There are no automatic post-employment 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.

NOTE 13 - DEFINED BENEFIT PENSION PLAN (continued)

D. 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. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Contribution rates for the last two fiscal years are as follows:

	Contribution Rates	
	2022	2023
Member	8.00%	8.00%
Non-Employer Contributing Entity(State)	7.75%	8.00%
Employer	7.75%	8.00%

District 2023 Employer contributions	$20,523,399
District 2023 Member contributions	$40,122,847
District 2023 NECE On-Behalf contributions	$27,034,793

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). 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 are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.

NOTE 13 - DEFINED BENEFIT PENSION PLAN (continued)

E. Actuarial Assumptions

The total pension liability in the August 31, 2021 actuarial valuation rolled forward to August 31, 2022 was determined using the following actuarial assumptions:

Valuation date	August 31, 2021 rolled forward to August 31, 2022
Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.00%
Long-term expected investment rate of return	7.00%
Municipal bond rate as of August 2022	3.91%*
Last year ending August 31 in projection period (100 years)	2121
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None
Active mortality rates	The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP. The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

* The 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".

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

F. Discount Rate

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 pension 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 statutorily required rates. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. 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. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 13 - DEFINED BENEFIT PENSION PLAN (continued)

F. Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation*	Long Term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.6%	1.12%
Non-U.S. Developed	13%	4.9%	0.90%
Emerging Markets	9%	5.4%	0.75%
Private Equity	14%	7.7%	1.55%
Stable Value			
Government Bonds	16%	1.0%	0.22%
Absolute Return (including Credit Sensitive Instruments)	-	3.7%	-
Stable Value Hedge Funds	5%	3.4%	0.18%
Real Return			
Real Assets	15%	4.1%	0.94%
Energy, Natural Resources & Infrastructure	6%	5.1%	0.37%
Commodities	-	3.6%	-
Risk Parity			
Risk Parity	8%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2%	3.0%	0.01%
Asset Allocation Leverage	(6)%	3.6%	(0.05)%
Inflation Expectation			2.70%
Volatility Drag ***			(0.91)%
Expected Return	**100%**		**8.19%**

* Target allocations are based on the FY2022 policy model.
** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022).
*** The volatility drag results from the conversion between arithmetic and geometric mean returns.

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2022 Net Pension Liability.

	1% Decrease in *Discount Rate (6.00%)*	Discount Rate *(7.00%)*	1% Increase in *Discount Rate (8.00%)*
District's proportionate share of the net pension liability:	$ 347,879,946	$ 223,627,723	$ 122,915,463

NOTE 13 - DEFINED BENEFIT PENSION PLAN (continued)

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

At August 31, 2023, the District reported a liability of $223,627,723 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	$	223,627,723
State's proportionate share that is associated with District		301,452,545
Total	$	525,080,268

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

At August 31, 2022 the employer's proportion of the collective net pension liability was .3767% which was an increase of .0371% from its proportion measured as of August 31, 2021. For the year ended August 31, 2023, the District recognized pension expense of $60,723,313 and revenue of $28,815,446 for support provided by the State.

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	$	3,242,584	$	4,875,508
Changes in actuarial assumptions		41,669,123		10,385,109
Difference between projected and actual investment earnings		22,093,704		-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions		26,127,273		4,022,847
Contributions paid to TRS subsequent to the measurement date		20,523,399		-
	$	113,656,083	$	19,283,464

$20,523,399 reported as a deferred outflows related to contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 2024.

NOTE 13 - DEFINED BENEFIT PENSION PLAN (continued)

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

For Year Ended	Pension Expense Amount
2024	$ 19,477,059
2025	12,052,137
2026	6,066,476
2027	30,158,631
2028	6,094,917
Thereafter	-
Total	$ 73,849,220

NOTE 14 – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

A. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRSCare). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. 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.

B. 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 http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

C. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with and without Medicare coverage.

NOTE 14 – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (continued)

C. Benefits Provided (continued)

TRS-Care Plan Premium Rates
Effective January 1, 2022 -December 31, 2022

	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

D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer 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	
	2022	**2023**
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (state)	1.25%	1.25%
Employer/District	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

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

District 2023 Employer contributions	$4,328,852
District 2023 Member contributions	$3,259,994
District 2023 NECE On-Behalf contributions	$5,701,857

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.

The Medicare Prescription Drug, Improvement, and Modernization act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2023, 2022, and 2021, the subsidy payments received by TRS-Care on behalf of the District were $2,765,172, $1,950,678, and $1,941,245, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

NOTE 14 – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (continued)

E. Actuarial Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2021. Update procedures were used to roll forward the total OPEB liability to August 31, 2022.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex.

The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2022 TRS annual pension actuarial valuation:

Demographic Assumptions	Economic Assumptions
Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

The demographic assumptions were developed in the experience study performed by TRS for the period ending August 31, 2017.

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

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

Actuarial Cost Method	Individual Entry Age Normal
Single Discount Rate	3.91%
Inflation	2.30%
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 62% participation prior to age 65 and 25% after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc Post-employment Benefit Changes	None

F. Discount Rate

A single discount rate of 3.91 percent was used to measure the total OPEB liability. This was an increase of 1.96 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.

G. Rate Sensitivity of the Net OPEB Liability

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.91%) in measuring the net OPEB liability.

	1% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
TRS-CARE	$ 136,379,502	$ 115,666,099	$ 98,885,583

NOTE 14 – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (continued)

G. Rate Sensitivity of the Net OPEB Liability (continued)

The following schedule shows the impact of the Net OPEB Liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used in measuring the Net OPEB Liability.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
TRS-CARE	$ 95,309,386	$ 115,666,099	$ 142,055,957

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

At August 31, 2023, the District reported a liability of $115,666,099 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 net OPEB liability	$ 115,666,099
State's proportionate share of the net OPEB liability associated with the District	141,094,468
Total	$ 256,760,567

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

At the measurement date of August 31, 2022, the District's proportion of the collective net OPEB liability was .4831% which was an increase of .0348% from its proportion measured as of August 31, 2021.

For the year ended August 31, 2023, the District recognized total OPEB expense of ($29,171,651) which includes the on-behalf portion of ($20,022,444) from the State.

The primary reasons for the liability reduction and the presentation of negative OPEB expense for the District and the State were due to savings to the fully-insured Medicare Advantage premiums, which resulted from Congress' repeal of the Health Insurer fee in December 2019 and vendor premium guarantees, and favorable claims and rebate experience for the prescription drug benefits provided to Medicare retirees.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 6,430,626	$ 96,360,242
Changes in actuarial assumptions	17,618,238	80,357,925
Net difference between projected and actual earnings on pension plan investments	344,538	-
Changes in proportion and difference between the District's contributions and proportionate share of contributions (cost-sharing plan)	41,001,627	3,223,640
District contributions after measurement date	4,382,887	-
	$ 69,777,916	$ 179,941,807

NOTE 14 – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

At August 31, 2023, the District reported deferred outflows of resources for contributions made after the measurement date and 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:

$4,382,887 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 OPEB liability in the fiscal year ended August 31, 2024. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

For Year Ended	OPEB Expense Amount
2024	$ 22,325,958
2025	22,324,709
2026	17,419,695
2027	10,779,176
2028	14,606,263
Thereafter	27,090,977
Total	$ 114,546,778

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the total OPEB liability.

Changes of Benefit Terms Since the Prior Measurement Date

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

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance, and from participation in a risk pool. The District's participation in the risk pool is limited to payments of premiums. Settlements over the past three years have not exceeded the coverage of the district's commercial insurance, otherwise the exceeded amount would be funded through the general fund.

NOTE 15 - RISK MANAGEMENT (Continued)

Health Benefits

On October 1, 2000, the District began a self-funded environment for provision of employee health insurance. The District made contributions to cover the employees and the employees, at their option, authorized payroll withholdings to pay contributions for dependents. The plan was authorized by state statute and was documented by contractual agreement. The contract between the District and the third party administrator is renewable annually.

In accordance with state statute, the District maintains a catastrophic loss insurance policy, which reimburses the District for annual claims totaling over $550,000 per covered individual with an aggregate limit of liability for the insurer totaling $5,000,000. For the fiscal years ended 2021, 2022, and 2023 the District has received insurance settlements in the amounts of $0, $3,732,353, and $5,096,543 respectively. The District made no significant reductions in insurance coverage for the 2022-23 fiscal year. The District's contributions for benefits during the year totaled $31,740,928. Estimates of claims payable and of claims incurred but not reported at August 31, 2023, are reflected as accrued expenses of the fund. The liabilities include an amount for claims that have been incurred but were not reported until after August 31, 2023. Because actual claims liabilities depend on such complex factors such as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate.

Analysis of claims liability for the fiscal year 2023 is as follows:

	Health Benefits	
	2023	2022
Claims payable, September 1	$ 3,526,127	$ 3,219,083
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	55,886,464	58,683,972
Total incurred claims and claim adjustment expenses	55,886,464	58,683,972
Payments:		
Claims and claim adjustment expenses attributable to insured events for the current fiscal year	51,917,377	55,157,845
Claim and claim adjustment expenses attributable to insured events of prior fiscal years	3,526,127	3,219,083
Total payments	55,443,504	58,376,928
Claims payable, August 31	$ 3,969,087	$ 3,526,127

NOTE 16 - ARBITRAGE EARNINGS REBATE

As a result of the Tax Reform Act of 1986, the Series 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2022 General Obligation Bonds are subject to arbitrage earnings rebate. Generally, amounts earned on investments from unspent bond proceeds in excess of the interest paid on the bonds must be rebated to the Internal Revenue Service. For the year ended August 31, 2023 the District had $2,479,422 in arbitrage liability.

NOTE 17 – RELATED PARTY

A member of the Board of Trustees is an officer and shareholder of Woodforest National Bank, the District's primary depository bank.

NOTE 18 – SUBSEQUENT EVENTS

The district voters approved a $1,972,877,000 bond referendum on November 7, 2023. The bonds will be used to provide funds for construction, renovation, acquisition, and equipment of school buildings in the District.

In October 2023, $39,740,000 (Series 2014), and $12,920,000 (Series 2014A) of the District's unlimited tax schoolhouse building bonds were refunded in order to recognize interest savings. The principal amount of the new bonds issued as a result of the refunding was $51,025,000.