OFFICIAL STATEMENT
Dated October 23, 2024

NEW ISSUE - BOOK-ENTRY-ONLY

ENHANCED/UNENHANCED RATING: Moody's - "Aaa"/"Aa2"
PSF Guaranteed
(See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein)

In the opinion of Bond Counsel (defined herein), assuming continuing compliance by the District (defined herein) after the delivery of the Bonds (defined herein) with certain covenants contained in the Order (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended, to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See "TAX MATTERS" herein.

$465,770,000
COMAL INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in
Comal, Bexar, Guadalupe, Hays and Kendall Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024

Dated Date: November 1, 2024 **Due: February 15 as shown on page -ii- herein**

The "Comal Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2024" (the "Bonds"), as shown on page -ii- of this Official Statement, are direct obligations of the Comal Independent School District (the "District"), and are payable from an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on May 6, 2023 (the "Election"), and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Trustees (the "Board") of the District on June 27, 2024. See "THE BONDS - Authority for Issuance" herein. As permitted by the provisions of Chapter 1207 and Chapter 1371, the Board, in the Order, delegated the authority to certain District officials (each, an "Authorized Official") to execute an approval certificate (the "Approval Certificate" and together with the Bond Order, the "Order") establishing the pricing terms for the Bonds. This Approval Certificate was executed by an Authorized Official on October 23, 2024.

The District has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

Interest on the Bonds will accrue from the Dated Date as shown above, will be payable until stated maturity or prior redemption on February 15 and August 15 of each year, commencing February 15, 2025, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered obligations in the principal denominations of $5,000 or any integral multiple thereof within a stated maturity. The Bonds will be issued in book-entry form only. When issued, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Proceeds from the sale of the Bonds will be used (i) for the purposes authorized under the Election, (ii) to refund a portion of the District's currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (iii) to pay for professional services related to the costs of issuance of the Bonds. See "PLAN OF FINANCING - Purpose" herein.

For Stated Maturities, Principal Amounts, Interest Rates, Initial Yields,
CUSIP Numbers and Redemption Provisions for the Bonds, see page -ii- herein

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The Bonds are offered for delivery when, as and if issued and received by the initial purchaser thereof named below (the "Underwriters") and are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Escamilla & Poneck, LLP, San Antonio, Texas, Bond Counsel. See "LEGAL MATTERS" herein for a discussion of Bond Counsel's opinion. Certain legal matters will be passed upon for the Underwriters by their legal counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. It is expected that the Bonds will be available for delivery through the services of DTC, New York, New York, on or about November 21, 2024.

BAIRD

CABRERA CAPITAL MARKETS LLC **FROST BANK**

STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS

$465,770,000
COMAL INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Comal, Bexar, Guadalupe, Hays and Kendall Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024

CUSIP No. Prefix 199820[(1)]

$352,675,000 Serial Bonds

Stated Maturity (February 15)	Principal Amount ($)	Interest Rate (%)	Initial Yield (%)	CUSIP No. Suffix[(1)]
2025	33,435,000	5.000	3.340	7J4
2026	11,590,000	5.000	2.860	7K1
2027	11,350,000	5.000	2.650	7L9
2028	16,460,000	5.000	2.680	7M7
2029	17,195,000	5.000	2.740	7N5
2030	18,740,000	5.000	2.830	7P0
2031	20,925,000	5.000	2.910	7Q8
2032	22,350,000	5.000	2.990	7R6
2033	23,270,000	5.000	3.070	7S4
2034	21,890,000	5.000	3.120	7T2
2035	34,800,000	5.000	3.210[(2)]	7U9
2036	15,610,000	5.000	3.270[(2)]	7V7
2037	3,125,000	5.000	3.330[(2)]	7W5
2038	6,695,000	5.000	3.360[(2)]	7Y1
2039	29,085,000	3.000	3.800[(2)]	7Z8
2040	16,305,000	3.000	3.880	8A2
2041	10,920,000	3.000	3.970	8B0
2042	11,245,000	3.000	4.050	8C8
2043	13,710,000	3.000	4. 090	8D6
2044	13,975,000	5.000	3.780[(2)]	8E4

(Accrued interest to be added from the Dated Date)

$113,095,000 Term Bonds

$31,785,000 - 3.000% - Term Bond Due February 15, 2038 - Priced to Yield 3.740% - CUSIP No. Suffix 7X3[(1)]
$81,310,000 - 4.000% - Term Bond Due February 15, 2049 - Priced to Yield 4.230% - CUSIP No. Suffix 8F1[(1)]

(Accrued interest to accrue from the Dated Date)

Redemption Provisions

The District reserves the right to redeem the Bonds maturing on and after February 15, 2035 in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. In addition, the Bonds maturing on February 15, 2038 (3.000% coupon), and February 15, 2049 (the "Term Bonds") are also subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

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(1) *CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriters, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.*

(2) *Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2034, the first optional call date for the Bonds, at a redemption price of par, plus accrued interest to the redemption date.*

COMAL INDEPENDENT SCHOOL DISTRICT
1404 IH 35 North
New Braunfels, Texas 78132

BOARD OF TRUSTEES

Name	Position	Years Served	Term Expires May	Occupation
Russell S. Garner	President	7	2026	Department of Air Force - Civilian
Tim Hennessee	Vice President	6	2027	Self-Employed
David Krawczynski	Secretary	2	2025	Technology Product Manager
Amanda Jones	Treasurer	2	2025	Health Science Manager
Jason York	Trustee	10	2026	Custom Home Builder
Amy Shaw	Trustee	1	2027	Retired
Courtney Biasatti	Trustee	3	2027	Youth Development Director

ADMINISTRATION - FINANCE CONNECTED

Name	Title	Total Years Experience	Total Years With District
Dr. John E. Chapman, III	Superintendent of Schools	25	2
Glenn Graham	Chief Financial Officer	23	1
Jennifer Hale	Executive Director of Accounting and Finance	16	6

CONSULTANTS AND ADVISORS

ABIP, P.C. San Antonio, Texas	Certified Public Accountants
Escamilla & Poneck, LLP San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc. San Antonio, Texas	Financial Advisor

For Additional Information Contact:

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Comal Independent School District
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New Braunfels, Texas 78132
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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the District to give any information or to make any representation with respect to the Bonds, other than as 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 either of the foregoing.

This Official Statement, which includes the cover page, Schedule I, and the Appendices hereto, does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" 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 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 respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

None of the District, the Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC or the affairs of the TEA described in "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," as such information has been provided by the Texas Education Agency.

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 purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. 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.

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The cover page hereof, the appendices and schedule hereto, and any addenda, supplement or amendment hereto are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing or incorporated elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT .... The Comal Independent School District (the "District"") is located primarily in Comal County, Texas with portions extending into Bexar, Guadalupe, Hays and Kendall Counties, Texas. The District is approximately 589 square miles in area and serves a population of approximately 162,307. The District was created under State statute and 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.

THE BONDS .... The Bonds mature on February 15 in each of the years 2025 through 2049, inclusive, and February 15, 2038 and February 15, 2049 (the Term Bonds).

Interest on the Bonds shall accrue from the Dated Date (identified below) and is payable initially on February 15, 2025 and semiannually on February 15 and August 15 thereafter until stated maturity or prior redemption.

DATED DATE .... November 1, 2024.

REDEMPTION .... The District reserves the right to redeem the Bonds maturing on or after February 15, 2035 in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. In addition, the Bonds maturing on February 15, 2038 (3.000% coupon), and February 15, 2049 (the "Term Bonds") are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption Provisions of the Bonds" herein.

SECURITY FOR THE BONDS ... The Bonds constitute direct obligations of the District payable from an annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount. Additionally, the payment of the principal of and interest on the Bonds is expected to be guaranteed by the Permanent School Fund of the State of Texas. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

PERMANENT SCHOOL FUND .. GUARANTEE .... The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "APPENDIX E -THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

TAX MATTERS .... In the opinion of Bond Counsel, assuming continuing compliance by the District after the delivery of the Bonds with certain covenants contained in the Order and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended, to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See "TAX MATTERS" herein.

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

BOOK-ENTRY-ONLY SYSTEM . The District intends to use the Book-Entry-Only System of The Depository Trust Company. See "BOOK-ENTRY-ONLY SYSTEM" herein.

MUNICIPAL BOND RATING ..... Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "Aaa" to the Bonds based on the guarantee thereof by the Texas Permanent School Fund. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." In addition, Moody's has assigned its underlying unenhanced rating of "Aa2" to the District's ad valorem tax-supported indebtedness, including the Bonds.

FUTURE BOND ISSUES .... The District does not anticipate the issuance of additional ad valorem tax-supported debt in the next 12 months, except for potentially issuing refunding obligations for debt service savings.

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

DELIVERY .... When issued, anticipated on or about November 21, 2024.

LEGALITY .... The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Escamilla & Poneck, LLP, San Antonio, Texas, Bond Counsel. See "APPENDIX D - Form of Opinion of Bond Counsel" herein.

OFFICIAL STATEMENT

relating to

$465,770,000
COMAL INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in
Comal, Bexar, Guadalupe, Hays and Kendall Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024

INTRODUCTION

General

This Official Statement of the Comal Independent School District (the "District") is provided to furnish certain information in connection with the sale of the District's $465,770,000 Unlimited Tax School Building and Refunding Bonds, Series 2024 (the "Bonds").

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

This Official Statement, which includes the cover page, the schedule, and the appendices hereto, provides certain 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 from the District and, during the offering period, from the District's Financial Advisor, SAMCO Capital Markets, Inc., 1020 N.E. Loop 410, Suite 640, San Antonio, Texas 78209, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement pertaining to the Bonds will be filed by the Underwriters with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access ("EMMA") system. See "CONTINUING DISCLOSURE" herein for a description of the District's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Order (defined below).

PLAN OF FINANCING

Purpose

The new money portion of the Bonds in the principal amount of $274,255,000 and a portion of the net premium on the Bonds in the amount of $745,000 (totaling $275,000,000 in voted authorization) represents the second installment of the total amount of $588,564,863 approved at an election held within the District on May 6, 2023 (the "Election"). Following the issuance of the Bonds, the District will have the following voted but unissued bonds. A summary of the bonds authorized at the Election is as follows:

Purpose	Amount $ Authorized	Amount $ Previously Issued	Amount $ This Issue	Amount $ Remaining
Proposition A - Campus improvements/equipment	560,564,863	72,000,000	275,000,000(1)	213,564,863
Proposition C - Technology equipment	28,000,000	28,000,000	-0-	-0-
Total	588,564,863	100,000,000	275,000,000	213,564,863

(1) Includes $745,000 in net premium deposited to the construction fund and allocated against voted authorization.

The refunding portion of the Bonds in the principal amount of $191,515,000, and a portion of the net premium on the Bonds in the amount of $6,065,000, will be used to refund a portion of the District's currently outstanding debt, as identified in Schedule I attached hereto (the "Refunded Obligations"). See Schedule I for a detailed listing of the Refunded Obligations, their call date, and their redemption prices. The refunding is being undertaken to restructure the District's debt service in order to reduce the annual debt service requirements and will result in debt service savings to the District.

A portion of the proceeds of the Bonds will also be used to pay the costs of issuance of the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date from funds to be deposited with BOKF, NA, Dallas, Texas, (the "Escrow Agent"), pursuant to an Escrow Agreement (the "Escrow Agreement") between the District and the Escrow Agent.

The Order provides that the District will deposit certain proceeds of the sale of the Bonds with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled date of early redemption. Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Order was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA" (the "Federal Securities"). Cash and investments (if any) held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds. The Financial Advisor to the District will certify as to the sufficiency of the amounts initially deposited with the Escrow Agent, without regard to investment, to pay the principal of and interest on the Refunded Obligations, when due (the "Sufficiency Certificate").

Prior to, or simultaneously with, the issuance of the Bonds, the District will give instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the cash and Federal Securities, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel in reliance upon the Sufficiency Certificate that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt. The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

Upon the defeasance of the Refunded Obligations, the Permanent School Fund Guarantee with respect thereto will terminate.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Par Amount of the Bonds	$465,770,000.00
Net Reoffering Premium on the Bonds	13,186,726.95
Accrued Interest on the Bonds	1,123,022.23
Total Sources	$480,079,749.18
Uses of Funds	
Deposit to Escrow Fund	$200,792,594.17
Deposit to the Construction Fund	275,000,000.00
Deposit to Bond Fund (Accrued Interest)	1,123,022.23
Underwriters' Discount	2,113,530.16
Costs of Issuance and Contingency	1,050,602.62
Total Uses	$480,079,749.18

THE BONDS

General Description

The Bonds will be dated November 1, 2024 (the "Dated Date") and will accrue interest from the Dated Date, and such interest shall be payable on February 15 and August 15 in each year, commencing February 15, 2025, until stated maturity or upon redemption prior to maturity. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page -ii- of this Official Statement.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books kept by the Paying Agent/Registrar relating to the Bonds (the "Bond Register") on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the Bond Register or (ii) by such other method, acceptable to the Paying

Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity, or upon redemption prior to maturity, or upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 principal for any one maturity.

Initially the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners (defined herein) of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), the Election and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on June 27, 2024. As permitted by the provisions of Chapter 1207 and Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (each, an "Authorized Official") to execute an approval certificate (the "Approval Certificate," and together with the Bond Order, the "Order") establishing the pricing terms for the Bonds. This Approval Certificate was executed by an Authorized Official on October 23, 2024.

Security for Payment

The Bonds constitute direct obligations of the District payable from an annual ad valorem tax levied against all taxable property located therein, without any legal limitation as to rate or amount.

Permanent School Fund Guarantee

The District has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "Appendix D - The Permanent School Fund Guarantee Program" herein.

Payment Record

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

Legality

The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Escamilla & Poneck, LLP, San Antonio, Texas, as Bond Counsel. The legal opinion of Bond Counsel will accompany the certificates deposited with DTC or be printed on the Bonds. The form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated to occur on or about November 21, 2024.

Future Bond Issues

The District does not anticipate the issuance of additional ad valorem tax-supported debt in the next 12 months, except for potentially issuing refunding obligations for debt service savings.

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Redemption Provisions of the Bonds

Optional Redemption … The Bonds stated to mature on and after February 15, 2035 are subject to optional redemption, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if less than all within a stated maturity by lot, selected by the Paying Agent/Registrar), on February 15, 2034 or on any date thereafter, at a price of par plus accrued interest to the date fixed for redemption.

Mandatory Redemption … The Bonds maturing on February 15, 2038 and February 15, 2049 (the "Term Bond") is subject to mandatory redemption in part prior to maturity at the price of par plus accrued interest to the mandatory redemption date on the dates and in the principal amounts as follows:

Term Bond - 3.00% Maturing February 15, 2038	
Redemption Date (2/15)	Principal Amount($)
2037	17,460,000
2038*	14,325,000

Term Bond - 4.00% Maturing February 15, 2049	
Redemption Date (2/15)	Principal Amount($)
2045	15,700,000
2046	12,575,000
2047	10,170,000
2048	21,525,000
2049*	21,340,000

* *Stated maturity.*

Approximately forty-five (45) days prior to each mandatory redemption date that a Term Bond is to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Bond within the applicable stated maturity to be redeemed on the next following February 1 from money set aside for that purpose in the Bond Fund maintained for the payment of the Bonds. Any Term Bond not selected for prior redemption shall be paid on the date of its stated maturity.

The principal amount of the Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the Issuer, by the principal amount of the Term Bond which, at least fifty (50) days prior to the mandatory redemption date (i) shall have been acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer, or (iii) shall have been redeemed pursuant to the optional redemption provisions described above and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing 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. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

In the Order, the District reserves the right in the case of a redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) the District retains the right to rescind such notice at any time prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default. The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owners, 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 for redemption (see "BOOK-ENTRY-ONLY SYSTEM").

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed or such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in a manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Defeasance

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities (defined herein) to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment. The Order provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. There is no assurance that the ratings for U.S. Treasury securities used as Government Securiteis or that for any other Government Securities shall be maintained at any particular rating category.

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

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

Amendments

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

Default and Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code, as amended ("Chapter

1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS - Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. (See "APPENDIX E -THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due.) The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Bonds will be issued in fully registered form in multiples of $5,000 or integral multiple thereof for any one stated maturity, and principal and interest will be paid by the Paying Agent/Registrar.

Successor Paying Agent/Registrar

The District covenants that until the Bonds are paid it will at all times maintain and provide a paying agent/registrar. In the Order, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District must be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the registered owner entitled to receive a payment of interest on any Bond shall mean the close of business on the last Business Day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) 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 Bond Register at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the Bond Register only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond 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 Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities 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.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

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

BOOK-ENTRY-ONLY SYSTEM

The following describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC (defined below) 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 take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption, or other notices, to DTC Participants, (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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, 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 security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity 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 an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from

DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the 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 Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

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

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

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 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payment date 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 is 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 nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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, physical bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, or the Underwriters take any responsibility for the accuracy thereof.

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.

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 physical Bond certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "Productivity Loss" in "AD VALOREM PROPERTY TAXATION - Table 1" for the reduction in taxable valuation attributable to valuation by Productivity Value.

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

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

State Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled. The total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is 65 years of age or older or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the MCR of the M&O taxes imposed for those purposes on the homestead.

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act Chapter 313, Texas Tax Code, as amended ("Chapter 313"), previously allowed 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 was not fully taxable is excluded from the school district's taxable property values. Therefore, a school district is not 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. The 87th Texas Legislature did not vote to extend this program, which expired by its terms, December 31, 2022 (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts".)

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

For a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM PROPERTY TAXATION - The Texas Tax Code as Applied to the District" herein.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the District, see " - The Texas Tax Code as Applied to the District" below.

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. For the 2024 tax year, the minimum eligibility amount was set at $59,562,331 and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "TAX INFORMATION – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code

District's Rights in the Event of Tax Delinquencies

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

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

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

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

The Texas Tax Code as Applied to the District

The Texas Property Tax Code (the "Texas Tax Code") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Comal Appraisal District, Bexar Appraisal District, Guadalupe Appraisal District, Hays Central Appraisal District, and Kendall Appraisal District (each, an "Appraisal District") are responsible for appraising property within the District as of January 1 of each year. The appraisal values set by each Appraisal District are subject to review and change by the respective Appraisal Review Board (each, an "Appraisal Review Board") which is appointed by the respective Appraisal District's Board of Directors. Such appraisal rolls, as approved by the respective Appraisal Review Board, are used by the District in establishing its tax roll and tax rate.

The District grants the state mandated exemption to the market value of residence homesteads of $100,000, and the District has granted an additional local option exemption of 20% of the market value of residence homesteads.

The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $10,000, and the disabled are also granted an exemption of $10,000.

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

The District does not tax non-business personal property; and the Comal County Tax Assessor-Collector collects the District's taxes.

The District does not permit split payments or discounts. Installments are allowed under provisions of the Texas Property Tax Code.

The District does not tax Freeport Property.

On April 26, 2012, the District adopted a resolution authorizing it to continue to tax "Goods-in-Transit" for the 2013 tax year and beyond.

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 "State Legislature") from time to time, (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the State 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 State Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer & Student Fairness Coal.*, 490 S.W.3d 826 (Tex. 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the State 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 as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

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

2025 Legislative Session

In close proximity to the closing of the Bonds, the 89th Texas legislative session will commence on January 14, 2025 and continue to June 2, 2025. During this time, the Texas Legislature may enact laws that materially effect the District and its finances. The District can make no prediction as to the outcome of this legislative session but intends to monitor applicable legislation related thereto.

2023 Legislative Sessions

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

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

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

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

Local Funding for School Districts

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

State Compression Percentage. The "State Compression Percentage" 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 2024-2025 school year, the Legislature reduced the maximum MCR, establishing $0.6855 as the maximum 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 in such year. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts - Tier Two").

State Funding for School Districts

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

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

The current public school 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 State 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 State 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 State 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 education programs the students are served in, to make up most of a school district's Tier One entitlement under the Foundation School Program.

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding less the allotments that are not derived by a weighted formula, divided by $6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding. The fast growth allotment weights 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 this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Texas Education Commissioner (the "Commissioner") in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

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

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

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

Furthermore, "property-wealthy" school districts that received additional State funds under the Finance System prior to the enactment of certain legislation passed during the 86th Texas Legislature are entitled to an equalized wealth transition grant on an annual basis, which will be phased out in the 2023-2024 school year, in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(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.

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

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue 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 was notified by the Texas Education Agency that its Tier One local revenues exceeded the District's state funding entitlement and therefore would be required to reduce its "excess local revenue" in accordance with H.B. 3 (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Revenue Level In Excess of Entitlement"). Accordingly, it is anticipated the District will elect to use "Option 3" (purchase of attendance credits from the State) in order to reduce its local revenue.

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate in an amount not to exceed $1.50 per $100 assessed valuation on all taxable property within the District pursuant to the approval of the voters of the District at an election held on July 13, 1968 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended ("Article 2784e-1").

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

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

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

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

EMPLOYEE RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan with the State of Texas (the "Plan"). The Plan is administered by the Teacher Retirement System of Texas ("TRS"). Aside from the District's contribution to the TRS it is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District but are the liability of the state of Texas. See "Notes to Basic Financial Statements Year Ended June 30, 2024, Note (12) - Defined Benefit Pension Plan," in the audited financial statements of the District as set forth in APPENDIX C hereto.

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 administered by the TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. See "Notes to Basic Financial Statements Year Ended June 30, 2024 Note (13) - Defined Other Postemployment Benefit Plan" in the audited financial statements of the District as set forth in APPENDIX C hereto.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by State law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better 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.

INVESTMENTS

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

Legal Investments

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

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service, if the governing body of the District authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The District may also contract with an investment management firm (x) registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or (y) 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 or resolution.

As a school district that qualifies as an issuer under Chapter 1371, Texas Government Code, the District is also authorized to purchase, sell, and invest its funds in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased. State law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other 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 thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds.

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.

Investment Policies

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

State law requires the District's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and 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 strategy statements and (b) State law. No person may invest District funds without express written authority from the governing body of the District.

Additional Provisions

Under State law the District is additionally required to: (1) annually review its adopted policies and strategies; (2) 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; (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (5) provide specific investment training for the treasurer, chief financial officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments*

As of July 1, 2024, the following percentages of the District's investable funds were invested as indicated below:

Category of Investments	Amount	Percentage	Term of Investments
Money Markets and Investment Pools	$345,505,442	92.20%	Daily liquidity
Flexible Repurchase Agreement	29,355,388	7.80%	Daily liquidity
Total	$374,860,830	100.00%	

* *Unaudited.*

As of such date, the market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the District are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING - Refunded Obligations," "THE BONDS" (exclusive of the subcaptions "Permanent School Fund Guarantee," "Payment Record," "Future Bond Issues," and "Default and Remedies," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS" (first paragraph only), "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" (excluding the last three sentences of this paragraph and the information under the subcaption "Litigation" as to which no opinion is expressed), "TAX MATTERS," "CONTINUING DISCLOSURE" (excluding the information under the subcaption "Compliance with Prior Undertakings," as to which no opinion is expressed), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale" in the Official Statement, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Bond Counsel's legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, counsel to the Underwriters, whose fee is contingent on the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under federal securities laws, but such firm has not passed upon any TEA disclosures in this Official Statement.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the Bonds, Bond Counsel has been engaged by and only represents the District with respect to the issuance of the Bonds. The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinion as to the legal issues expressly 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 from the transaction.

Litigation

In the opinion of various officials of the District, except as disclosed in this Official Statement, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the District.

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

TAX MATTERS

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

The delivery of the Bonds is subject to the opinion of Escamilla & Poneck, LLP, San Antonio, Texas ("Bond Counsel") to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of individuals. However, such interest is taken into account in determining the "adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed for tax years beginning after December 31, 2022. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears in APPENDIX D hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District pertaining to the use, expenditure and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Order by the District subsequent to the issuance of the Bonds and the Sufficiency Certificate of the Financial Advisor to the District concerning the sufficiency of the deposit to the Escrow Agent. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owner thereof for federal income taxes from the date of the issuance of the Bonds. Bond Counsel has not been retained by the District to monitor such post-issuance compliance.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Pursuant to Public Law No. 115-97 (i.e., the Tax Cuts and Jobs Act), for tax years beginning after December 31, 2017, the corporate alternative minimum tax is repealed. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax, consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act; and (16) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District 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.

CONTINUING DISCLOSURE

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement while 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 the timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB") via the Electronic Municipal Market Access system ("EMMA") through an internet website accessible at www.emma.msrb.org. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the Texas Education Agency's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee, to the MSRB.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. 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, exclusive of the tables reflecting "Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes," "Estimated Interest & Sinking Fund Management Index 2023/2024" and "2024/2025 Pro Forma Interest & Sinking Fund Management Index," respectively, and in APPENDIX C. 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 the United States Securities and Exchange Commission (the "SEC") Rule 15c2-12 ("Rule 15c2-12"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

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

Notice of Certain Events

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

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

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in. legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell .Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-l2 to the date of such amendment as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule l5c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-l2 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12.

OTHER PERTINENT INFORMATION

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources, which are believed to be reliable. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the SEC 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 SEC, nor has the SEC 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 act 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.

Municipal Bond Rating

Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "Aaa" to the Bonds based on the guarantee thereof by the Texas Permanent School Fund. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." In addition, Moody's has assigned its underlying unenhanced rating of "Aa2" to the District's ad valorem tax-supported indebtedness, including the Bonds.

An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities.

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

The District has other outstanding issues rated by Fitch Ratings, Inc. ("Fitch") but determined not to obtain a rating from Fitch for this issuance. On August 8, 2024, Fitch raised its long-term rating on the District's general obligation debt from "AA" to "AA+". A notice was timely posted to EMMA the same day.

Financial Advisor

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as the 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. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, has relied on the opinions of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status 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 bond proceeds or other funds of the District upon the request of the District.

The Financial Advisor 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 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 conditions, to purchase the Bonds from the District at a price equal to the initial offering prices to the public, as shown on page -ii- hereof, less an underwriting discount of $2,113,530.16, plus accrued interest from their Dated Date to their date of initial delivery. The Underwriters' obligations are subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering price, 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 respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Infectious Disease Outbreak - COVID-19

The outbreak of COVID-19, a respiratory disease caused by a strain of coronavirus, was characterized as a pandemic by the World Health Organization for over three years (the "Pandemic") and negatively affected travel, commerce, the global supply chain, and financial markets globally. On April 10, 2023, the President of the United States signed into law a bill that ended the national emergency declaration resulting from COVID-19 and on May 5, 2023, the World Health Organization declared the outbreak of COVID-19 over as a global health emergency. The Pandemic affected enrollment and attendance for many school districts. With the changes made to the Finance System in House Bill 3 passed during the 86th Legislative Session, school funding is increasingly tied to Average Daily Attendance ("ADA"). As a result, student enrollment and attendance will be an important factor for M&O (defined herein) funding for the District going forward. The District did not experience a reduction in its taxable assessed valuation during the Pandemic. The Bonds are secured by an unlimited ad valorem tax.

For a discussion of the impact of the Pandemic on the Permanent School Fund, see "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

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.

Information from External Sources

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

Authorization of the Official Statement

The Bond Order authorized an Authorized Official to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its execution by an Authorized Official for further use 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.

COMAL INDEPENDENT SCHOOL DISTRICT

/s/ Glenn Graham

Authorized Official

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SCHEDULE I

REFUNDED OBLIGATIONS

Series	Principal Amount ($)	Maturities	Interest Rates/ Yield (%)	Redemption Date and Price
Comal Independent School District				
Unlimited Tax Refunding Bonds, Series 2015A	5,830,000	02/01/2025	5.000	12/15/2024
	6,155,000	02/01/2026	5.000	12/15/2024
	6,480,000	02/01/2029	5.000	12/15/2024
	6,825,000	02/01/2028	5.000	12/15/2024
	7,875,000	02/01/2029	5.000	12/15/2024
	8,480,000	02/01/2030	4.000	12/15/2024
	8,985,000	02/01/2031	4.000	12/15/2024
	9,675,000	02/01/2032	4.000	12/15/2024
	9,860,000	02/01/2033	4.000	12/15/2024
	9,745,000	02/01/2034	4.000	12/15/2024
	9,630,000	02/01/2035	4.000	12/15/2024
	2,280,000*	02/01/2036	5.000	12/15/2024
	4,620,000*	02/01/2037	5.000	12/15/2024
	4,600,000*	02/01/2038	5.000	12/15/2024
Comal Independent School District Unlimited				
Tax School Building Bonds, Series 2015B	2,500,000	02/01/2025	5.000	12/15/2024
	3,855,000	02/01/2026	5.000	12/15/2024
	4,050,000	02/01/2029	5.000	12/15/2024
	4,265,000	02/01/2028	5.000	12/15/2024
	3,495,000	02/01/2029	4.000	12/15/2024
	3,645,000	02/01/2030	4.000	12/15/2024
	3,795,000	02/01/2031	4.000	12/15/2024
	3,935,000	02/01/2032	4.000	12/15/2024
	4,100,000	02/01/2033	4.000	12/15/2024
	3,165,000	02/01/2034	4.000	12/15/2024
	3,510,000	02/01/2035	4.000	12/15/2024
	5,855,000	02/01/2036	5.000	12/15/2024
	7,575,000	02/01/2037	5.000	12/15/2024
	7,930,000	02/01/2038	4.000	12/15/2024
	20,585,000	02/01/2039	4.000	12/15/2024
	14,280,000	02/01/2040	4.000	12/15/2024

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* *Term bond maturing on February 1, 2038.*

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APPENDIX A

SELECTED FINANCIAL INFORMATION
OF THE DISTRICT

VALUATION AND DEBT DATA

Valuation Information

Total 2024 Appraised Valuation of District	$53,677,819,805
Less: Exemptions/Exclusions[(1)]	20,391,339,262
Total 2024 Taxable Assessed Valuation[(2)(3)]	$32,746,480,543

Source: Comal County Appraisal District, Guadalupe County Appraisal District, Hays County Appraisal District, Kendall County Appraisal District, and Bexar Appraisal District.

(1) *For a detailed description of the Exemptions/Exclusions see "2024 Tax Exemptions/Exclusions Allowed" herein.*

(2) *Includes valuations against which a freeze of tax levy has been granted for persons 65 years or older.*

(3) *Includes $4,367,738,395 in value under review.*

Direct Debt Information*

Total Indebtedness Payable from Ad Valorem Taxes: (at 10-1-2024)	
Maintenance and Operations Tax Debt	$ -0-
Unlimited Tax Bond Debt	1,295,950,214
Total All Bonded Indebtedness Payable from Taxes	1,295,950,214*
Less Estimated Interest & Sinking Fund Consolidated Balance (at 9-1-2024)	19,917,289
NET BONDED INDEBTEDNESS PAYABLE FROM AD VALOREM TAXES	$1,276,032,925*

* *Includes the Bonds and excludes the Refunded Obligations.*

Direct Debt Ratios*

Ratio of Net Bonded Debt ($1,295,950,214*) to 2024 Taxable Assessed Valuation ($32,746,480,543)	3.96%
Ratio of Net Bonded Debt ($1,295,950,214*) to 2024 Total Appraised Valuation ($53,677,819,805)	2.41%
Ratio of Total Bonded Debt ($1,276,032,925*) to 2024 Taxable Assessed Valuation ($32,746,480,543)	3.90%
Ratio of Total Bonded Debt ($1,276,032,925*) to 2024 Total Appraised Valuation ($53,677,819,805)	2.38%

* *Includes the Bonds and excludes the Refunded Obligations.*

Non-Funded Debt

Leases

The District is under contract for noncancelable lease agreements that convey control of the right to use portable buildings and copier equipment. The liabilities outstanding as of June 30, 2024, are as follows:

				Lease Liability		Right to Use Asset		
Description	Start Date	End Date	Interest Rate	Original Amount	Outstanding Balance	Original Amount	Accumulated Amortization	Net Amount
Portable Buildings	7/01/2022	6/15/2025	7.75%	$108,800	$ 20,388	$108,800	$ (60,649)	$ 48,151
Copiers	7/01/2021	6/30/2025	1.82%	46,474	5,657	46,474	(40,622)	5,852
Copiers	4/01/2023	4/11/2026	7.75%	726,523	463,802	726,523	(343,080)	686,162
Copiers	6/26/2023	5/26/26	7.13%	111,219	78,750	111,219	(40,080)	70,611
				$993,016	$568,597	$993,016	$(484,959)	$508,057

All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any lease term and there were no impairment losses related to leased assets.

Fiscal Year	Principal	Interest	Total
2025	$307,734	$32,718	$340,452
2026	259,089	9,858	268,947
2027	1,774	40	1,814
	$568,597	$42,616	$611,213

Subscription-Based Information Technology Arrangements (SBITAs)

SBITA	Term Start Date	Term End Date	Interest Rate	SBITA Liability Original Amount	SBITA Liability Outstanding Balance	SBITA Asset Value of SBITA Asset	SBITA Asset Accumulated Amortization	SBITA Asset Net Amount
Instruction	04/05/23	12/31/25	2.66%	$ 185,492	$ 101,924	$ 185,492	$ (92,748)	$ 97,744
Instruction	07/01/22	06/30/25	1.74%	293,848	102,532	293,848	(195,898)	97,950
Instruction	07/01/22	08/27/26	1.92%	362,390	187,945	362,390	(181,194)	181,196
Finance	07/01/22	06/30/25	1.47%	627,256	218,478	627,256	(418,170)	209,086
Support	07/01/22	03/08/25	2.66%	38,773	-	38,773	(25,848)	12,925
Support	04/25/24	04/24/27	3.24%	367,764	256,419	367,764	(122,588)	245,176
Support	04/25/24	04/24/27	3.31%	288,659	201,449	288,659	(96,220)	192,439
				$2,164,182	$1,068,747	$2,164,182	$(1,132,666)	$593,901

All amounts paid were previously included in the measurement of the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any SBITA term and there were no impairment losses related to SBITA assets.

The future principal and interest payments as of June 30, 2024, were as follows:

Fiscal Year	Principal	Interest	Total
2025	$ 681,658	$25,822	$ 707,480
2026	487,089	9,804	396,893
	$1,068,747	$35,626	$1,104,373

Source: District's 2024 Annual Financial Report.

Authorized But Unissued General Obligation Bonds

Following the issuance of the Bonds, the District will have $213,564,863 voted but unissued bonds. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

Anticipated Issuance of Additional Bonds

The District does not anticipate the issuance of additional ad valorem tax-supported debt in the next 12 months, except for potentially issuing refunding obligations for debt service savings.

Population and Per Capita Indebtedness

2023 District Population Estimate	165,819
2024 Per Capita Taxable Assessed Valuation ($32,746,480,543)	$197,483.28
Per Capita Direct Bonded Debt ($1,295,950,214*)	$7,815.45

* *Includes the Bonds and excludes the Refunded Obligations.*

Valuation and Bonded Debt Data

Area of District in Square Miles	589
Area of District in Acres	376,960
Total Direct Bonded Debt ($1,295,950,214*) Per Acre	$3,437.90
2024 Taxable Assessed Valuation ($32,746,480,543) Per Acre	$86,869.91
2024 Total Appraised Value ($53,677,819,805) Per Acre	$142,396.59

* *Includes the Bonds and excludes the Refunded Obligations.*

Enrollment and Average Daily Attendance Data

2024/25 Enrollment (at 9-1-2024)	29,677
2024/25 Estimated Average Daily Attendance (at 9-1-2024)	28,366
2024/25 Taxable Assessed Valuation ($32,746,480,543) Per Enrollment	$1,103,429.61

Outstanding Debt by Issues

		Original Amount	Amount Outstanding at 10-15-2024 [(1)]
Unlimited Tax:			
Series 2015B	Dated 07-01-2025 - New Money	$ 118,755,000	$ 1,170,000
Series 2015A	Dated 08-01-2024 - Refunding	135,150,000	-0-
Series 2016	Dated 10-01-2016 - Refunding	51,660,214	42,235,214
Series 2017	Dated 07-01-2017 - New Money	227,160,000	193,015,000
Series 2017	Dated 12-01-2017 - Refunding	13,335,000	8,620,000
Series 2020	Dated 11-01-2020 - Refunding	106,830,000	86,055,000
Series 2022	Dated 01-15-2022 - New Money	418,865,000	400,365,000
Series 2023	Dated 05-01-2023 - Refunding	28,710,000	27,740,000
Series 2023	Dated 07-01-2023 - New Money	95,480,000	70,980,000
Series 2024	Dated 08-15-2024 - New Money and Refunding (the "Bonds")	465,770,000	465,770,000
Total Debt			$1,295,950,214

(1) *Unaudited. Includes the Bonds and excludes the Refunded Obligations.*

Consolidated Schedule of Bonded Issue Principal Requirements
(Year Ending June 30 in Each of the Years 2025 - 2049 Inclusive)*

2025	$ 65,025,000	
2026	41,950,000	
2027	43,200,000	
2028	45,275,000	
2029	47,200,000	18.72%
	-	
2030	49,550,000	
2031	51,895,000	
2032	53,955,000	
2033	56,030,000	
2034	57,505,000	39.48%
	-	
2035	58,710,000	
2036	58,795,000	
2037	42,274,527	
2038	49,630,688	
2039	63,080,000	60.50%
	-	
2040	55,045,000	
2041	57,360,000	
2042	57,840,000	
2043	58,560,000	
2044	58,875,000	82.70%
	-	
2045	60,350,000	
2046	57,060,000	
2047	54,470,000	
2048	26,265,000	
2049	26,050,000	100.00%
	$1,295,950,214	

* *Includes the Bonds and excludes the Refunded Obligations.*

Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes

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

	Gross Debt		Percent	Amount
Political Subdivision	Amount	As Of	Overlapping	Overlapping
Alamo Community College District	$ 707,460,000	08/31/2024	2.14%	$ 15,139,644
Bexar County	2,222,135,000	08/31/2024	2.14%	47,553,589
Bexar County Hospital District	1,280,820,000	08/31/2024	2.14%	27,409,548
Cibolo Canyons Special ID	30,280,000	08/31/2024	1.64%	496,592
Comal County	103,435,000	08/31/2024	77.49%	80,151,782
Comal County WC&ID #6	91,770,000	08/31/2024	100.00%	91,770,000
Fair Oaks Ranch, City of	4,530,000	08/31/2024	6.06%	274,518
Garden Ridge, City of	8,770,000	08/31/2024	100.00%	8,770,000
Guadalupe County	8,015,000	08/31/2024	5.06%	405,559
Hays County	475,481,919	08/31/2024	0.16%	760,771
Johnson Ranch MUD	19,880,000	08/31/2024	100.00%	19,880,000
Kendall County	37,065,000	08/31/2024	0.02%	7,413
Lake Dunlap WC&ID	37,160,000	08/31/2024	100.00%	37,160,000
Lake McQueeney WC&ID	49,290,000	08/31/2024	0.84%	414,036
Meyer Ranch MUD	34,000,000	08/31/2024	100.00%	34,000,000
New Braunfels, City of	279,365,000	08/31/2024	44.17%	123,395,521
San Antonio, City of	2,778,955,000	08/31/2024	0.20%	5,557,910
Schertz, City of	93,405,000	08/31/2024	21.50%	20,082,075
Selma, City of	23,800,000	08/31/2024	10.60%	2,522,800
Total Overlapping Debt				$ 515,751,857
Comal I.S.D.	1,295,950,214*	10/15/2024	100.00%	1,295,950,214 *
Total Direct and Estimated Overlapping Funded Debt				$1,811,702,071
Ratio to 2024 Taxable Assessed Valuation ($32,746,480,543)				5.53%
Per Capita (165,819) Direct and Estimated Overlapping Debt				$10,925.78

* *Includes the Bonds and excludes the Refunded Obligations.*

TAXATION DATA

Historical Valuations, Tax Rates, and Collection Data

Tax Year	Assessed Valuation [1]	Tax Rate	% Collections Current	% Collections Total	Year Ending
2014	$10,277,987,674	$1.390	97.71%	99.54%	6-30-15
2015	11,417,099,888	1.390	98.25%	100.13%	6-30-16
2016	13,625,809,002	1.390	98.41%	99.98%	6-30-17
2017	14,705,046,325	1.390	98.53%	100.05%	6-30-18
2018	16,255,453,328	1.390	98.23%	99.61%	6-30-19
2019	18,052,151,410	1.320	98.38%	99.80%	6-30-20
2020	20,654,788,451	1.280	98.63%	99.71%	6-30-21
2021	21,773,892,321	1.292	98.15%	98.87%	6-30-22
2022	26,513,713,557	1.280	98.02%	98.75%	6-30-23
2023	27,185,252,557	1.089	97.72%	98.38%	6-30-24
2024	32,746,480,543	1.087	(in process of collection)		6-30-25

(1) *2014 through 2023 are from District's audit report; 2024 is from Bexar Appraisal District, Comal Appraisal District, Kendall Appraisal District, Guadalupe Appraisal District, and Hays Central Appraisal District.*

(2) *During the year ended August 31, 2014, the District elected to change its fiscal year end from August 31 to June 30 beginning June 30, 2014.*

Tax Rate Distribution

Tax Year	2024	2023	2022	2021	2020
Local Maintenance	$0.74	$0.74	$0.93	$0.94	$0.93
Interest & Sinking Fund	.35	.35	.35	.35	.35
Total	$1.09	$1.09	$1.28	$1.29	$1.28

2024 Tax Exemptions/Exclusions Allowed

The District has granted exemptions to property owners and for persons over 65 years of age and has granted those exemptions under the law for disabled property owners and veterans, and agricultural exclusions as provided. The exemptions in each of the categories listed are shown below:

State Mandated $100,000 General Homestead Exemptions	$ 5,022,634,382
$10,000 Over 65 Homestead Exemptions	177,640,309
100% Disabled or Unemployable Homestead Exemptions	2,346,109,227
Local Optional Percentage Loss	4,995,401,551
Veterans Exemption Loss	45,877,683
Productivity Loss	4,666,942,155
Pollution Control	81,192,908
10% Per Year Cap on Residential Homestead	3,432,339,369
Freeport	148,186,287
Other	15,015,391
Total Exemptions and Exclusions	$20,931,339,262

Source: Bexar Appraisal District, Comal Appraisal District, Kendall Appraisal District, Guadalupe Appraisal District, and Hays Central Appraisal District.

Schedule of Delinquent Taxes Receivable Fiscal Year Ended June 30, 2024

Last Ten Years Ended June 30	**Ending Balance**
2015 and prior	$ 551,957
2016	180,723
2017	210,765
2018	226,573
2019	199,201
2020	215,345
2021	(34,944)
2022	87,433
2023	752,477
2024	6,762,455
Total	$9,151,985

Source: District's 2024 Annual Financial Report.

Taxpayers by Classification

Classification	2024 Assessed Valuation	Percent of Total	2023 Assessed Valuation	Percent of Total	2022 Assessed Valuation	Percent of Total
Single Family Residential	$35,028,564,056	65.26%	$ 33,440,988,391	65.30%	$28,097,672,353	63.91%
Multi-Family Residential	1,345,085,742	2.51%	1,095,309,745	2.14%	968,459,021	2.20%
Vacant - Platted Lots/Tracts	2,275,576,069	4.24%	2,357,522,975	4.60%	2,243,537,481	5.10%
Acreage-Open Space (Land and Improvements)	4,730,339,081	8.81%	6,106,044,642	11.92%	5,411,348,335	12.31%
Rural Non-qualified	1,703,898,176	3.17%	202,218,831	0.39%	129,529,225	0.29%
Commercial Real Property	4,385,935,273	8.17%	3,993,352,053	7.80%	3,607,487,114	8.20%
Industrial Real Property	688,576,066	1.28%	694,742,619	1.36%	640,705,605	1.46%
Oil, Gas and Other Minerals	-0-	0.00%	-0-	0.00%	-0-	0.00%
Real and Tangible Utilities	355,128,121	0.66%	323,295,831	0.63%	289,155,527	0.66%
Tangible - Commercial	1,138,284,506	2.12%	1,171,433,622	2.29%	1,051,250,903	2.39%
Tangible - Industrial	1,475,835,624	2.75%	1,259,070,796	2.46%	1,124,999,143	2.56%
Tangible - Mobile Homes	85,810,460	0.16%	72,545,138	0.14%	71,569,840	0.16%
Real Residential Inventory	422,291,599	0.79%	455,287,962	0.89%	292,149,323	0.66%
Special Inventory	42,495,032	0.08%	42,855,843	0.08%	39,906,883	0.09%
Total Valuation	$53,677,819,805	100.00%	$51,214,668,448	100.00%	$43,967,770,753	100.00%
Less: Exemptions & Exclusions	20,931,339,262		21,012,795,017		16,111,856,105	
Net Taxable Assessed Valuation	$32,746,480,543		$30,201,873,431		$27,855,894,648	

Source: Bexar Appraisal District, Comal Appraisal District, Kendall Appraisal District, Guadalupe Appraisal District, and Hays Central Appraisal District.

Ten Largest Taxpayers

Name	Type of Property	2024 Net Assessed Valuation	Percent of Total 2024 Taxable Assessed Valuation
Cemex Cement of Texas LP	Crushed Limestone	$ 239,118,241	0.73%
Ben E Keith Company	Food Service Distributing	169,209,130	0.52%
Ash Grove Cement South Texas	Cement Manufacturing	145,993,710	0.45%
A L 95 Creekside Town Center LP	Real Estate Development	145,900,786	0.44%
Central Texas Corridor Hospital Co LLC	Medical	143,616,270	0.44%
Caterpillar Inc.	Construction Equipment	140,602,380	0.43%
Walmart Inc. #6016	Wholesale Distribution Center	140,135,870	0.42%
Cemex Balcones Quary	Quary	122,373,150	0.37%
Sun Life Assurance Company of Canada	Insurance Company	113,370,335	0.35%
LHOIST North America of Tx Ltd	Quarry	103,942,429	0.32%
Total		$1,464,262,301	4.47%

Source: Comal Appraisal District and Bexar Appraisal District.

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2024/25

Interest & Sinking Fund Balance at 6-30-2024	$ 20,921,770
Estimated Income from $0.35 I&S Tax Rate @ 97% Collected Using 2024 Taxable Assessed Valuation of $32,746,480,543	111,174,301
Estimated Other Income	6,000,000
Estimated Total Funds Available	138,096,071
2024/25 Debt Service Requirement	107,839,891
Estimated Interest & Sinking Fund Balance at 6-30-2025	$ 30,256,180

CONSOLIDATED DEBT SERVICE REQUIREMENTS INCLUDING THE BONDS AT ACTUAL RATES

FISCAL YEAR 6-30	CURRENTLY OUTSTANDING DEBT SERVICE	LESS REFUNDED DEBT SERVICE[1]	PLUS: THE BONDS AT ACTUAL RATES[1] PRINCIPAL DUE 2/15	INTEREST DUE 8/15	INTEREST DUE 2/15	TOTAL	GRAND TOTAL ALL ALL DEBT SERVICE
2025	$ 80,354,700.00	$ 11,789,525.00	$ 33,435,000.00		$ 5,839,715.56	$ 39,274,715.56	$ 107,839,890.56
2026	78,848,850.00	16,512,550.00	11,590,000.00	$ 9,271,325.00	9,271,325.00	30,132,650.00	92,468,950.00
2027	78,863,950.00	16,532,050.00	11,350,000.00	8,981,575.00	8,981,575.00	29,313,150.00	91,645,050.00
2028	74,282,550.00	16,565,550.00	16,460,000.00	8,697,825.00	8,697,825.00	33,855,650.00	91,572,650.00
2029	73,780,700.00	16,291,050.00	17,195,00.00.00	8,286,325.00	8,286,325.00	33,767,650.00	91,257,300.00
2030	73,336,000.00	16,512,500.00	18,740,000.00	7,856,450.00	7,856,450.00	34,452,900.00	91,276,400.00
2031	72,280,650.00	16,682,500.00	20,925,000.00	7,387,950.00	7,387,950.00	35,700,900.00	91,299,050.00
2032	72,221,475.00	17,001,300.00	22,350,000.00	6,864,825.00	6,864,825.00	36,079,650.00	91,299,825.00
2033	72,150,987.50	16,806,900.00	23,270,000.00	6,306,075.00	6,306,075.00	35,882,150.00	91,226,237.50
2034	72,119,712.50	15,198,500.00	21,890,000.00	5,724,325.00	5,724,325.00	33,338,650.00	90,259,862.50
2035	58,488,312.50	14,912,100.00	34,800,000.00	5,177,075.00	5,177,075.00	45,154,150.00	88,730,362.50
2036	71,228,012.50	9,381,500.00	15,610,000.00	4,307,075.00	4,307,075.00	24,224,150.00	86,070,662.50
2037	71,029,262.50	13,034,750.00	20,585,000.00	3,916,825.00	3,916,825.00	28,418,650.00	86,413,162.50
2038	70,934,512.50	4,830,000.00	21,020,000.00	3,576,800.00	3,576,800.00	28,173,600.00	94,278,112.50
2039	69,412,562.50		29,085,000.00	3,194,550.00	3,194,550.00	35,474,100.00	104,886,662.50
2040	65,706,812.50		16,305,000.00	2,758,275.00	2,758,275.00	21,821,550.00	87,528,362.50
2041	57,080,162.50		10,920,000.00	2,513,700.00	2,513,700.00	15,947,400.00	73,027,562.50
2042	55,567,402.50		11,245,000.00	2,349,900.00	2,349,900.00	15,944,800.00	71,512,202.50
2043	51,829,862.50		13,710,000.00	2,181,225.00	2,181,225.00	18,072,450.00	69,902,312.50
2044	50,085,862.50		13,975,000.00	1,975,575.00	1,975,575.00	17,926,150.00	68,012,012.50
2045	48,624,443.75		15,700,000.00	1,626,200.00	1,626,200.00	18,952,400.00	67,576,843.75
2046	47,255,962.50		12,575,000.00	1,312,200.00	1,312,200.00	15,199,400.00	62,455,362.50
2047	45,871,950.00		10,170,000.00	1,060,700.00	1,060,700.00	12,291,400.00	58,163,350.00
2048	5,118,000.00		21,525,000.00	857,300.00	857,300.00	23,239,600.00	28,357,600.00
2049	4,898,400.00		21,340,000.00	426,800.00	426,800.00	22,193,600.00	27,092,000.00
	$1,521,371,096.25	$202,050,775.00	$465,770,000.00	$106,610,875.00	$112,450,590.50	$684,831,465.56	$2,004,151,786.81

[1] *Excludes the Refunded Obligations.*

2025/2026 PRO FORMA INTEREST & SINKING FUND MANAGEMENT INDEX

Estimated Interest & Sinking Fund Balance at 6-30-2025	$ 30,256,180
Estimated Income from $0.25 I&S Tax Rate @ 97% Collected Using 2025 Estimated Taxable Assessed Valuation of $34,711,269,376	84,174,828
Estimated Other Income	6,000,000
Total Estimated Funds Available	121,431,008
2025/26 Debt Service Requirement	92,468,950
Estimated Interest & Sinking Fund Balance at 6-30-2026	$ 28,962,058

FIVE-YEAR RECORD OF FINANCIAL OPERATIONS

The following summary of the District's results of operation reflects the District's historical performance under prior systems of school finance in Texas. For a description of the prior systems, the revised current system, and how the District's future financial performance may be affected by the revised system see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS."

Year Ended:	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020
REVENUE					
Local Sources	$332,155,062	$365,199,892	$293,282,663	$256,900,055	$247,251,028
State Sources	88,476,681	35,565,557	32,942,084	45,011,660	37,429,759
Federal Sources	23,299,708	27,124,906	37,226,534	21,943,537	13,951,509
Total all Revenue	443,931,451	427,890,355	363,451,271	323,855,252	298,632,296
EXPENDITURES					
Instruction and Instruction Related	187,906,146	168,731,551	162,698,414	153,627,112	128,769,469
Instruction & School Leadership	20,754,646	27,504,643	26,039,138	14,178,402	20,876,863
Support Services - Student (Pupil)	56,764,388	56,726,695	49,661,705	41,631,774	40,523,883
General Administration	6,942,178	7,485,578	7,327,444	5,717,646	5,304,450
Support Services-Non-student Based	64,780,019	59,238,591	39,029,902	39,150,468	31,200,012
Debt Service	108,393,568	97,624,118	79,303,888	69,972,708	61,884,963
Capital Outlay	112,840,942	122,769643	35,325,505	64,599,537	127,425,645
Community Services	3,804,134	3,198,905	3,247,483	-	-
Intergovernmental Charges	4,660,926	11,026,198	2,858,697	2,264,024	2,342,762
Ancillary Services	2,797,005	3,038,861	2,538,057	2,823,724	3,349,370
Total all Expenditures	569,643,952	557,344,733	408,030,233	392,362,159	421,677,417
Total Other Resources and (Uses) Plus Special Resource	101,492,335	1,347,506	455,403,041	1,119,652	269,480
Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	(24,220,166)	(128,106,872)	410,824,089	(67,387,255)	(122,775,641)
Fund Balance Beginning of Year	373,230,998	498,478,610	87,654,521	155,041,776	277,817,417
Fund Balance End of Year	$349,010,832	$373,230,998	$498,478,610	$ 87,654,521	$155,041,776
Fund Balance - General Fund(1)(2)	$ 95,672,307	$ 92,830,420	$ 71,762,092	$ 53,176,186	$ 54,312,709

Year Ended:	6/30/2024	6/30/2023	6/30/2022	6/30/2021	8/31/2020
Assessed Valuation	$32,746,480,543	$27,855,894,633	$22,607,877,576	$20,059,726,602	$18,052,151,410
Total Tax Rate	$1.09	$1.28	$1.29	$1.28	$1.32
Percent Debt Service to Total all Expenditures	19.02%	17.52%	19.44%	17.83%	14.68%

Source: The District's audited financial statements.

(1) *The reduction in fund balance is related to the District purchasing land for future facility needs. The District adopted a reimbursement resolution declaring its intention to reimburse the General Fund from future bond proceeds.*

(2) *For the current fiscal year, the District adopted a budget deficit of $18.8 million.*

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

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THE DISTRICT

This Appendix contains a brief discussion of certain economic and demographic characteristics of the area in which the District is located. Information in this Appendix has been obtained from sources that are believed to be reliable, although no investigation has been made to verify the accuracy of such information.

General

The District is located primarily in Comal County, Texas with portions extending into Bexar, Guadalupe, Hays and Kendall Counties, Texas. District's 2023 population estimate - 162,307.

Administration

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

Present Facilities

School Facility	Year Occupied	Grade Span	Enrollment (At 9-1-2024)
Rahe Bulverde Elementary School	1966	K thru 5	607
Goodwin Frazier Elementary School	1966	K thru 5	655
Canyon High School	1972	9 thru 12	2,417
Smithson Valley Middle School	1976	6 thru 8	881
Smithson Valley High School	1981	9 thru 12	2,119
Canyon Middle School	1987	6 thru 8	1,242
Church Hill Middle School	1987	6 thru 8	777
Bill Brown Elementary School	1991	PreK thru 5	785
Alamo Colleges-Memorial ECHS	2006	9 thru 12	291
Arlon Seay Elementary	1997	K thru 5	610
Spring Branch Middle School	1998	6 thru 8	612
Specht Elementary School	2002	PreK thru 5	706
Hoffmann Lane Elementary	2002	K thru 5	701
Rebecca Creek Elementary	2002	PreK thru 5	583
Startzville Elementary	2008	PreK thru 5	463
Freiheit Elementary	2008	PreK thru 5	661
Morningside Elementary	2008	PreK thru 5	641
Mountain Valley Middle School	2008	6 thru 8	780
Canyon Lake High School	2008	9 thru 12	1,075
Timberwood Park Elementary	2008	PreK thru 5	740
Johnson Ranch Elementary	2009	K thru 5	1,164
Oak Creek Elementary	2009	PreK thru 5	840
Comal Discipline Center	1995	7 thru 12	20
Clear Spring Elementary	2010	K thru 5	717
Comal Academy	2010	9 thru 12	63
Garden Ridge Elementary	2010	K thru 5	471
Kinder Ranch Elementary	2011	PreK thru 5	622
Indian Springs Elementary	2012	K thru 5	647
Mountain Valley Elementary	2013	K thru 5	484
Pieper Ranch Middle School	2018	6 thru 8	1,143
Danville Middle School	2018	6 thru 8	926
Davenport High School	2020	9 thru 12	1,238
Hill Country College Preparatory	2020	9 thru 12	179
Pieper High School	2021	9 thru 12	2,103
JJAEP			1
Farias-Spitzer Elementary	2023	PreK thru 5	580
Comal Creek Elementary	1023	PreK thru 5	440
Bulverde Middle School	2024	6 thru 8	689
Total			29,677

Source: Comal ISD

Budget and Personnel

The budget for the 2024-25 school year is $320,160,897. The District currently employs approximately 4,000 professional and supportive staff, with an annual payroll budget exceeding $250,224,087. Approximately $10,913,709 is budgeted annually for transportation, with 89 buses traveling 2,013,496 total miles in 2023-24.

Average Daily Attendance and Percentage Increase

School Year	Membership	Average Daily Attendance	% ADA Increase
2006-07	14,125	13,405	5.90%
2007-08	15,100	14,285	6.60%
2008-09	16,010	15,141	5.99%
2009-10	16,485	15,647	3.23%
2010-11	17,190	16,262	3.90%
2011-12	17,657	16,849	3.60%
2012-13	18,643	17,611	4.52%
2013-14	19,313	18,502	5.06%
2014-15	20,277	19,235	3.96%
2015-16	20,922	20,100	4.50%
2016-17	21,954	21,021	4.58%
2017-18	22,754	21,734	3.39%
2018-19	23,641	22,648	4.20%
2019-20	24,769	24,002	5.98%
2020-21	25,295	23,712	1.20%
2021-22	27,288	25,252	6.49%
2022-23	28,408	26,536	5.08%
2023-24*	28,948	27,212	2.54%

Source: Comal ISD
* *As of 9-1-24*

Scholastic Information

Every campus is fully accredited by the Texas Education Agency and the two high schools are accredited by the Southern Association of Colleges and Schools.

Results of the Texas Assessment of Academic Skills have shown increases in reading, writing, and mathematics. Standardized achievement test scores have shown increases in scores during the past six years. Students in the District rank well ahead of their counterparts in the State and Nation in most achievement areas.

Curricular offerings in the District comply with and extend beyond the requirements of Texas State law with a comprehensive curriculum for students in grades pre-kindergarten through twelve. The elementary program focuses on essential knowledge and skills in reading, language arts and mathematics, with strong program in the arts, sciences, and physical education and health. The secondary program is designed to provide academic foundations for college and/or entry level work skills for students in the vocational program. The District is recognized statewide for its special education program. Special programs are designed for all special populations (gifted and talented, deaf, advanced academic placement, etc.).

Community Education

Over 6,000 children and adults participate in after-school and evening programs annually. School campuses are utilized to provide educational opportunities for citizens of all ages. Courses are offered at moderate tuition fees to encourage participation. All courses are self-supportive.

GENERAL AND STATISTICAL INFORMATION

General Information

The District, located primarily in Comal County, Texas (the "County"), a pioneer German settlement created in 1846 from Bexar, Gonzales and Travis Counties, Texas, is a scenic Southwest county named after the Comal River. The District also extends into part of Guadalupe County.

The City of New Braunfels, Texas (the "City"), the county seat of Comal County, is located in the southeast part of the County approximately twenty-five miles north of San Antonio on Interstate Highway 35 and forty miles south of Austin on Interstate Highway 35.

Population

Census Report	City of New Braunfels	Comal County
2024 Est.	117,793	203,107
2020	91,643	161,501
2010	57,740	108,472
2000	36,464	78,021
1990	30,402	58,905
1980	22,402	162,307

Labor Force Statistics - Comal County

	Annual Average				
	2023	2022	2021	2020	2019
Civilian Labor Force	84,427	82,222	79,751	77,273	73,333
Total Employed	81,394	79,381	76,112	72,569	71,149
Total Unemployed	3,043	2,841	3,649	4,604	2,184
% Unemployed	3.6%	3.5%	4.6%	6.1%	3.0%
% Unemployed (Texas)	3.9%	3.9%	5.6%	7.7%	3.5%
% Unemployed (United States)	3.6%	3.6%	5.3%	8.1%	3.7%

Source: Texas Workforce Commission - Economic Research and Analysis Department, and United States Department of Labor.

Major Employers

The County has been economically stable for many years because of the industries located there. A list of the major non-governmental employers, their products and number of employees as reported by the Greater New Braunfels Chamber of Commerce follows:

Name	Product	Approximate Number of Employees
The Scooter Store	Retail Scooter Store	1,927
Schlitterbahn	Waterpark and Resort	1,800*
Wal Mart Distribution Center	Distribution Center	979
Rush Enterprises, Inc.	Heavy Duty Truck Dealer	850
Sysco	Food Products Supplier	794
CHRISTUS Santa Rosa Hospital - New Braunfels	Hospital	750
TaskUs	Call Center	612
HEB	Retail Grocery Store	574
HD Supply Facilities Maintenance	Maintenance/Repair Supply Store	538
Hunter Industries/Colorado Materials	Highway Contractor/Material Supplier	500
Resolute Baptist Hospital	Hospital	487

* *The Schlitterbahn Water Park, located on 100 acres in the City, is a large seasonal employer. The operating season is Memorial Day through Labor Day, during which time approximately 3,000 people are employed. The company was previously involved in bankruptcy proceedings, which began in 2019 and led to the sale to another owner, Cedar Fair Entertainment Company. Cedar Fair Entertainment Company has since merged with Six Flags, effective July 1, 2024. The District cannot make any predictions as to the financial position of the merged entity.*

In addition to the foregoing, estimated County, City and School District current employment figures follow:

Comal County	792*
City of New Braunfels	780*
New Braunfels Utilities	243
New Braunfels ISD	1,320
Comal ISD	3,374

* *Includes part-time and seasonal employees.*

Employment and Wages by Industry - Comal County

	Number of Employees			
	Fourth Quarter 2023	Fourth Quarter 2022	Fourth Quarter 2021	Fourth Quarter 2020
Natural Resources and Mining	842	824	795	818
Construction	8,017	7,202	7,142	6,732
Manufacturing	4,134	4,181	3,287	3,239
Trade, Transportation & Utilities	19,451	18,541	16,367	13,856
Information	586	619	590	542
Financial Activities	2,475	2,359	2,658	2,162
Professional and Business Services	7,632	7,304	7,408	6,883
Education and Health Services	8,907	8,482	7,848	7,851
Leisure and Hospitality	10,221	10,017	9,100	8,908
Other Services	2,935	2,837	2,183	1,814
Unclassified	81	64	68	30
Federal Government	277	265	248	236
State Government	207	201	211	209
Local Government	7,960	7,547	7,173	5,987
Total Employment	73,724	70,442	65,078	59,267
Total Wages	$1,077,227,380	$979,789,102	$921,005,514	$706,846,365

Source: Labor Market and Career Information Department, Texas Workforce Commission.

Educational Facilities

Other local public school facilities are provided through the New Braunfels Independent School District. Enrollment records follow:

	New Braunfels ISD	
School Year	Membership	Avg. Daily Attendance
2012-13	8,093	7,769
2013-14	8,202	7,873
2014-15	8,393	8,057
2015-16	8,420	8,083
2016-17	8,583	8,068
2017-18	8,925	8,432
2018-19	9,237	8,634
2019-20	9,524	8,904
2020-21	9,282	8,933
2021-22	9,676	8,947
2022-23	9,724	-0.54%
2023-24 *	9,850	2.32%

* *As of Spring 2024.*

The preceding enrollment figures do not include enrollment at the four private and parochial schools.

Higher educational facilities include Texas Lutheran University - Seguin, approximately 13 miles from New Braunfels; Texas State University - San Marcos, approximately 15 miles from New Braunfels; and eight colleges and/or universities located in San Antonio, approximately 35 miles from New Braunfels. Planned higher educational facilities include the future Howard-Payne University campus which will be part of the proposed Veramendi development project. Currently, Howard-Payne University offers courses at New Braunfels High School and online. In addition, Wayland Baptist University has moved into a 10,000 sq. ft. educational space adding more higher education opportunities in the surrounding community.

The Central Texas Technology Center. The CTTC is a District Workforce Specialty Campus. It is the area's first higher education facility dedicated to technology and it is a collaborative effort of the governing bodies and business development agencies of New Braunfels, Seguin and the Alamo Colleges. Alamo Colleges runs the programs and classes that provide college level education and training to residents of Comal, Guadalupe, Hays, Bexar and Wilson counties. In 2015, The U.S. Department of Commerce and Economic Development Administration awarded Alamo Colleges at $1.25 million dollar grant to help double the size of the CTTC. These funds joined $5 million already committed to the project and paved the way for the expansion project which was completed in 2016.

Health Care

The City has two hospitals, CHRISTUS Santa Rosa Hospital-New Braunfels (CSRH-NB) and Resolute Health. CSRH-NB is a full-service, 94-private bed facility that continues to expand to meet the needs of New Braunfels' strong population growth. CSRH-NB employs more than 475 full and part time Associates and provides privileges to more than 150 physician staff members and nearly 100 volunteers. Innovative equipment and procedures are utilized, including an Outpatient Imaging Center, orthopedic and surgical services, rehabilitation, a renovated birthing center, including 24/7 neonatal coverage, emergency care, wound care/hyperbaric center, comprehensive heart care, from diagnostics to open-heart surgery, and a freestanding Emergency Center at Creekside Town Center. Resolute Health opened in June 2014 and employs about 600 associates. Resolute Health invested $250 million into the 365,000 square-foot facility which has 125 beds in all-private rooms and offers a broad range of specialty services, including cardiovascular, orthopedics, oncology, imaging, wound care, rehabilitation and obstetrics. It is the only Level III neonatal intensive care unit in the area. The new hospital serves as the cornerstone of Resolute Health, a network of care in New Braunfels, which is located roughly 30 miles northeast of San Antonio. New Braunfels Regional Rehabilitation Hospital is a 40-bed hospital that specializes in severe head and neck/stroke patients. More than 160 employees work at the $28 million dollar, 40-bed facility. Bexar County, University of Texas and U. S. Veterans Administration medical facilities are located in nearby northwest San Antonio.

Community Services

The New Braunfels and Canyon Lake area contains approximately 26 motels/hotels, 27 resorts and condominiums, 22 campgrounds and RV parks, and 28 bed and breakfast/vacation home rentals. In addition, there are numerous other facilities available in San Antonio and adjoining towns.

The City has several museums, a library, two radio stations, and a newspaper which is published six days a week. In addition, one weekly newspaper is published in Comal County. Both the San Antonio and Austin daily newspapers are available. There are numerous radio stations, three commercial television stations, cable and satellite television, and one educational television station in San Antonio that serve the New Braunfels area.

Over thirty denominations are represented in more than seventy churches in the City. Those not represented generally are available in nearby San Antonio.

Transportation

The City is served by Interstate Highway 35 (U.S. 81) and State Highway 46. Loop 337 circles the City and numerous Farm and Ranch Roads traverse the County. Railroads include the Union Pacific and Missouri Kansas and Texas Lines. The City's airport facility encompasses 1,000 acres and has four runways, four taxiways, and a parking ramp. The airport runways are of all asphalt construction with threshold lights and full runway lights. Jet fuel, aviation gas, and car rentals are available at the airport. The airport, located some four miles from the City, is reported to have an average of 75 flights per day. The New Braunfels Airport is also used for corporate flights. Greyhound/Trailways Bus Lines and several motor freight lines also serve the City.

Tourism and Recreation

Located in the heart of the City are Comal Springs and Landa Park, a 300-acre park, which includes an 18-hole golf course, tennis courts, large picnic and playground areas, an Olympic-size swimming pool, and the largest spring-fed swimming pool in Texas. Schlitterbahn Waterpark Resort in New Braunfels is recognized annually as one of the best waterparks in the country. Numerous additional golf courses are available in the region.

Natural Bridge Caverns, the state's largest caverns, and Natural Bridge Wildlife Ranch are major tourist attractions located in the southern part of Comal County. Scenic drives and historic sites also attract many tourists to the area.

Canoeing, tubing, rafting, kayaking and other white-water sports on the Guadalupe River are very popular.

Canyon Lake, located twenty miles from the City, is a popular water-resort area for sailing, boating, fishing, water skiing and scuba diving. Several parks have been established around the Lake.

Annual celebrations include the Comal County Fair, one of the oldest and best attended County fairs in the State, and the "Wurstfest." The annual "Wurstfest" is a ten-day event and always starts on the Friday before the first Monday in November. The 62nd annual "Wurstfest" will be held November 3 through November 12. Average annual attendance exceeds 200,000 with income from admissions and concessions sales well in excess of $3,000,000.

The City constructed a Civic Center in 1971 which contributes materially to tourist income. In addition, the City built a new civic center and renovated the existing space in July 2008.

Utilities

The Guadalupe River provides NBU and the City of New Braunfels with a source of good quality and quantity of water. Well water from the Edwards Aquifer and the Trinity Aquifer is also available in most of the unincorporated areas of the County. The Guadalupe River, Comal River and Canyon Lake help to assure future water supply. Sale of water from Canyon Lake is in the control of the Guadalupe-Blanco River Authority. Water districts serve the eastern part of the County.

Electricity is available throughout the City and is provided by NBU which also serves approximately 5,300 customers in the surrounding rural area. GVEC and PEC also provide electric services to some areas of the City.

Natural Gas is available to the residents of the City from Enterprise Texas Pipeline, L.P., and distributed by Centerpoint Energy. In other areas where natural gas is not available, butane and propane gas service is available by truck delivery.

The City's telephone service is provided by AT&T, Inc. and Time Warner Cable, with other County areas being served by the Guadalupe Valley Telephone Cooperative (GVTC).

APPENDIX C

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the Comal Independent School District Audited Financial Statements (the “Report”) for the fiscal year ended June 30, 2024.

The information presented represents only a part of the Report and does not purport to be a complete statement of the District’s financial condition. Reference is made to the complete Annual Audit Report for additional information.

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2024

COMAL INDEPENDENT SCHOOL DISTRICT

1404 IH 35 North
New Braunfels, TX 78130

Prepared by Comal ISD Business Services

Glenn Graham
Chief Financial Officer

Nicole Blanchard
Director of Business Services

INTRODUCTORY SECTION

COMAL INDEPENDENT SCHOOL DISTRICT

Principal Officials and Advisors

Administrative Officials

Official	Position
Dr. John Chapman III	Superintendent
Glenn Graham	Chief Financial Officer
Krista Moffatt	Assistant Superintendent of Teaching, Learning, & Leadership
Corbee Wunderlich	Assistant Superintendent of Student Services
Vacant	Chief Human Resources Officer
Steve Stanford	Chief Communications Officer
Malcom Mulroney	Chief Operations Officer
Scott Monroe	Chief Information Officer

Consultants and Advisors

Whitley Penn
Independent Auditors
Houston, Texas

SAMCO Capital Markets
Financial Advisors
San Antonio, Texas

Escamilla Poneck LLP
Legal and Bond Counsel
San Antonio, Texas

Walsh Gallegos
Legal Advisors, Austin TX

CERTIFICATE OF BOARD

Comal Independent School District	Comal	046902
Name of School District	County	Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended June 30, 2024, at a meeting of the Board of Trustees of such school district on October 24, 2024.

President of the Board

Secretary of the Board

COMAL ISD
Comal Independent School District
1404 IH 35 North
New Braunfels
Texas 78130
(830) 221-2000
www.comalisd.org

October 24, 2024

To the Board of Trustees and the Citizens of Comal Independent School District:

The Comprehensive Annual Financial Report of the Comal Independent School District (the "District") for the fiscal year ended June 30, 2024 is hereby submitted. This report has been prepared to provide the Board of Trustees (the "Board"), representatives of financial institutions and rating agencies, the citizenry of the District, and other interested parties information concerning the financial condition of the District.

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 is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: (1) introductory, (2) financial, (3) statistical, and (4) federal awards. The introductory section includes the transmittal letter, a listing of the District's principal officials and advisors, and an organization chart of the District. The financial section includes Management's Discussion and Analysis ("MD&A"), basic financial statements, combining and individual fund statements and schedules, and required Texas Education Agency schedules, as well as the independent auditors' report on the financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors. The statistical section consists of unaudited tables which reflect both financial and demographic information. This data is for the purpose of presenting social and economic information, financial trends and fiscal capacity of the District, and is generally presented on a multi-year basis. The federal awards section includes the single audit reports prepared in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

This report includes all funds of the District. The District is a public school system offering early childhood education, pre-kindergarten, and full kindergarten through grade 12 educational opportunities for all school age residents within its geographic boundaries. All activities over which the District's Board exercises authority and/or oversight responsibilities are included.

A component unit is a legally separate organization that a primary government must include as part of its financial reporting entity for fair presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The District is not a component unit nor does it have component units.

GOVERNING BODY

The District is governed by a seven-member Board, each elected to a single-member district to serve three-year terms of office. Elections are held in May. Board officers are elected by the members of the Board.

Regular meetings are scheduled the fourth Thursday of the month and are held in the Support Services Board Room. Special called meetings, committee meetings, and workshop sessions are scheduled as needed and announced to the public in compliance with public notice requirements.

The Board has final control over local school matters limited only by the state legislature, the court system, and by the will of its citizens as expressed in school Board elections and bond referendums. Board decisions are based on a majority vote of those present. In general, the Board is responsible for adopting policy, employing and evaluating the Superintendent, and overseeing the operations of the District and its schools. The Board is also responsible for setting the tax rate, adopting the annual budget along with periodic amendments, setting salary schedules, approving pay increases, and serving as a board of appeals in personnel and student matters.

GENERAL INFORMATION

The District spans 589 square miles of central Texas, including parts of five central Texas counties: Comal, Bexar, Hays, Kendall, and Guadalupe. Within the District are the communities of Canyon Lake, Sattler, Startzville, Hancock, Fischer, Spring Branch, Smithson Valley, Bulverde, Garden Ridge, and part of the cities of San Antonio and New Braunfels. Major highways crossing the District include Interstate 35, U.S. Highway 281, and Texas Highway 46. The District was established in the early 1950's by farmers and ranchers surrounding the City of New Braunfels. The District can generally be characterized as a mix of rural and suburban areas in the Austin to San Antonio Interstate Highway 35 corridor. The District is in relative proximity to the five largest cities in the state of Texas - Austin, Dallas, Ft. Worth, Houston, and San Antonio.

The District has thirty-six instructional campuses - six high schools, eight middle schools, twenty elementary schools, one college preparatory campus and one alternative learning center. Two new elementary campuses were opened in August of 2023. The district opened a new middle school in August of 2024. The latest comprehensive high schools were opened in 2020 and 2021, and a new facility for the college preparatory campus opened in August of 2024.

The District finished the year ended June 30, 2024 with a total student population of 29,263. The District's student enrollment has increased by over 16.63% over the last five years and annual growth of over 5% is expected over the next 10 years. The District continues to become more ethnically diverse. Recent statistics indicate a student population that is approximately forty-one percent Hispanic, three percent African American, and forty-nine percent Caucasian.

ECONOMIC CONDITION AND OUTLOOK

The fast-growth district is located approximately 20 miles north of San Antonio. It benefits from its proximity to San Antonio and Austin, as roughly two-thirds of its working population commutes to these labor markets. The State unemployment rate of 4.1 percent, the San Antonio unemployment rate of 4.0 percent and the New Braunfels unemployment rate of 4.0 percent are aligned with the national rate of 4.1 percent.

The local economy of New Braunfels is heavily focused on leisure and entertainment. There are two major tourist destinations adjacent to downtown: Schlitterbahn, the largest water park in the U.S., and Gruene, a retail/entertainment center. Between cultural tourism and tourist visits to the Comal River, it is estimated New Braunfels receives approximately 3 million visitors a year.

FINANCIAL INFORMATION

The District takes pride in its commitment to fiscal management through integrity, prudent stewardship, planning, accountability, full disclosure and communication. This philosophy has generated a strong fund balance over the years and allowed the District to sustain high quality educational services, even in the most trying financial times.

Internal Control

Management is responsible for designing, implementing and maintaining adequate, efficient, and effective systems of internal control. These systems of control provide reasonable, but not absolute, assurance that:

- District assets and critical records are safeguarded from loss, theft, or misuse;
- Authorized transactions are promptly and accurately recorded;
- District resources are efficiently and economically employed; and,
- Financial reports are prepared in accordance with GAAP.

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 from its implementation; and (2) the valuation of cost and benefits requires estimates and judgments by management. Management believes the internal controls adequately meet the above objectives.

The District has an internal review process and dedicated staff to assure these objectives are met, and the Board has an Audit Committee that receives direct reports of any suspected fraudulent activity from an independent service.

Long-Term Financial Planning

As one of the largest and fastest growing districts in the state, the District must plan ahead. Student enrollment and demographics drive the District's planning process along with the Board's commitment to providing the best education possible for our students. The District's strategic priorities are: Academic Success/Instruction, College, Career, Military Readiness (CCMR), Student Support/Safety, Employment Recruitment/Retention, Parent and Community Engagement, and Facilities Growth and Planning. The planning process begins with data analysis of academic and operational results and leads to the development of district and campus plans and educational opportunities to achieve the District's priorities. This planning process identifies the needs of the District that drive the district and campus plans and the prioritized allocation of all District resources.

It is the responsibility of the Business Services department to oversee the financial planning, tracking and accounting for the finances of the District in serving the communities, students and staff. The Superintendent and leadership team oversee and communicate all the elements involved in the strategic and financial planning process for the District on a long-term basis each fiscal year.

The long-term financial plan for the District calls for the General Fund to maintain a year-end fund balance in the range of three month of operations. However, there are many factors outside of the District's control that influence the District's ability to maintain this long-term, primarily the state's ability to maintain funding for public K-12 education.

Financial Policies

Comal ISD strives to maintain financial practices to ensure its long-term financial health. The District's General Fund has a fund balance target of three months of regular operations. The District has achieved this target. The District also monitors its debt rate structure when planning for future capital projects to accommodate student enrollment growth to ensure that future impacts to the debt tax rate are acceptable.

Budgetary Control

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 objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Board. 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 Financial Accountability System Resource Guide for Texas school districts.

The District also maintains an encumbrance accounting system as a budgetary control. Outstanding encumbrances at the end of the fiscal year are rolled forward into the subsequent fiscal period and budget amendments are implemented accordingly.

It is the intent of the District that the budgetary process results in the most effective mix of the educational and financial resources available while attaining the priorities and objectives of the District. The ultimate decision of the level of funding and the programs to be funded rests with the Board. After considering all factors, the Board sets an ad valorem tax rate that generates sufficient revenues to support the expenditure budget of the District.

The budget may be amended during the year to address unanticipated or changing needs of the District. A change to functional expenditure categories or other sources and uses accounts requires Board approval.

INDEPENDENT AUDIT

The Texas Education Code requires an annual audit of the District's financial statements by independent certified public accountants selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit is designed to also meet the requirements of the Uniform Guidance. The independent auditors' report on the basic financial statements, the combining and individual fund statements and schedules, and the required Texas Education Agency schedules are included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to a district for its Comprehensive Annual Financial Report. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. The report must also satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting was awarded to the district for the 2022-23 Comprehensive Annual Financial Report and is valid for a period of one year only. We believe the current comprehensive annual financial report will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

The Financial Integrity Rating System of Texas (FIRST), a financial accountability system for Texas school districts, was developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system. The District was awarded a near-perfect score and the "Superior" rating under Texas' schools FIRST financial accountability rating system for the twentieth year. The "Superior" rating is the highest possible financial rating, demonstrating the quality of the District's sound fiscal management and reporting systems.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the Business Services staff. We would like to express our appreciation for their contributions to its presentation. Acknowledgment is also given to Whitley Penn for their assistance in the production of this report. Finally, we would like to thank the Board for their continued support of the District's objective of excellence in all aspects of financial management.

Respectfully submitted,

Dr. John E. Chapman III

Glenn Graham, Chief Financial Officer

Nicole Blanchard, Director of Business Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

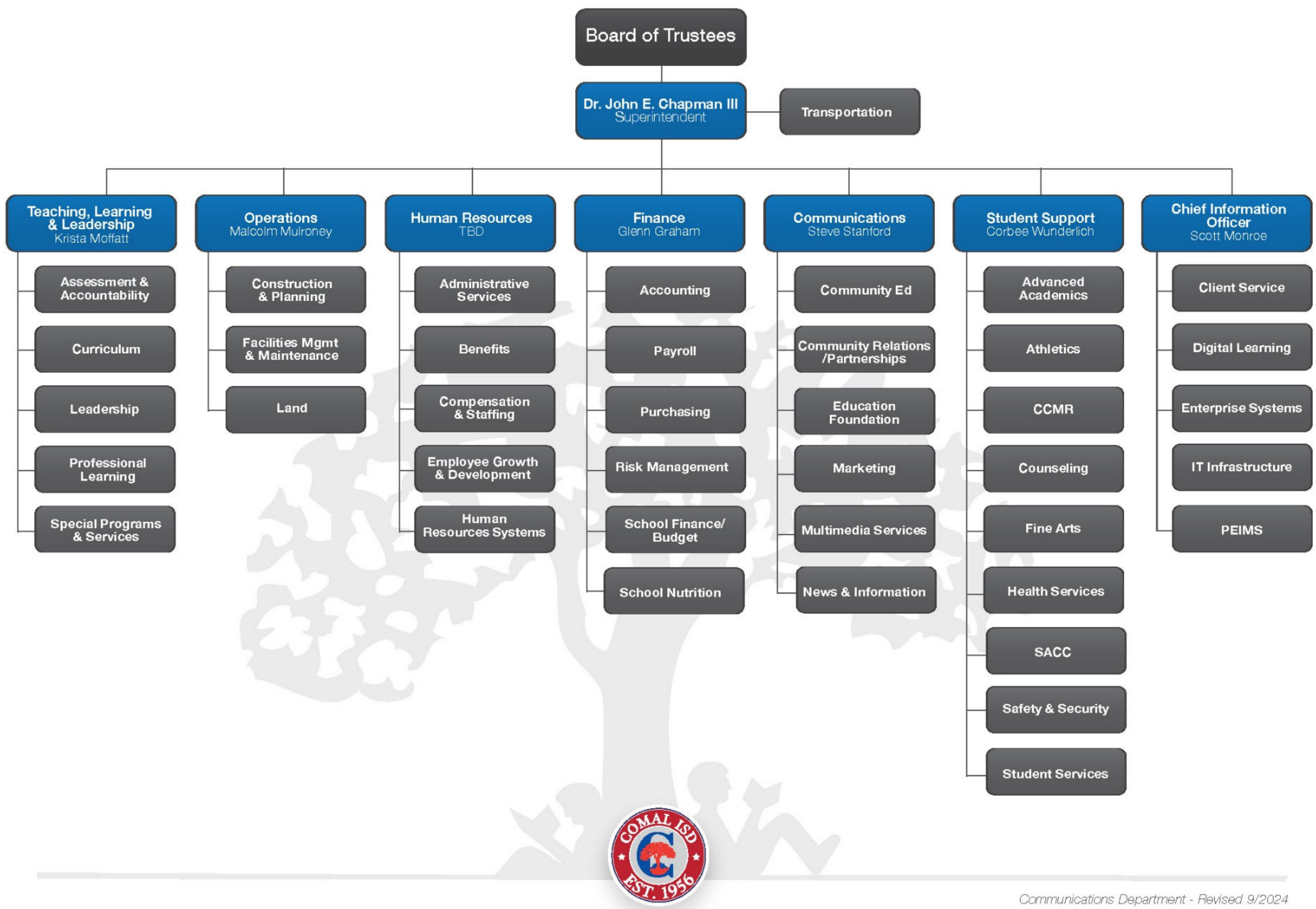
Comal Independent School District
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Executive Director/CEO

COMAL ISD | Organizational Chart



Communications Department - Revised 9/2024

FINANCIAL SECTION

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Austin, Texas 78746
737.931.8200 Main

whitleypenn.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Comal Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Comal Independent School District (the "District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

To the Board of Trustees
Comal 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 GAS 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 GAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

To the Board of Trustees
Comal Independent School District

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, required TEA schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, statistical section, and Schedule L-1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with GAS, we have also issued our report dated October 24, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Austin, Texas
October 24, 2024

This section of the annual comprehensive financial report, we, the managers of Comal Independent School District (the "District"), discuss and analyze the District's financial performance for the year ended June 30, 2024. Please read it in conjunction with the independent auditor's report on pages 1 through 3, and the District's basic financial statements.

Financial Highlights

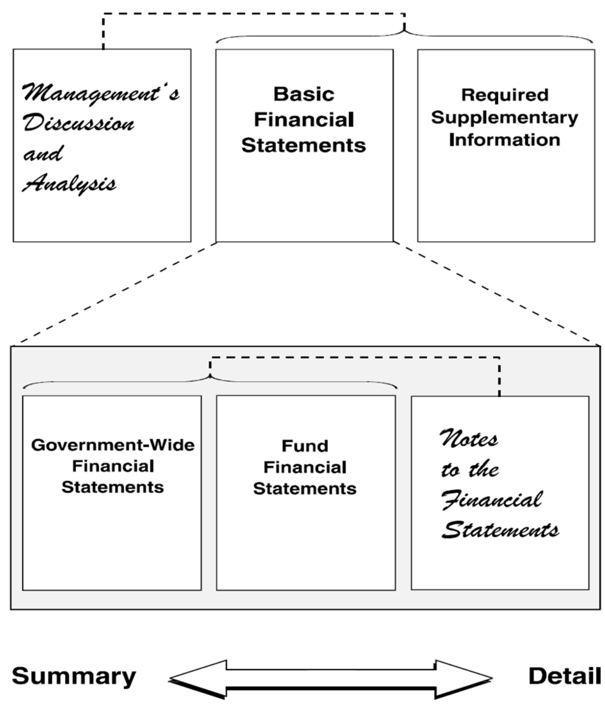
- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by $95,342,466. Of this amount, $24,393,876 is a deficit unrestricted net position. The deficit unrestricted net position is the result of adjustments related to pension and other postemployment benefits reporting requirements.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $349,010,832. Approximately 27% of this total amount, $94,999,599, is available for spending at the District's discretion (unassigned fund balance). Fund balance of $217,397,775, about 62%, is restricted for current and future capital projects.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $94,999,599, or 34% of the total General Fund expenditures.

Overview of The Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as catering services.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2, Major Features of the District's Government-wide and Fund Financial Statements

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

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the Governmental Activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities. The government-wide financial statements also include the Business-type Activities, which accounts for catering operations for meetings held by the District.

Fund Financial Statements

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

Some funds are required by State law and by bond covenants. The Board of Trustees (the "Board") establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental* funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent pages that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- *Fiduciary funds* - The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Government-Wide Financial Analysis

Both current period and prior year data are presented with discussion of significant changes in the accounts. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's government-wide activities.

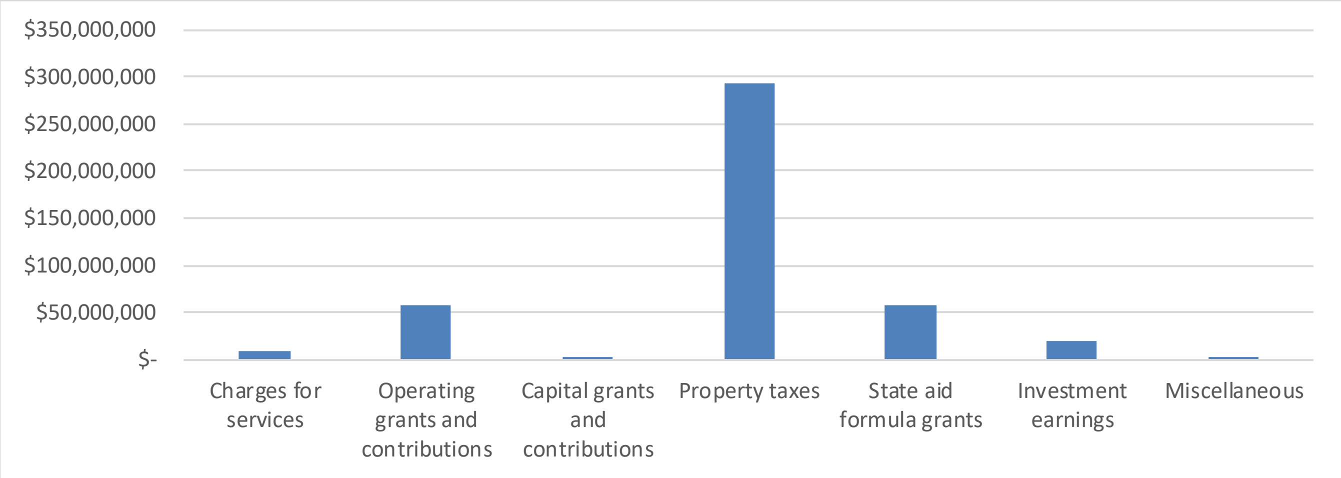
This period-over-period comparison provides an indication of the District's financial well-being. Increases and decreases in net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2024, the District's assets and deferred outflows of resources exceeded combined liabilities and deferred inflows of resources by $95,342,466, which is an increase of $41,179,616 when compared to the prior year net position of $54,162,850.

	Governmental Activities		
	2024	**2023**	**Change**
Assets:			
Current and other assets	$ 421,376,900	$ 457,181,230	$ (35,804,330)
Capital assets	1,005,113,952	903,931,582	101,182,370
Total Assets	1,426,490,852	1,361,112,812	65,378,040
Deferred Outflows of Resources	64,860,372	65,102,894	(242,522)
Total Assets and Deferred Outflows of Resources	1,491,351,224	1,426,215,706	65,135,518
Liabilities:			
Long term liabilities	1,260,932,173	1,218,507,419	42,424,754
Other liabilities	77,335,051	86,954,094	(9,619,043)
Total Liabilities	1,338,267,224	1,305,461,513	(9,619,043)
Deferred Inflows of Resources	57,741,534	66,591,343	(8,849,809)
Total Liabilities and Deferred Inflows of Resources	1,396,008,758	1,372,052,856	(18,468,852)
Net Position:			
Net investment in capital assets	106,828,068	63,793,851	43,034,217
Restricted	12,908,274	14,382,108	(1,473,834)
Unrestricted	(24,393,876)	(24,013,109)	(380,767)
Total Net Position	$ 95,342,466	$ 54,162,850	$ 41,179,616

Investment in capital assets (e.g., land, construction in progress, buildings, furniture, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding is $106,828,068. 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, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position of $12,908,274 represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position is a deficit of $24,393,876, which is negative as a result of adoption of GASB 68 and GASB 75. The combined effect of GASB 68 and GASB 75 is a negative $121,234,016.

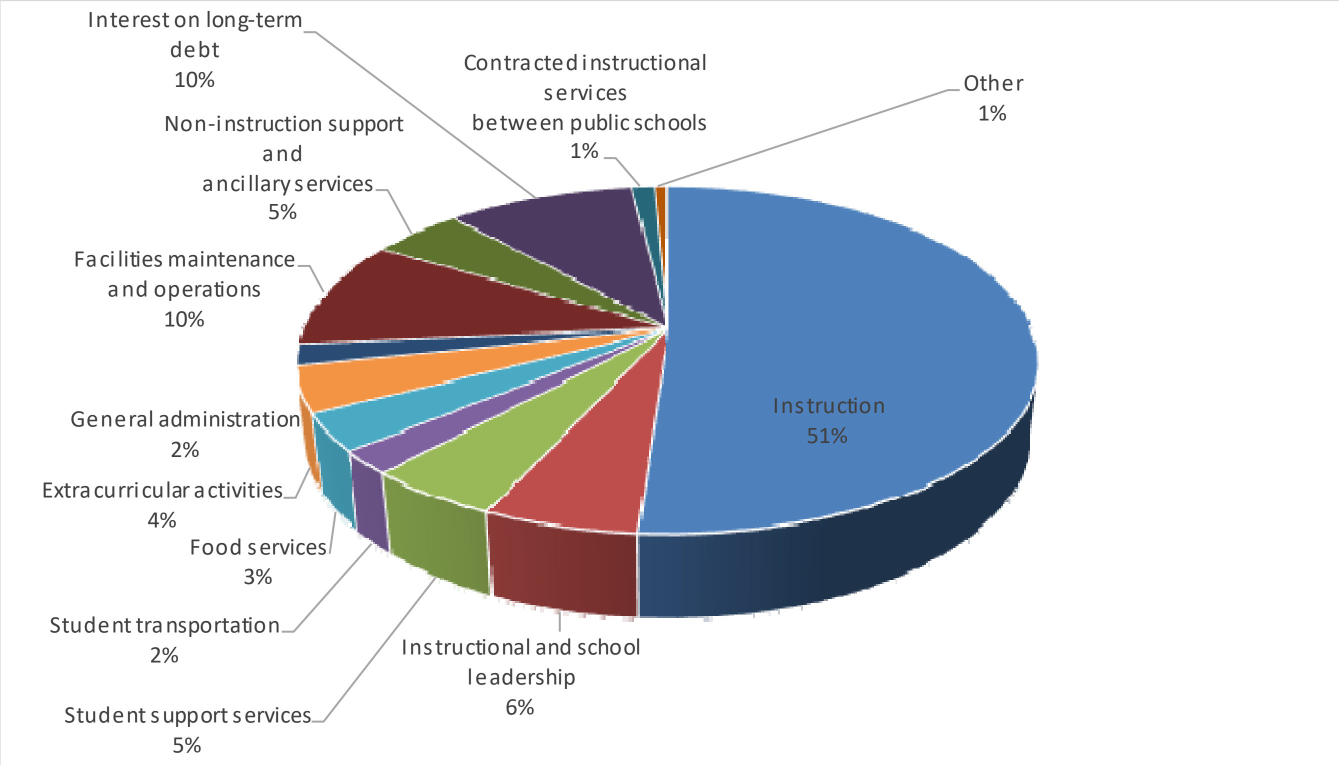
	Governmental Activities		
	2024	**2023**	**Change**
Program Revenues			
Charges for services	$ 8,198,775	$ 7,967,643	$ 231,132
Operating grants and contributions	58,644,675	43,370,006	15,274,669
Capital grants and contributions	431,660	-	431,660
General Revenues			
Property taxes	293,450,438	337,716,373	(44,265,935)
State aid formula grants	58,739,901	18,900,467	39,839,434
Investment earnings	19,588,000	12,291,565	7,296,435
Gain on sale of capital assets	-	2,385,538	(2,385,538)
Miscellaneous	854,306	804,953	49,353
Total Revenues	439,907,755	423,436,545	16,471,210
Expenses			
Instruction	203,568,034	183,190,786	20,377,248
Instructional and school leadership	22,804,659	20,391,624	2,413,035
Student support services	19,938,738	17,091,513	2,847,225
Student transportation	8,776,023	8,874,488	(98,465)
Food services	13,915,082	12,461,360	1,453,722
Extracurricular activities	16,844,518	14,704,920	2,139,598
General administration	7,791,386	7,806,639	(15,253)
Facilities maintenance and operations	39,151,253	36,049,306	3,101,947
Non-instruction support and ancillary services	19,209,721	19,111,304	98,417
Interest on long-term debt	39,270,794	36,325,943	2,944,851
Contracted instructional services between public schools	4,660,926	10,957,458	(6,296,532)
Other	2,797,005	3,107,601	(310,596)
Total Expenses	398,728,139	370,072,942	28,655,197
Change in net position	41,179,616	53,363,603	(12,183,987)
Beginning Net Position	54,162,850	799,247	53,363,603
Ending Net Position	$95,342,466	$54,162,850	$ 41,179,616

The District's program and general revenues increased by $16,471,210 (4%) due primarily to an increase state aid formula grants.



House Bill 3, which passed during the legislative session in 2019, changed the way school districts receive revenue from both state and local sources. Property tax rates were reduced based on property value growth through a new measure known as compression. Maintenance and Operations tax rates were initially compressed from $1.04 to $0.97 with additional compression in each year based on districts individual property value growth for that year. Local school boards have the option of adding up to five cents to the local compressed rate without approval, and the District's Board has exercised that option. The District also approved an additional 7 cents through a voter approval tax ratification election in November of 2021.

Under Chapter 49 of the Texas Education Code, the District's voters approved for the District to equalize its excess wealth by purchasing attendance credits from the State. The State has mandated that a district will pay recapture back to the State when it collects local property taxes in excess of it's foundation formula entitlement. Debt service taxes are excluded from recapture.



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 financial performance of the District as a whole is reflected in its 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 the District completed this year, its governmental funds reported a combined ending fund balance of $349,010,832, of which $94,999,599, or 27%, is considered unassigned and is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been designated for other obligations of the District.

The General Fund is the chief operating fund of the District. The fund balance of the General Fund at the end of the fiscal year was $95,672,307, an increase of $2,841,887 from the prior year. This increase is primarily due to an increase in Foundation School Program revenues from the previous year. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to the total fund expenditures. Unassigned fund balance represents 34% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of $20,555,063, which is a decrease of $366,707 from the prior year due to the scheduled principal and interest payments on bonds slightly exceeding revenues. All of the fund balance is restricted for the payment of debt service.

The Capital Projects Fund had a total fund balance of $217,397,775 at the end of the fiscal year. This was a decrease of $27,720,642 from the prior year due to spending on construction projects. All fund balance in the Capital Projects Fund is restricted for construction projects.

Other governmental funds have total fund balance of $15,385,687, an increase of $1,025,296 since last year. This change is primarily due to an increase in the fund balances of the Campus Activity Fund and the Communication Education Fund.

Budgetary Highlights

Over the past five years, the District's enrollment has increased over 16% from an enrollment of 25,089 in 2019-2020 to 29,263 by the end of the 2023-2024 school year. Increases to enrollment provide additional state aid, and amendments to the General Fund budget are made to provide additional resources when needed. Over the course of the year, the District revised its budget several times. All variances between the General Fund original budget and final amended budget are due to amending the budget to more closely estimate actual revenues and expenditures.

The District adopts budgets for the General Fund, the Debt Service Fund, and the National School Breakfast and Lunch Program. Actual General Fund revenues exceeded budgetary amounts by $12,106,690 due to more than anticipated state aid funds and actual General Fund expenditures were less than budgeted amounts by $17,897,894 due to less than anticipated expenditures for instruction and contracted instructional services between public schools.

Capital Assets and Debt Administration

Capital assets

The District's investment in capital assets for its governmental activities as of June 30, 2024, amounts to $1,005,113,952 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and vehicles (including furniture and fixtures), right-to-use leased equipment, and subscription-based information technology arrangements (SBITAs). See note 6 for more detailed analysis of capital asset activity.

	2024	2023	Change
Land	$ 84,189,392	$ 84,180,892	$ 8,500
Construction in progress	164,909,768	132,841,679	32,068,089
Buildings and improvements	1,023,288,085	930,812,308	92,475,777
Furniture and equipment	62,506,060	57,142,549	5,363,511
Right-to-use leased equipment	993,016	881,797	111,219
SBITAs	2,164,182	2,530,225	(366,043)
Library books and media	369,964	-	369,964
	1,338,420,467	1,208,389,450	130,031,017
Accumulated depreciation/amortization	(333,306,515)	(304,457,868)	(28,848,647)
Net Capital Assets	$1,005,113,952	$ 903,931,582	$ 101,182,370

Long-Term Debt

As of June 30, 2024, the District had total outstanding long-term debt of $1,260,932,173, an increase of $42,424,754 from the previous year. Of total long-term debt outstanding, $1,125,384,603 or 89% is made up of general obligation bonds issued by the District. See note 7 for more detailed analysis of long-term debt activity.

	2024	2023	Change
General obligation bonds	$1,125,384,603	$1,094,834,446	$ 30,550,157
Compensated absences	1,401,953	1,455,371	(53,418)
Leases	568,597	765,841	(197,244)
SBITAs	1,068,747	1,600,643	(531,896)
Net pension liability	80,568,036	66,514,387	14,053,649
Net OPEB liability	36,446,530	38,823,655	(2,377,125)
Accreted interest	15,493,707	14,513,076	980,631
	$1,260,932,173	$1,218,507,419	$ 42,424,754

The "AAA" long-term rating on the District's bonds reflects the Texas Permanent School Fund guarantee. The District's underlying credit rating is "Aa2" by Moody's and "AA" by Fitch Rating Services.

State statutes have limits on the amount of general obligation debt a governmental entity may issue. A school district may not exceed $0.50/$100. The current I&S rate is $0.35 cents, which leaves up to an additional $0.15 cents available on the tax rate. Based on these limitations, the District has the ability to fund future bond issues.

Economic Factors and Next Year's Budgets and Rates

Comal ISD spans over 589 square miles of central Texas and extends into parts of Bexar, Comal, Guadalupe, Hays and Kendall Counties. The District is located within the communities of Canyon Lake, Sattler, Startzville, Hancock, fisher, Spring Branch, Smithson Valley, Bulverde, Garden Ridge and part of the cities of San Antonio. Texas and New Braunfels, Texas. The District is a diversified agricultural and manufacturing area and is located about 20 miles north of downtown San Antonio, Texas and 45 miles south of Austin, Texas.

The District is considered a part of the Alamo region as labeled by the Texas Comptroller. According to the Texas Comptroller's Office, in 2022 the Alamo region had a total population of 2.96 million, or 9.8 percent of the state's total population. The San Antonio-New Braunfels MSA accounted for 89.6 percent of the region's population and 8.8 percent of the state, with 69.5 percent of the region concentrated in Bexar County.

From 2012 to 2022, the region's population grew by 16.8 percent compared to 15.1 percent growth statewide. Comal County, which makes up 525 of the 589 total square miles of Comal ISD, led regional gains during this period at 60.7 percent (114,897 to 184,642). This exponential growth translates to a high growth rate in students for the District. Comal ISD has a current enrollment of 29,698 and is considered a Fast-Growth District. According to recent demographic reports, enrollment is expected to reach 31,400 students by 2025 and more than 38,000 students in 2030.

The Alamo region had a median household income of $65,445 in 2021, up from $49,933 in 2011, a 31.1% increase. Median household income in Texas, by comparison, was $67,321 in 2021, up 32.2 percent from 2011.

The Alamo region offers a variety of options for higher educational achievement which provides opportunity for greater job prospects. There are nine universities, one junior college, one community colleges and a health science school located within the region. Between 2012 and 2022, regional employment rose by 22 percent, slightly lower than growth in Texas (23.5 percent) but well above the pace of growth in the U.S. (13.9 percent). The San Antonio-New Braunfels metro area saw positive employment gains during this period, increasing by nearly 24 percent. Of the 1.2 million people employed in the Alamo region in 2022, 88.7 percent were in the San Antonio-New Braunfels MSA.

The region continues to attract tourist due to its water attractions, festivals and proximity to downtown San Antonio and the Texas Hill Country. In 2024, Schlitterbahn Waterpark in New Braunfels was voted the number one waterpark in the world for the 26th year. Located on the banks of the spring-fed Comal River, Schlitterbahn's flagship waterpark has 51 attractions on over 70 acres and has over 1,800 employees. In 2023, Schlitterbahn attracted over 933,000 visitors to its waterpark. In 1961, Mr. Ed Grist, the city meat inspector for New Braunfels created a festival to honor sausage which came to be known as Wurstfest. In 2021, Wurstfest celebrated its 60th annual event and attracted more than 240,000 revelers during the 10-day event.

Administration aligns the budget to the strategic goals of the District. Maximizing student success, maintaining facilities, employing quality staff, and providing a competitive compensation plan while maintaining a balanced budget are the priorities within those goals.

On June 20, 2024, The Board of Trustees for Comal ISD adopted a budget for the General Fund for the fiscal year ended June 30, 2025, with an estimated $301,307,934 in revenues and $320,160,897 in expenditures. The budget was based on current law as enacted by the 88th Texas Legislative session. The adopted budget was based on several factors including but not limited to:

- Property value growth increased by 8.10 percent as compared to 2023 certified values. The District's M&O tax rate decreased by $0.0023 from $0.7392 to $0.7369. The I&S rate remains unchanged at $0.3500. The total tax rate decreased from $1.0892 in 2023 to $1.0869 in 2024.
- Student enrollment is expected to reach 30,235 for 2024 – 2025 up from 29,153 in 2023 – 2024.
- Additional staff to account for student growth.
- 3% overall compensation increase for all staff.
- Opening of Bulverde Middle School for the 2024-2025 school year.

Contacting The District's Financial Management

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 Chief Financial Officer, Comal Independent School District, 1404 IH-35 North, New Braunfels, Texas 78130.

BASIC FINANCIAL STATEMENTS

COMAL INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2024

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	$ 339,849,466
1120	Investments	29,355,388
1220	Property taxes	9,151,985
1230	Allowance for doubtful accounts	(463,091)
1240	Due from other governments	37,399,031
1267	Due from others	5,052,557
1290	Other receivables	237,552
1300	Inventories, at cost	658,831
1410	Prepaid items	135,181
	Capital assets not subject to depreciation:	
1510	Land	84,189,392
1580	Construction in progress	164,909,768
	Capital assets net of depreciation:	
1520	Buildings and improvements	731,356,013
1530	Furniture and equipment	22,749,242
1550	Right-to-use assets	1,539,573
1560	Library books and media	369,964
1000	**Total Assets**	1,426,490,852
	Deferred Outflows of Resources	
	Deferred charge on refunding	11,338,288
	Deferred outflows - pension	35,733,345
	Deferred outflows - OPEB	17,788,739
1700	**Total Deferred Outflows of Resources**	64,860,372
	Liabilities	
2110	Accounts payable	28,485,812
2140	Interest payable	16,662,651
2150	Payroll deductions and withholdings payables	31,275
2160	Accrued wages payable	25,027,108
2177	Due to others	628
2180	Due to other governments	4,278,034
2200	Accrued expenses	1,640,711
2300	Unearned revenue	1,208,832
	Noncurrent Liabilities:	
2501	Due within one year: Bonds, leases, SBITAs, compensated	41,376,721
	Due in more than one year:	
2540	Net pension liability	80,568,036
2545	Net OPEB liability	36,446,530
2502	Bonds, leases, SBITAs, compensated absences	1,102,540,886
2000	**Total Liabilities**	1,338,267,224
	Deferred Inflows of Resources	
	Deferred inflows - pension	4,674,282
	Deferred inflows - OPEB	53,067,252
2600	**Deferred Inflows of Resources**	57,741,534
	Net Position	
3200	Net investment in capital assets	106,828,068
	Restricted for:	
3850	Debt service	6,554,866
3890	Grant funds	6,353,408
3900	Unrestricted	(24,393,876)
3000	**Total Net Position**	$ 95,342,466

COMAL INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

Data Control Codes	Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contribution	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities
	Governmental Activities:					
11	Instruction	$ 190,916,052	$ 254,548	$ 20,106,996	$ 431,660	$ (170,122,848)
12	Instructional resources and media services	3,229,669	-	137,240	-	(3,092,429)
13	Curriculum development and instructional staff development	9,422,313	-	3,130,870	-	(6,291,443)
21	Instructional leadership	6,744,671	-	465,673	-	(6,278,998)
23	School leadership	16,059,988	-	1,007,061	-	(15,052,927)
31	Guidance, counseling, and evaluation services	12,879,239	-	2,548,360	-	(10,330,879)
32	Social work services	2,737,724	-	664,187	-	(2,073,537)
33	Health services	4,321,775	-	1,673,589	-	(2,648,186)
34	Student transportation	8,776,023	-	225,080	-	(8,550,943)
35	Food services	13,915,082	6,062,320	6,581,659	-	(1,271,103)
36	Extracurricular activities	16,844,518	841,068	5,695,864	-	(10,307,586)
41	General administration	7,791,386	-	337,176	-	(7,454,210)
51	Facilities maintenance and operations	39,151,253	453,218	1,152,196	-	(37,545,839)
52	Security and monitoring services	6,164,329	-	569,259	-	(5,595,070)
53	Data processing services	8,928,334	-	107,003	-	(8,821,331)
61	Community services	4,117,058	587,621	3,916,386	-	386,949
72	Interest on long-term debt	39,270,794	-	10,326,076	-	(28,944,718)
91	Contracted instructional services between public schools	4,660,926	-	-	-	(4,660,926)
95	Payments to juvenile justice alternative education programs	40,891	-	-	-	(40,891)
99	Other intergovernmental charges	2,756,114	-	-	-	(2,756,114)
TG	**Total Governmental Activities**	$ 398,728,139	$ 8,198,775	$ 58,644,675	$ 431,660	(331,453,029)
		General Revenues:				
		Taxes:				
MT		Property taxes, levied for general purposes				199,077,676
DT		Property taxes, levied for debt service				94,372,762
SF		State-aid formula grants				58,739,901
IE		Investment earnings				19,588,000
MI		Miscellaneous				854,306
TR		**Total General Revenues**				372,632,645
CN		Change in net position				41,179,616
NB		**Net Position - Beginning**				54,162,850
NE		**Net Position - Ending**				$ 95,342,466

COMAL INDEPENDENT SCHOOL DISTRICT ***Exhibit C-1***

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2024

Data Control Codes		199 General Fund	599 Debt Service Fund	699 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and cash equivalents	$ 91,926,136	$ 16,557,283	$ 212,222,900	$ 13,701,880	$ 334,408,199
1120	Investments	-	-	29,355,388	-	29,355,388
	Receivables:					
1220	Property taxes - delinquent	6,347,631	2,804,354	-	-	9,151,985
1230	Allowance for uncollectible taxes (credit)	(321,191)	(141,900)	-	-	(463,091)
1240	Due from other governments	28,314,695	4,929,491	-	4,154,845	37,399,031
1260	Due from other funds	6,229,636	-	-	2,081	6,231,717
1267	Due from others	-	-	-	5,052,557	5,052,557
1290	Other receivables	21,644	-	-	210,268	231,912
1300	Inventories, at cost	538,527	-	-	120,304	658,831
1410	Prepaid items	134,181	-	-	-	134,181
1000	**Total Assets**	$ 133,191,259	$ 24,149,228	$ 241,578,288	$ 23,241,935	$ 422,160,710
	Liabilities					
2110	Accounts payable	$ 2,118,708	$ -	$ 24,174,396	$ 2,051,399	$ 28,344,503
2150	Payroll deductions and withholdings	31,275	-	-	-	31,275
2160	Accrued wages payable	25,027,108	-	-	-	25,027,108
2170	Due to other funds	-	-	6,117	4,632,775	4,638,892
2177	Due to others	628	-	-	-	628
2180	Due to other governments	4,278,034	-	-	-	4,278,034
2200	Accrued expenditures	-	931,711	-	-	931,711
2300	Unearned revenue	36,758	-	-	1,172,074	1,208,832
2000	**Total Liabilities**	31,492,511	931,711	24,180,513	7,856,248	64,460,983
	Deferred Inflows of Resources					
	Unavailable revenues - property taxes	6,026,441	2,662,454	-	-	8,688,895
2600	**Deferred Inflows of Resources**	6,026,441	2,662,454	-	-	8,688,895
	Fund Balances					
	Non-Spendable:					
3410	Inventories	538,527	-	-	-	538,527
3430	Prepaid items	134,181	-	-	-	134,181
	Restricted:					
3450	Grant funds	-	-	-	6,353,408	6,353,408
	Capital acquisitions and					
3470	contractual obligations	-	-	217,397,775	-	217,397,775
3480	Debt service	-	20,555,063	-	-	20,555,063
	Assigned:					
3590	Locally funded campus programs	-	-	-	9,032,279	9,032,279
3600	Unassigned	94,999,599	-	-	-	94,999,599
3000	**Total Fund Balances**	95,672,307	20,555,063	217,397,775	15,385,687	349,010,832
4000	**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**	$ 133,191,259	$ 24,149,228	$ 241,578,288	$ 23,241,935	$ 422,160,710

RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION

June 30, 2024

Data Control Codes		
	Total Fund Balances - Governmental Funds Balance Sheet	$ 349,010,832
	Amounts reported for governmental activities in the statement of net position are different because:	
	Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
1	Capital assets	1,338,420,467
2	Accumulated depreciation/amortization	(333,306,515)
	Capital Assets, Net of Accumulated Depreciation	1,005,113,952
	Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net	
3	Deferred outflows - pensions	35,733,345
4	Deferred inflows - pensions	(4,674,282)
5	Deferred outflows - OPEB	17,788,739
6	Deferred inflows - OPEB	(53,067,252)
	Total Deferred Outflows and Inflows Related to Postemployment Benefits	(4,219,450)
7	Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	8,688,895
8	The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	3,004,773
	Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
9	Bonds payable	(1,027,760,214)
10	Compensated absences	(1,401,953)
11	Leases payable	(568,597)
12	SBITA payable	(1,068,747)
13	Accrued interest on long-term debt	(16,662,651)
14	Accreted interest on capital appreciation bonds	(15,493,707)
15	Net pension liability	(80,568,036)
16	Net OPEB liability	(36,446,530)
	Total Long-Term Liabilities	(1,179,970,435)
	Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
17	Deferred amount on refunding	11,338,288
18	Premium on bonds	(97,624,389)
	Total Premiums and Deferred Items	(86,286,101)
19	**Total Net Position-Governmental Activities**	$ 95,342,466

COMAL INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2024

Data Control Codes		199 General Fund	599 Debt Service Fund	699 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Revenues					
5700	Local, intermediate, and out-of-state	$ 207,351,008	$ 95,387,762	$ 12,559,716	$ 16,856,576	$ 332,155,062
5800	State program revenues	73,698,574	10,326,076	-	4,452,031	88,476,681
5900	Federal program revenues	3,146,108	-	431,660	19,721,940	23,299,708
5020	**Total Revenues**	284,195,690	105,713,838	12,991,376	41,030,547	443,931,451
	Expenditures					
	Current:					
0011	Instruction	160,980,909	-	4,073,427	10,789,667	175,844,003
0012	Instruction resources and media services	2,954,099	-	270,925	17,194	3,242,218
0013	Curriculum and instructional staff development	6,260,004	-	-	2,559,921	8,819,925
0021	Instructional leadership	5,864,151	-	-	244,444	6,108,595
0023	School leadership	14,359,650	-	-	286,401	14,646,051
0031	Guidance, counseling and evaluation services	9,757,386	-	-	2,039,280	11,796,666
0032	Social work services	1,983,491	-	-	529,234	2,512,725
0033	Health services	2,908,873	-	-	232,738	3,141,611
0034	Student transportation	7,936,719	-	2,663,930	15,701	10,616,350
0035	Food services	133,871	-	-	12,891,144	13,025,015
0036	Extracurricular activities	10,297,423	-	201,652	5,172,946	15,672,021
0041	General administration	6,832,482	-	-	109,696	6,942,178
0051	Facilities maintenance and operations	31,780,537	-	16,346,003	593,621	48,720,161
0052	Security and monitoring services	4,649,284	-	670,456	537,141	5,856,881
0053	Data processing services	6,019,920	-	4,183,057	-	10,202,977
0061	Community services	53,163	-	-	3,750,971	3,804,134
	Debt service:					
0071	Principal on long-term debt	1,279,831	64,690,000	-	216,951	66,186,782
0072	Interest on long-term debt	73,347	41,410,333	-	18,201	41,501,881
0073	Bond issuance costs and fees	-	1,800	703,105	-	704,905
	Capital outlay:					
0081	Facilities acquisition and construction	538,374	-	112,302,568	-	112,840,942
	Intergovernmental:					
0091	Contracted instructional services between public schools	4,660,926	-	-	-	4,660,926
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	40,891	-	-	-	40,891
0099	Other intergovernmental charges	2,756,114	-	-	-	2,756,114
6030	**Total Expenditures**	282,121,445	106,102,133	141,415,123	40,005,251	569,643,952
1100	Excess (deficiency) of revenues over expenditures	2,074,245	(388,295)	(128,423,747)	1,025,296	(125,712,501)
	Other Financing Sources (Uses)					
7911	Capital-related debt issued (regular bonds)	-	-	95,480,000	-	95,480,000
7913	Issuance of debt - leases	111,219	-	-	-	111,219
7916	Premium on issuance of bonds	-	21,588	5,223,105	-	5,244,693
7949	Issuance of debt - SBITAs	656,423	-	-	-	656,423
7080	**Total Other Financing Sources (Uses)**	767,642	21,588	100,703,105	-	101,492,335
1200	Net change in fund balances	2,841,887	(366,707)	(27,720,642)	1,025,296	(24,220,166)
0100	**Fund Balance - July 1 (Beginning)**	92,830,420	20,921,770	245,118,417	14,360,391	373,230,998
3000	**Fund Balance - June 30 (Ending)**	$ 95,672,307	$ 20,555,063	$ 217,397,775	$ 15,385,687	$ 349,010,832

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

For the Year Ended June 30, 2024

Data Control Codes		
	Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
	Net Change in Fund Balances - Total Governmental Funds	$(24,220,166)
	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 and reported as depreciation expense.	
1	Capital outlay	132,866,960
2	Depreciation/amortization	(31,684,590)
	Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
3	Earned but unavailable taxes	(681,172)
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
4	Issuance of capital bonds	(95,480,000)
5	Issuance of bonds - premium	(5,244,693)
6	Lease issued	(111,219)
7	SBITA issued	(656,423)
8	Principal paid on bonds	64,690,000
9	Principal paid on leases	308,463
10	Principal paid on SBITAs	1,188,319
	Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
11	Accrued interest on long-term debt	(961,419)
12	Amortization of bond premiums and discounts	5,484,536
13	Amortization of deferred amounts of refunding	(606,494)
14	Accreted interest on long-term debt	(980,631)
15	Compensated absences	53,418
16	Changes in net pension liabilities and related deferred outflows and inflows of resources	(9,229,835)
17	Changes in net OPEB liabilities and related deferred outflows and inflows of resources	6,767,092
18	Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(322,530)
	Change in Net Position of Governmental Activities	$ 41,179,616

COMAL INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

		Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	$	5,441,267
Other receivables		5,640
Prepaid items		1,000
Total Assets	$	5,447,907
Liabilities:		
Current liabilities:		
Accounts payable	$	141,309
Due to other funds		1,592,825
Accrued expenses		709,000
Total Liabilities	$	2,443,134
Net Position:		
Unrestricted	$	3,004,773
Total Net Position	$	3,004,773

See notes to the financial statements.

COMAL INDEPENDENT SCHOOL DISTRICT ***Exhibit D-2***

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

	Internal Service Funds
Operating Revenues	
Charges for Services	$ 593,644
Total Operating Revenues	593,644
Operating Expenses	
Payroll costs	906,534
Other operating expense	12,097
Total Operating Expenses	918,631
Operating Income (Loss)	(324,987)
Non-Operating Revenues (Expenses)	
Earnings on investments	2,457
Total Non-Operating Revenues (Expenses)	2,457
Change in Net Position	(322,530)
Net Position - July 1 (Beginning)	3,327,303
Net Position - June 30 (Ending)	$ 3,004,773

COMAL INDEPENDENT SCHOOL DISTRICT *Exhibit D-3*

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

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash received from interfund services provided	$ 665,315
Cash payments for insurance claims	(573,236)
Net Cash Provided by (Used for) Operating Activities	92,079
Cash Flows from Investing Activities:	
Proceeds from earnings on investments	2,457
Net Cash Provided by (Used for) Investing Activities	2,457
Net Increase (Decrease) in Cash and Cash Equivalents	94,536
Cash and Cash Equivalents, Beginning of Year	5,346,731
Cash and Cash Equivalents, End of Year	$ 5,441,267
Operating Income (Loss)	$ (324,987)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease (increase) in other receivables	5,784
Increase (decrease) in accounts payable	89,395
Increase (decrease) in interfund payables	65,887
Increase (decrease) in claims payable	256,000
Total Adjustments	417,066
Net Cash Provided by (Used for) Operating Activities	$ 92,079

COMAL INDEPENDENT SCHOOL DISTRICT ***Exhibit E-1***

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2024

	Private Purpose Trust Fund	Custodial Fund
Assets		
Cash and cash equivalents	$ 13,722	$ 5,389,388
Total Assets	$ 13,722	$ 5,389,388
Liabilities		
Accounts payable	$ -	$ 1,100
Due to others	-	5,052,557
Total Liabilities	$ -	$ 5,053,657
Net Position		
Restricted	$ 13,722	$ 335,902
Total Net Position	$ 13,722	$ 335,731

COMAL INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2024

	Private Purpose Trust Fund		Custodial Fund	
Additions				
Fundraising	$	2,147	$	466,594
Total Additions		2,147		466,594
Deductions				
Student activities		-		431,733
Scholarships provided		1,000		-
Total Deductions		1,000		431,733
Change in Net Position		1,147		34,861
Net Position Beginning of Year		12,575		300,870
Net Position End of Year	$	13,722	$	335,731

Note 1 - Summary of Significant Accounting Policies

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Comal Independent School District (the "District") and which are controlled by or dependent upon the District's governing body; the Board of School Trustees (the "Board"). The Board, a seven-member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District substantially comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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 restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and types of fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government- wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription-based technology arrangements (SBITA) liabilities, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right-to-use leased assets and SBITA assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases and SBITAs are reported as other financing sources.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental funds:

The *General Fund* includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The *Debt Service Fund* includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The *Capital Projects Fund* include the proceeds from sales of bonds and other revenues to be used for authorized construction and other capital asset acquisitions. The Capital Projects Funds are used to account for the construction, improvement and renovation of school buildings in the District and the acquisition of land and equipment.

Additionally, the District reports the following fund types:

The *Internal Service Funds* are proprietary funds and are used to account for the District's workers compensation self-insurance and level funded health insurance.

The *Private Purpose Trust Fund* is used to account for the principal and income that benefit individuals in the form of scholarships.

The *Custodial Fund* is used to account for monies held for activities of student groups.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Budgetary information

Budgets are prepared annually for the General Fund, the Debt Service Fund, and the National School Breakfast and Lunch Program on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by the end of June and is adopted by the Board at a public meeting after public notice of the meeting has been given no earlier than the 30th day or later than the 10th day before the public hearing. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year.

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

Cash and cash equivalents – The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows of the Proprietary Funds, cash and cash equivalents include demand deposits and short-term investments with original maturities of three months or less.

Temporary investments – The District is entitled to invest any and all of its funds in obligations of, or guaranteed by, governmental entities, certificates of deposit and share certificates, fully collateralized repurchase agreements, a securities lending program, banker's acceptances, commercial paper, no-load money market mutual funds and no-load mutual funds, a guaranteed investment contract as an investment vehicle for bond proceeds provided it meets the criteria and eligibility requirements, and public funds investment pools. The local government investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pool Participants*. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Inventories – Inventories of supplies are recorded at cost, (FIFO) method, while inventories of food commodities are recorded at fair values supplied by the United States Department of Agriculture (USDA). Inventories are considered expenditures as they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair value is supplied by the USDA and recorded as inventory and deferred revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Prepaid items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital assets – Capital assets are tangible and intangible assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), right to use leased assets, and subscription-based information technology arrangements (SBITAs), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an estimated useful life more than one year and an initial cost exceeding the capitalization threshold of $5,000 per-unit or in the aggregate.

As the Distinct constructs or acquires capital assets each period, they are capitalized and reported at historical cost, except for intangible right-to-use lease and SBITAs. The measurement of the right to use leased assets and SBITAs are discussed in their respective sections of this note. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets, excluding the right to use leased assets and SBITAs, follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated or amortized. The other capital asset classes are depreciated/amortized using the straight-line method over the following estimated useful lives or amortization term as defined below:

Capital Asset Classes	Estimated Useful Lives or Amortization Term
Buildings and improvements	20 to 40 years
Equipment and vehicles	5 to 15 years
Right to use leased assets	Shorter of the lease term or the useful life of the underlying asset as defined above
SBITAs	Subscription term
Library books and media	15 years

Ad valorem property taxes – Delinquent taxes are prorated between maintenance and operations and debt service based on rates adopted for the year of the levy. Allowances for uncollectible amounts within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated sick leave liability – The District has established a sick leave policy whereby the payment of accrued sick leave applies to those employees of the District who are hired prior to July 31, 2009 and retire under the Teacher Retirement System of Texas ("TRS") while they are employed by the District and have at least five years of continuous service with the District. Compensation for any other type of absence does not accumulate, including vacations. The District's liability for accrued compensated absences as of June 30, 2024 is included in the government-wide financial statements. A liability is reported as an expenditure in governmental funds only if it matured, for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund.

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases – The District is a lessee for noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

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

The District monitors changes in circumstances that would require are measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITAs) – The District is under contract for various SBITAs for the right to use subscription assets (software). The SBITAs are noncancellable, and the District recognizes a SBITA liability and an intangible right to use SBITA asset in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of $5,000 or more.

At the commencement of the SBITA, the District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the sum of (1) the initial SBITA liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Arbitrage – The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The estimated liability is updated annually for any tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. At June 30, 2024, the District had no liability for arbitrage.

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

Other postemployment benefits – The fiduciary net position of the 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 other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Fund balances - The District complies with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions,* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

- Nonspendable – Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. If there is a constraint on how the eventual proceeds can be spent, the fund balance is classified to reflect that constraint (restricted, committed, or assigned), rather than included as part of nonspendable fund balance.
- Restricted – Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.
- Committed – Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.
- Assigned – For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.
- Unassigned – Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent or the Chief Financial Officer to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred outflows and inflows of resources – The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent a consumption of the District's net assets that applies to future periods, and deferred inflows of resources, which represents the District's acquisition of net assets that applies to future periods. The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fund equity – The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of these resources reported in governmental funds.

Fair value measurements – The District complies with GASB Statement No. 72, *Fair Value Measurement and Application,* which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market that the District has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the District.
- Level 3 are unobservable inputs that reflect the District's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Use of estimates – The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount 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 estimated.

Implementation of New Standards

GASB issued Statement No. 99, *Omnibus 2022,* in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this statement had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Implementation of New Standards (continued)

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

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

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

Note 2 - Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. Therefore, the District is not exposed to custodial credit risk. Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2024, the carrying amount of the District's deposits was $3,301,075, which includes funds in a sweep account of $1,537,734, and the bank balance was $9,704,378. The District's deposits with financial institutions at June 30, 2024 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District. Funds were properly secured at all times throughout the year and the following is disclosed regarding coverage of combined balances on the date of highest deposit.

The District maintains a cash pool consisting of demand deposits. The combined pool is available for use by most Special Revenue Funds. If a fund overdraws its share of the pool, the overdraft is reported as an interfund payable in that fund. The offsetting interfund receivable is reported in the General Fund.

Note 2 - Deposits and Investments (continued)

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy for operating and fiduciary funds, in order of priority, are safety, investment liquidity and maturity sufficient to meet anticipated cash flow requirements. The primary objective of the District's investment strategy for Debt Service and Capital Projects Funds is sufficient investment liquidity to meet related obligations.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy and the Public Funds Investment Act: obligations of, or guaranteed by, governmental entities, certificates of deposit and share certificates, fully collateralized repurchase agreements, a securities lending program, banker's acceptances, commercial paper, no-load money market mutual funds and no-load mutual funds, a guaranteed investment contract as an investment vehicle for bond proceeds provided it meets the criteria and eligibility requirements, and public funds investment pools. The District's investment policy requires their investment portfolio to be diversified as follows:

	Maximum Maturity	Maximum Percentage of Portfolio
U.S. Treasuries	2 years	80%
Bond Funds	3 years	80%
U.S. Agencies	2 years	80%
Bond Funds	3 years	80%
Commercial Paper	90 days	20%
By Issuer		5%
Public Fund Investment Pools	1 day	100%
Repurchase Agreements	1 day	25%
Flex Agreements		100%
Certificates of Deposit	24 months	10%
Money Market Funds	1 day	50%

Investments, including those considered to be cash equivalents, consisted of the following as of June 30, 2024:

	Fair Value / Amortized Cost	Less than 1 year	WAM	Percentage of Portfolio	S&P Credit Rating
Governmental Activities:					
Local Government Investment Pools:					
TexPool	$ 326,867,172	$ 326,867,172	36	88.0%	AAAm
Lone Star	9,262,778	9,262,778	34	2.5%	AAAm
Logic	5,539,082	5,539,082	46	1.5%	AAA
Money Market Funds	279,219	279,219	39	0.1%	A-1+
Flex Agreement	29,355,388	29,355,388	124	7.9%	A+
	$ 371,303,639	$ 371,303,639	43	100%	

Note 2 - Deposits and Investments (continued)

The District had investments in three external local government investment pools at June 30, 2024: Texas Local Government Investment Pool (“TexPool”), Lone Star Investment Pool (“Lone Star”) and Local Government Investment Cooperative (“LOGIC”). Although TexPool, Lone Star, and LOGIC are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. These investments are stated at amortized cost.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool’s investment policy; this board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Hermes manage daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

LOGIC is administered by Hilltop Securities, Inc. and JPMorgan Chase. LOGIC is overseen by a six member governing board. The pool received a rating of AAAm by Standard and Poor’s and the investment program is tailored to the investment needs of local governments within the State of Texas. LOGIC’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Lone Star is administered by the Texas Association of School Boards, Inc. and First Public, LLC. Lone Star is overseen by an eleven member governing board, all of whom are participants in the Lone Star pool. The board meets quarterly to review operations, make any revisions to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. CAPTRUST Financial Advisors is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The State Street Bank provides custody and valuation services for Lone Star. American Beacon Advisors and Mellon Investments Corporation provide other investment management services. Lone Star’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

The local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption rates.

The District invests excess funds in certificates of deposit, money market accounts and a fully-collateralized flexible repurchase agreement (“flex agreement”). A flex agreement was entered into by the District in fiscal year 2022 through proceeds received from the issuance of the 2022 bonds. The agreement is with Citigroup Global Markets, Inc., who serves as the repurchase provider. The agreement matures on November 1, 2024, and the District earns a per annum rate equal to 1.99%. The certificates of deposits, money market accounts, and flex agreement are reported by the District at amortized cost.

Note 2 - Deposits and Investments (continued)

Credit risk – Credit risk is the possibility of loss occurring due to the inability of an investment instrument to meet financial obligations. As of June 30, 2024, investments were diversified in local governmental investment pools, money market accounts, certificates of deposit and a fully-collateralized repurchase agreement with ratings from Standard and Poor's in compliance with the District's investment policy.

Custodial credit risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At June 30, 2024, the District was not exposed to custodial credit risk.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. At June 30, 2024, the District had 8% of its investment portfolio invested in a fully-collateralized repurchase agreement.

Interest rate risk – As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires the District to monitor interest rate risk using weighted average maturity and specific identification. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District's cash flow requirements. Two years is the maximum period of time before maturity unless the Board specifically authorizes a longer maturity for a given investment, within legal limits. At June 30, 2024, the District was not exposed to significant interest rate risk.

Note 3 - Property Taxes

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The District's appraisal district is responsible for the recording and appraisal of all property in the District. Under the Code, the District's Board sets the tax rates on property and the County Tax Assessor/Collector provides tax collection services. The appraisal district is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals, and if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes and penalties and interest that are ultimately imposed. The net assessed value at for the 2024 fiscal year was $27,185,252,479. The District levied taxes based on a combined tax rate of $1.0892 per $100 of assessed valuation for local maintenance (general governmental services) and debt service.

Note 4 - Receivables and Unearned Revenue

Receivables as of June 30, 2024, including the applicable allowances for uncollectible amounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	$ 6,347,631	$ 2,804,354	$ -	$ 9,151,985
Due from state	28,314,695	4,929,491	4,154,845	37,399,031
Due from others	-	-	5,052,557	5,052,557
Other	21,644	-	210,268	231,912
Gross Receivables	34,683,970	7,733,845	9,417,670	51,835,485
Less allowance for doubtful accounts	(321,191)	(141,900)	-	(463,091)
Net Total Receivables	$ 34,362,779	$ 7,591,945	$ 9,417,670	$ 51,372,394

Unearned revenue as of June 30, 2024 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Unearned revenue	$ 36,758	$ 1,172,074	$ 1,208,832

The unearned revenue reported in the General Fund is primarily due to state aid formula funding received, but not yet earned as of June 30, 2024. The unearned revenue in the nonmajor governmental funds consists primarily of amounts received for various grant programs, but not yet earned as of June 30, 2024.

Note 5 - Interfund Receivables, Payables, and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds”. The composition of interfund balances as of June 30, 2024 was as follows:

	Interfund Balances		
	Receivable	Payable	Net
General Fund	$ 6,229,636	$ -	$ 6,229,636
Capital Projects Fund	-	(6,117)	(6,117)
Nonmajor Governmental Funds	2,081	(4,632,775)	(4,630,694)
Internal Service Funds	-	(1,592,825)	(1,592,825)
Total	$ 6,231,717	$ (6,231,717)	$ -

Note 5 - Interfund Receivables, Payables, and Transfers (continued)

Amounts due between the primary government and fiduciary funds are classified as Due from Others and Due to Others on the basic financial statements. The majority of the amounts consist of amounts due between the campus activity funds and student activity funds as both funds operate in a single pooled fund bank account. The composition of these balances as of June 30, 2024 was as follows:

	Amounts due between Primary Government and Fiduciary Funds		
	Receivable	**Payable**	**Net**
General Fund	$ -	$ (628)	$ (628)
Nonmajor Governmental Funds	5,052,557	-	5,052,557
Fiduciary Funds	628	(5,052,557)	(5,051,929)
Total	$ 5,053,185	$ (5,053,185)	$ -

There were no interfund transfers during the current fiscal year.

Note 6 - Capital Assets

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

	Balance July 1, 2023	Additions	(Retirements)	Transfers	Balance June 30, 2024
Capital Assets, Not being Depreciated					
Land	$ 84,180,892	$ 8,500	$ -	$ -	$ 84,189,392
Construction in progress	132,841,679	113,490,541	-	(81,422,452)	164,909,768
Total Capital Assets, Not being Depreciated	217,022,571	113,499,041	-	(81,422,452)	249,099,160
Capital Assets, Being Depreciated/Amortized					
Buildings and improvements	930,812,308	11,053,325	-	81,422,452	1,023,288,085
Furniture and equipment	57,142,549	7,176,988	(1,813,477)	-	62,506,060
Right-to-use leased equipment	881,797	111,219	-	-	993,016
SBITAs	2,530,225	656,423	(1,022,466)	-	2,164,182
Library books and media	-	369,964	-	-	369,964
Total Capital Assets, Being Depreciated/Amortized	991,366,879	19,367,919	(2,835,943)	81,422,452	1,089,321,307
Less accumulated Depreciation/Amortization for:					
Buildings and improvements	(265,599,718)	(26,332,354)	-	-	(291,932,072)
Furniture and Equipment	(37,801,493)	(3,768,802)	1,813,477	-	(39,756,818)
Right-to-use leased equipment	(88,495)	(396,464)	-	-	(484,959)
SBITAs	(968,162)	(1,186,970)	1,022,466	-	(1,132,666)
Library books and media	-	-	-	-	-
Total Accumulated Depreciation/Amortization	(304,457,868)	(31,684,590)	2,835,943	-	(333,306,515)
Governmental Capital Assets	$903,931,582	$101,182,370	$ -	$ -	1,005,113,952

Less:	
Outstanding principal of capital-related debt	(1,029,397,558)
Other non-debt capital related liabilities	(24,180,513)
Unamortized premiums on bonds	(97,624,389)
Plus:	
Unspent bond proceeds	241,578,288
Unamortized deferred losses on refunding	11,338,288
Net Investment in Capital Assets	$ 106,828,068

Note 6 - Capital Assets (continued)

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

Function	Depreciation/ Amortization Expense
Instruction	$ 17,867,007
Instructional resources & media services	303,016
Curriculum & instructional staff development	644,454
Instructional leadership	643,506
School leadership	1,486,604
Guidance, counseling & evaluation services	1,092,637
Social work services	230,761
Health services	322,398
Student (pupil) transportation	905,967
Food services	1,363,670
Cocurricular/extracurricular activities	1,455,172
General administration	779,009
Plan maintenance & operations	3,190,781
Security and monitoring services	312,408
Data processing services	732,431
Community services	354,769
	$ 31,684,590

Note 7 - Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

	Balance, as Restated July 1, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	$ 996,970,214	$ 95,480,000	$ (64,690,000)	$1,027,760,214	$ 39,920,000
Premiums/discounts	97,864,232	5,244,693	(5,484,536)	97,624,389	-
Accreted interest	14,513,076	980,631	-	15,493,707	-
Total Bonds Payable	1,109,347,522	101,705,324	(70,174,536)	1,140,878,310	39,920,000
Other liabilities:				-	
Compensated absences	1,455,371	269,581	(322,999)	1,401,953	467,329
Leases	765,841	111,219	(308,463)	568,597	307,734
SBITAs	1,600,643	656,423	(1,188,319)	1,068,747	681,658
Net pension liability	66,514,387	14,053,649	-	80,568,036	-
Net OPEB liability	38,823,655	-	(2,377,125)	36,446,530	-
Total Governmental Activities	$1,218,507,419	$ 116,796,196	$ (74,371,442)	$1,260,932,173	$ 41,376,721

Note 7 - Long-Term Liabilities (continued)

Bonded debt consisted of the following at June 30, 2024:

Series	Description	Date of Issue	Interest Rate Payable	Final Maturity	Original Amounts Issued	Amounts Outstanding June 30, 2024
2015B	Unlimited Tax Refunding Bonds	08/12/15	2.00% - 5.00%	2040	$ 118,755,000	$ 97,710,000
2015A Ref.	Unlimited Tax School Building Bonds	09/24/15	3.00% - 5.00%	2038	133,150,000	101,040,000
2016 Ref.	Unlimited Tax Refunding Bonds	11/30/16	2.00% - 4.00%	2038	51,660,214	42,235,214
2017	Unlimited Tax School Building Bonds	07/19/17	3.25% - 5.00%	2042	227,160,000	193,015,000
2017 Ref.	Unlimited Tax Refunding Bonds	12/20/17	2.00% - 5.00%	2028	13,335,000	8,620,000
2020 Ref.	Unlimited Tax Refunding Bonds	11/13/20	1.50% - 5.00%	2033	107,720,000	86,055,000
2022	Unlimited Tax School Building Bonds	01/13/22	2.50% - 5.00%	2047	418,865,000	400,365,000
2023 Ref.	Unlimited Tax Refunding Bonds	05/04/23	5.00%	2034	28,710,000	27,740,000
2023	Unlimited Tax School Building Bonds	07/01/23	4.00% - 5.00%	2049	95,480,000	70,980,000
					$ 1,194,835,214	$ 1,027,760,214

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds $0.50 per $100 of assessed valuation of taxable property within the District.

On July 1, 2023, the District issued Unlimited Tax School Building Bonds, Series 2023, in the amount of $95,480,000 with a premium of $5,244,693. The proceeds will be used to construct, renovate, acquire, and equip school facilities, purchase the necessary sites for school buildings, and purchasing new school buses, (ii) acquiring school buses, (iii) acquiring technology equipment, and (iii) pay for professional services associated with the costs of issuance of the bonds.

In the previous fiscal years, the District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and the defeased bonds are not included in the District's financial statements. At June 30, 2024, no outstanding bonds are considered defeased.

As of June 30, 2024, the debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year	Principal	Interest	Totals
2025	$ 39,920,000	$ 40,434,700	$ 80,354,700
2026	40,370,000	38,478,850	78,848,850
2027	42,380,000	36,483,950	78,863,950
2028	39,905,000	34,377,550	74,282,550
2029	41,375,000	32,405,700	73,780,700
2030 - 2034	227,145,000	134,963,826	362,108,826
2035 - 2039	217,975,214	123,117,446	341,092,660
2040 - 2044	235,805,000	44,465,110	280,270,110
2045 - 2049	142,885,000	8,883,756	151,768,756
	$ 1,027,760,214	$ 493,610,888	$ 1,521,371,102

The outstanding 2016 Series Bonds include Serial and Capital Appreciation Bonds (CABs). The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years. The remaining payments for the 2016 CABs are due during fiscal years 2027 and 2028 in the amount of $19,495,473 and $13,454,313, respectively.

Note 8 - Leases

The District is under contract for noncancellable lease agreements that convey control of the right to use portable buildings and copier equipment. The liabilities outstanding as of June 30, 2024, are as follows:

				Lease Liability		Right to Use Asset		
Description	Start Date	End Date	Interest Rate	Original Amount	Outstanding Balance	Original Amount	Accumulated Amortization	Net Amount
Portable buildings	07/01/22	06/15/25	7.75%	$108,800	$ 20,388	$108,800	$ (60,649)	$ 48,151
Copiers	07/01/22	06/30/25	1.82%	46,474	5,657	46,474	(40,622)	5,852
Copiers	04/01/23	04/11/26	7.75%	726,523	463,802	726,523	(343,080)	383,443
Copiers	06/26/23	05/26/26	7.13%	111,219	78,750	111,219	(40,608)	70,611
				$993,016	$ 568,597	$993,016	$ (484,959)	$508,057

All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any lease term and there were no impairment losses related to leased assets.

The future principal and interest payments as of June 30, 2024, were as follows:

Fiscal Year	Principal	Interest	Total
2025	$307,734	$32,718	$340,452
2026	259,089	9,858	268,947
2027	1,774	40	1,814
	$568,597	$42,616	$611,213

Note 9 - Subscription-Based Information Technology Arrangements (SBITAs)

The District is under contract for noncancellable SBITAs that convey control of the right to use software. The SBITA liabilities outstanding as of June 30, 2024, are as follows:

	Term			SBITA Liability		SBITA Asset		
SBITA Type	Start Date	End Date	Interest Rate	Original Amount	Outstanding Balance	Value of SBITA Asset	Accumulated Amortization	Net
Instruction	04/05/23	12/31/25	2.66%	$ 185,492	$ 101,924	$ 185,492	$ (92,748)	$ 92,744
Instruction	07/01/22	06/30/25	1.74%	293,848	102,532	293,848	(195,898)	97,950
Instruction	07/01/22	08/27/26	1.92%	362,390	187,945	362,390	(181,194)	181,196
Finance	07/01/22	06/30/25	1.47%	627,256	218,478	627,256	(418,170)	209,086
Support	07/01/22	03/08/25	2.66%	38,773	-	38,773	(25,848)	12,925
Support	04/25/24	04/24/27	3.24%	367,764	256,419	367,764	(122,588)	245,176
Support	04/25/24	04/24/27	3.31%	288,659	201,449	288,659	(96,220)	192,439
				$2,164,182	$1,068,747	$2,164,182	$(1,132,666)	$593,901

All amounts paid were previously included in the measurement of the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any SBITA term and there were no impairment losses related to SBITA assets.

Note 9 - Subscription-Based Information Technology Arrangements (SBITAs) (continued)

The future principal and interest payments as of June 30, 2024, were as follows:

Fiscal Year	Principal	Interest	Total
2025	$ 681,658	$25,822	$ 707,480
2026	387,089	9,804	396,893
	$1,068,747	$35,626	$1,104,373

Note 10 - Compensated Absences

At June 30, 2024, compensated absences consisted of the following:

	Balance July 1, 2023	Additions	Deductions - Payments to Participants	Balance June 30, 2024
Compensated absences payable	$ 1,455,371	$ 269,581	$ (322,999)	1,401,953

Note 11 - Revenues From Local and Intermediate Sources

For the year ended June 30, 2024, revenues from local and intermediate sources in the governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	$ 205,503,980	$ 95,227,025	$ -	$ -	$ 300,731,005
Less: refunds	(5,597,746)	(1,001,649)	-	-	(6,599,395)
Property Taxes, Net	199,906,234	94,225,376	-	-	294,131,610
Food service	-	-	-	6,235,006	6,235,006
Investment Earnings	5,546,112	806,237	12,559,716	673,478	19,585,543
Campus Activities	-	-	-	5,327,489	5,327,489
Tuition/Fees	288,045	-	-	4,366,931	4,654,976
Athletics	841,068	-	-	-	841,068
Gifts and Bequests	2,770	-	-	208,264	211,034
Rent	280,532	-	-	-	280,532
Miscellaneous	452,749	356,149	-	45,408	854,306
Total	$ 207,351,008	$ 95,387,762	$ 12,559,716	$ 16,856,576	$ 332,155,062

Note 12 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

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

Contributions

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

Note 12 - Defined Benefit Pension Plan (continued)

Contributions (continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2025.

	Contribution Rates	
	September 1, 2023 to August 31, 2024	September 1, 2022 to August 31, 2023
Member	8.25%	8.00%
Non-employer contributing agency	8.25%	8.00%
Employers	8.25%	8.00%

	Current Fiscal Year Contributions
Employer (District)	$ 6,643,761
Employee (Member)	15,580,115
Non-employer Contributing Entity On-behalf Contributions (State)	11,890,881

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 or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.8% of the member’s salary beginning in fiscal year 2023, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Note 12 - Defined Benefit Pension Plan (continued)

Actuarial Assumptions

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

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

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

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.50% of payroll in fiscal year 2024 increasing to 9.56% in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

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

Note 12 - Defined Benefit Pension Plan (continued)

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, 2023 are summarized below:

Asset Class	Target Allocation[2]	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.00%	1.00%
Non-U.S. Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity[1]	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return[1]	0.00%	3.60%	0.00%
Stable Value Hedge Funds	5.00%	4.10%	0.20%
Real Return			
Real Estate	15.00%	4.90%	1.10%
Energy, Natural Resources & Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
Risk Parity	8.00%	4.50%	0.40%
Asset Allocation Leverage			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	-6.00%	4.40%	-0.10%
Inflation Expectation			2.30%
Volatility Drag[4]			-0.90%
Expected Return	100.00%		8.00%

[1] Absolute Return includes Credit Sensitive Investments.
[2] Target allocations are based on the fiscal year 2023 policy model.
[3] Capital Market Assumptions come from Aon Hewitt as of August 31, 2023.
[4] The volatility drag results from the conversion between arithmetic and geometric mean returns.

Note 12 - Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following table presents the District's proportional share of the Net Pension Liability of the plan using the discount rate of 7.00%, and what the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	$ 120,453,676	$ 80,568,036	$ 47,403,105

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

On June 30, 2024, the District reported a liability of $80,568,036 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	$ 80,568,036
State's proportionate share that is associated with the District	140,904,456
Total	$ 221,472,492

The net pension liability was measured as of August 31, 2022 and rolled forward to August 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

On August 31, 2023, the employer's proportion of the collective net pension liability was 0.1173% which was an increase of 0.0053% from its proportion measured as of August 31, 2022.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

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

For the year ended June 30, 2024, the District recognized pension expense of $15,968,165. The District also recognized on-behalf pension expense and revenue of $21,275,354 for support provided by the State.

Note 12 - Defined Benefit Pension Plan (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,870,666	$ (975,591)
Changes of assumption	7,620,158	(1,864,826)
Net difference between projected and actual earnings on pension plan investments	11,724,605	-
Changes in proportion and differences between District contributions and proportionate share of contributions	7,856,397	(1,833,865)
District contributions subsequent to the measurement date of the net pension liability	5,661,519	-
Total	$ 35,733,345	$ (4,674,282)

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

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

Fiscal Year	Pension Expense	Balance of Deferred Outflows (Inflows)
2025	$ 6,245,657	$ 19,151,887
2026	3,618,526	15,533,361
2027	10,994,183	4,539,178
2028	3,957,643	581,535
2029	581,535	-
	$ 25,397,544	

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

Note 13 - Defined Other Postemployment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing, defined benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare 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 postemployment benefit changes; including automatic COLAs.

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

TRS-Care Monthly Premium Rates

	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

Note 13 - Defined Other Postemployment Benefit Plan (continued)

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	September 1, 2023 to August 31, 2024	**September 1, 2022 to August 31, 2023**
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

	Current Fiscal Year Contributions
Employer (District)	$ 1,509,049
Employee (Member)	1,231,762
Non-employer Contributing Entity	
On-behalf Contributions (State)	3,382,152

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

Note 13 - Defined Other Postemployment Benefit Plan (continued)

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2023. The actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2022, rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	4.13% as of August 31, 2023
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for non-Medicare retirees. The initial prescription drug trend was 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) Wage Inflation.

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Discount Rate

A single discount rate of 4.13% was used to measure the total OPEB liability. There was an increase of 0.22% in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2023 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Note 13 - Defined Other Postemployment Benefit Plan (continued)

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (3.13%)	**Current Rate (4.13%)**	**1% Increase (5.13%)**
District's proportional share of the net OPEB liability	$ 42,926,423	$ 36,446,530	$ 31,158,784

OPEB Liabilities, OPEB Expense, And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To OPEBs

On June 30, 2024, the District reported a liability of $36,446,530 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 36,446,530
State's proportionate share that is associated with the District	43,978,340
Total	$ 80,424,870

The Net OPEB Liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

On August 31, 2023 the District's proportion of the collective Net OPEB Liability was 0.1646% which was an increase of 0.0025% from its proportion measured as of August 31, 2022.

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

	Healthcare Cost Trend Rate		
	1% Decrease	**Current Rate**	**1% Increase**
District's proportional share of the net OPEB liability	$ 30,011,893	$ 36,446,530	$ 44,724,711

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 (TOL) since the prior measurement period:

- The single discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

Note 13 - Defined Other Postemployment Benefit Plan (continued)

OPEB Liabilities, OPEB Expense, And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To OPEBs

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended June 30, 2024, the District recognized negative OPEB expense of $5,257,478. The District also recognized negative on-behalf OPEB expense and revenue of $9,401,641 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,648,929	$ (30,662,851)
Changes of assumption	4,974,686	(22,317,177)
Net difference between projected and actual earnings on OPEB plan investments	15,747	-
Changes in proportion and differences between District contributions and proportionate share of contributions	9,878,676	(87,224)
District contributions subsequent to the measurement date of the net OPEB liability	1,270,701	-
Total	$ 17,788,739	$ (53,067,252)

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

Fiscal Year	OPEB Expense Amount	Balance of Deferred Outflows (Inflows)
2025	$ (8,291,069)	$ (28,258,145)
2026	(6,619,433)	(21,638,712)
2027	(4,356,325)	(17,282,387)
2028	(5,647,231)	(11,635,156)
2029	(5,001,551)	(6,633,605)
Thereafter	(6,633,605)	-
	$(36,549,214)	

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

Note 13 - Defined Other Postemployment Benefit Plan (continued)

OPEB Liabilities, OPEB Expense, And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To OPEBs

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2024, 2023, and 2022, the subsidy payments received by TRS-Care on-behalf of the District were $1,087,265, $959,291, and $687,786, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds' financial statements of the District.

Note 14 - Health Care Coverage

During the year ended June 30, 2024, employees of the District were covered by a health insurance plan (the "Plan"). The District contributed $400 per month per employee to the Plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

Note 15 - Workers' Compensation Plan

The District has a partially self-insured workers' compensation plan administered by Claims Administrative Services, who acts on behalf of the self-funded pool. Contributions are made based on statutory rates established for the District's various types of employees. The District opted not to purchase individual stop-loss coverage; however, the District is protected against unanticipated catastrophic aggregate loss by stop-loss coverage purchased by Claims Administrative Services. A reconciliation of the estimated claim liability is as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2024	$ 453,000	$ 829,236	$(573,236)	$ 709,000
2023	498,000	599,564	(644,564)	453,000
2022	543,203	412,918	(458,121)	498,000

Note 16 - Risk Management

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, and other miscellaneous bonds. During the year ended June 30, 2024, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

Note 17 - Commitments and Contingencies

The District participates in a number of federal financial assistance programs. Although the District grant programs have been audited in accordance with the provisions of the Uniform Guidance through June 30, 2024, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

As of June 30, 2024, the District was committed under construction contracts with the following remaining balances:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
Bulverde Middle School	$ 84,312,042	$ 74,716,967	$ 9,595,075
Hill Country College Prep HS	36,212,540	31,014,564	5,197,976
Playground Upgrades District	26,232,974	19,264,561	6,968,413
CISD District Wide Roof Repairs & Updates	12,635,358	8,260,182	4,375,176
Comal ISD Elementary School # 23	11,962,408	4,919,857	7,042,551
CLHS Ag Barn & Dance Upgrades	7,846,235	7,208,039	638,196
MVMS Gym Renovations	6,590,880	6,352,286	238,594
Mayfair	6,485,017	4,600,119	1,884,898
CLHS Reinvestments	5,881,765	72,127	5,809,638
Systems Packages 1 & 3 B	5,767,329	278,361	5,488,968
HVAC Upgrades	5,412,217	3,315,952	2,096,265
SVHS Renovations	5,051,884	1,382,203	3,669,681
Exterior and Gym Lights Update	2,454,152	2,250,297	203,855
Other Projects < $1M	1,393,456	1,274,253	119,203
	$ 218,238,257	$ 164,909,768	$ 53,328,489

Note 18 - Subsequent Events

On August 8, 2024, Fitch Ratings (“Fitch”) raised its long-term rating on the District’s general obligation debt from “AA” to “AA+”.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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E&P | ESCAMILLA & PONECK, LLP
ATTORNEYS AND COUNSELORS
Phone (210) 225-0001 · FAX (210) 225-0041 · escamillaponeck.com

[Delivery Date]

$465,770,000
COMAL INDEPENDENT SCHOOL DISTRICT
(Comal, Bexar, Guadalupe, Hays and Kendall Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024

WE HAVE ACTED as Bond Counsel for the Comal Independent School District (the "District") in connection with issuance of the captioned bonds (the "Bonds") for the purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. In rendering the opinion herein, we have relied upon a transcript of certain certified proceedings pertaining to the issuance of the Bonds as described in the District's order authorizing the Bonds (the "Order"). The transcript contains certified copies of certain proceedings of the District and certain certifications and representations, other material facts within the knowledge and control of the District, an opinion of the Attorney General of Texas to the effect that the initial Bond is a valid and binding obligation of the District, an Escrow Agreement (the "Escrow Agreement") between the District and BOKF, NA, Dallas, Texas (the "Escrow Agent"), and a certificate (the "Sufficiency Certificate") of SAMCO Capital Markets, LLC (the "Financial Advisor") concerning the sufficiency of the amounts initially deposited with the Escrow Agent, without regard to investment, pursuant to the Escrow Agreement, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds.

THE BONDS are being issued to provide funds to be used for the purpose of (i) constructing, renovating, acquiring, and equipping school facilities, purchasing the necessary sites for school buildings, and purchasing new school buses; (ii) refunding certain maturities of the District's outstanding indebtedness; and (iii) paying for professional services associated with the costs of issuance of the Bonds.

BASED ON SUCH EXAMINATION, our opinion is as follows:

The Escrow Agreement has been duly authorized, executed, and delivered by the District and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity) and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement, the order authorizing their issuance, and in accordance with the provisions of Chapters 1207 and 1371, as amended, Texas Government Code. In

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Austin Dallas El Paso Fort Worth Houston Mission San Antonio · Louisiana · Mexico City

rendering this opinion, we have relied upon the Sufficiency Certificate of the Financial Advisor concerning the sufficiency of the amounts initially deposited, without regard to investment, with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereof.

The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; and constitute valid and legally binding obligations of the District in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases.

The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limits as to rate or amount, upon taxable property located within the District, except to the extent the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, which taxes have been pledged irrevocably to pay the principal of and the interest on the Bonds.

Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, in assuming continuing compliance after the date hereof by the District with the provisions of the Order relating to sections 141 through 150 of the Code, interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and such interest will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals for federal income tax purposes; however such interest is taken into account in determining the “adjusted financial statement income” (as defined in Section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

WE EXPRESS NO FURTHER OPINION with respect to any federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, "S" corporations with subchapter "C" earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earning income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or have paid or incurred certain expenses allocable to, tax-exempt obligations.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINION IS BASED on existing law, which is subject to change. Such opinion is further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinion to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinion is not a guarantee of result and is not binding on the Internal Revenue Service; rather, such opinion represents our legal judgment based upon our review of existing law that we deem relevant to such opinion and in reliance upon the representations and covenants referenced above.

THE INTERNAL REVENUE SERVICE HAS AN ONGOING AUDIT PROGRAM to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the District as the taxpayer, and Owners of the Bonds would have no right to participate in the audit process. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

THIS LEGAL OPINION expresses the professional judgment of this firm as to the legal issues explicitly addressed therein. In rendering a legal opinion, we do not become an insurer or guarantor of that 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 our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully,

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APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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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.

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%
Real Assets	4,712.1	4,341.3	370.8	8.5%
TOT ALT INVESTMENTS	24,612.0	23,143.8	1,468.2	6.3%
UNALLOCATED CASH	348.2	231.7	116.5	50.3%
TOTAL PSF(CORP) INVESTMENTS	$ 52,379.8	$ 49,175.0	$ 3,204.8	6.5%

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

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 m anaged by the SLB had book values of approximately $13.4 million, $168.8 million, and $708.4 million, respectively, and market values of approximately $5,435.6 million, $678.4 million, and $508.4 million, respectively.

Permanent School Fund Guaranteed Bonds

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

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

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

Permanent School Fund Guaranteed Bonds by Category[1]

		School District Bonds		Charter District Bonds		Totals
Fiscal Year Ended 8/31	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
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.

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.

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