Ratings: Fitch: “AAA”
Moody’s: “Aaa”
(See "RATINGS" and “APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein)

OFFICIAL STATEMENT
Dated: November 19, 2024

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.

$82,460,000
NEW CANEY INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Montgomery and Harris Counties, Texas)
Unlimited Tax Refunding Bonds, Series 2024

Dated Date: November 15, 2024 **Due: February 15, as shown on the inside cover page**

The New Caney Independent School District Unlimited Tax Refunding Bonds, Series 2024 (the “Bonds”) are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapters 1207 and 1371, Texas Government Code (together, the “Act”), as amended, and an order (the “Bond Order”) authorizing the issuance of the Bonds adopted on October 21, 2024 by the Board of Trustees (the “Board”) of the New Caney Independent School District (the “District”). As permitted by the provisions of the Act, the Board, in the Bond Order, delegated the authority to certain District officials (each, a “Pricing Officer”) to execute approval of a pricing certificate (the “Pricing Certificate”) establishing the pricing terms for the Bonds (the “Pricing Certificate” and together with the Bond Order, are collectively referred to herein as the “Order”). The Pricing Certificate was executed by the Pricing Officer on November 19, 2024, which completed the sale of the Bonds. The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined) which will automatically become effective when the Attorney General of Texas approves the Bonds. (See “APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

Interest on the Bonds will accrue from the Dated Date shown above and will be payable on February 15 and August 15 of each year, commencing February 15, 2025, until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York (“DTC”). Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM”).

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District’s outstanding bonds for debt service savings and (ii) pay the costs of issuing the Bonds. (See “THE BONDS - Authorization and Purpose” and “SCHEDULE I – Schedule of Refunded Bonds”).

The Bonds maturing on and after February 15, 2035 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on August 15, 2034 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See “THE BONDS - Optional Redemption”).

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriters identified below (the “Underwriters”) subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about December 18, 2024.

PIPER SANDLER & CO.

JEFFERIES **OPPENHEIMER & CO.**

RAYMOND JAMES

$82,460,000
NEW CANEY INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Montgomery and Harris Counties, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2024

MATURITY SCHEDULE
Base CUSIP No: 643154 [(1)]

Maturity Date (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix[(1)]
2025	$1,060,000	5.00%	3.32%	LC9
2026	3,745,000	5.00	2.96	LD7
2027	3,940,000	5.00	2.76	LE5
2028	4,140,000	5.00	2.80	LF2
2029	4,350,000	5.00	2.83	LG0
2030	4,570,000	5.00	2.88	LH8
2031	5,825,000	5.00	2.93	LJ4
2032	5,835,000	5.00	3.01	LK1
2033	5,505,000	5.00	3.06	LL9
2034	4,990,000	5.00	3.14	LM7
2035	5,255,000	5.00	3.19[(2)]	LN5
2036	3,720,000	5.00	3.29[(2)]	LP0
2037	3,910,000	5.00	3.33[(2)]	LQ8
2038	3,240,000	5.00	3.37[(2)]	LR6
2039	3,990,000	5.00	3.40[(2)]	LS4
2040	5,825,000	5.00	3.46[(2)]	LT2
2041	6,125,000	5.00	3.59[(2)]	LU9
2042	6,435,000	5.00	3.64[(2)]	LV7

(Interest to accrue from the Dated Date)

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

NEW CANEY INDEPENDENT SCHOOL DISTRICT

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Matt Calvert	Superintendent	18 Years	8 Years
Brandy Chelette	Executive Director, Finance	22 Years	18 Years
Blake Carroll	Executive Director, Operations	18 Years	6 Years
Christie Gates	Executive Director, Human Resources	25 Years	2 Years
Loree Munro	Executive Director, Instructional Programs	23 Years	12 Years
Scott Castleberry(1)	Executive Director, Student Services	34 Years	34 Years
Dr. Scott Powers	Executive Director, Public Relations	26 Years	9 Years
Kristi Shofner	Executive Director, School Leadership & Learning	28 Years	8 Years
Jim Holley	Director, Athletics	34 Years	16 Years
Merredith Hunt	Director, Budget	15 Years	9 Years
Amanda Garcia	Director, Accounting	7 Years	7 Years

(1) *Plans to retire in December 2025.*

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Weaver and Tidwell, L.L.P., The Woodlands, Texas	Certified Public Accountants

For additional information, contact:

Matt Calvert
Superintendent
New Caney Independent School District
21580 Loop 494
New Caney, Texas 77357
(281) 577-8600

Doug Whitt / Brian Grubbs
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1469
(214) 279-8683 (Fax)

USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the 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 information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the District, the Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

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

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

NONE OF THE DISTRICT, ITS 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, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM DESCRIBED UNDER "BOOK-ENTRY-ONLY SYSTEM" OR THE AFFAIRS OF THE TEA DESCRIBED UNDER "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", AS SUCH INFORMATION WAS PROVIDED BY THE DTC AND THE TEA, RESPECTIVELY.

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. SEE "FORWARD LOOKING STATEMENTS" HEREIN.

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 SCHEDULE I AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The New Caney Independent School District (the "District") is a political subdivision of the State of Texas located in Montgomery and Harris Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Bonds	The Bonds are being issued in the principal amount of $82,460,000 pursuant to the Constitution and general laws of the State of Texas, including Chapters 1207 and 1371, Texas Government Code (together, the "Act"), as amended, and the order (the "Bond Order") adopted by the Board of Trustees on October 21, 2024. As permitted by the provisions of the Act, the Board, in the Bond Order, delegated the authority to certain District officials, each a "Pricing Officer" to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate and the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer on November 19, 2024, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds for debt service savings and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Refunded Bonds" and "Schedule I – Schedule of Refunded Bonds").
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of DTC. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Bonds will constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be guaranteed by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security" and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).
Optional Redemption	The Bonds maturing on and after February 15, 2035 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on August 15, 2034 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS – Optional Redemption.")
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency for the payment of 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 "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Ratings	The Bonds are rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by Fitch Ratings ("Fitch") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's underlying, unenhanced rating, including the Bonds, is "Aa3" by Moody's and "AA" by Fitch. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS" herein.)
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. (See "TAX MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel" herein).
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about December 18, 2024.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page, Schedule I and Appendices A, B and D attached hereto, has been prepared by the New Caney Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Montgomery and Harris Counties, Texas, in connection with the offering by the District of its Unlimited Tax Refunding Bonds, Series 2024 (the "Bonds") identified on page ii hereof.

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

There follows in this Official Statement descriptions of the Bonds, the Order (as defined below) and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the New Caney Independent School District, 21580 Loop 494, New Caney, Texas 77357 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, 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 this Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $82,460,000 pursuant to the Constitution and general laws of the State, including particularly Chapter 1207 and 1371, Texas Government Code (together, the "Act), as amended, and an order (the "Bond Order") adopted on October 21, 2024 by the Board of Trustees of the District (the "Board") which authorizes the issuance of the Bonds. As permitted by the provisions of the Act, the Board, in the Bond Order, delegated the authority to certain District officials each, a "Pricing Officer", to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate and the Bond Order are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer on November 19, 2024, which completed the sale of the Bonds.

Refunded Bonds

The Bond Order provides that from a portion of the proceeds of the sale of the Bonds to the Underwriters, the District will deposit with BOKF, NA, Dallas, Texas, the escrow agent for the Refunded Bonds (the "Escrow Agent"), an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date (the "Redemption Date") as shown on Schedule I hereto. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") in invested in Defeasance Securities authorized by Section 1207.062 Texas Government Code and the bond orders authorizing the Refunded Bonds ("Defeasance Securities") until the Redemption Date for the Refunded Bonds. Such maturing principal of and interest on the Defeasance Securities will not be available to pay the Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. Public Finance Partners LLC will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Defeasance Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS". Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds.

By the deposit of the Defeasance Securities with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207 and the bond orders authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that as a result of such deposit, and in reliance on the Report, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Defeasance Securities held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District, payable from the sources and secured in the manner provided in the bond orders authorizing their issuance or for any other purpose, and the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds.

Upon defeasance of the Refunded Bonds, the payment of the Refunded Bonds will no longer be guaranteed by the Permanent School Fund of Texas.

General Description

The Bonds are dated November 15, 2024 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Bonds is payable initially on February 15, 2025, and on each August 15 and February 15 thereafter until stated maturity or prior redemption.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in the denominations of $5,000 of principal amount or any integral multiple thereof within a stated maturity.

Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Bonds will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, New York, New York ("DTC"), payments of principal and interest of the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

If the date for any payment due on any Bond shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city in which the designated office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date payment was due.

Optional Redemption

The Bonds maturing on and after February 15, 2035 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on August 15, 2034 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of 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.

Notice of Redemption and DTC Notices

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 each registered owner of a Bond 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 OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE AND THE SATISFACTION OF ANY OTHER CONDITION SPECIFIED IN THE NOTICE, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

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

Security

The Bonds are direct obligations of the District and are payable as to both principal and interest from ad valorem taxes levied annually on all taxable property within the District, without legal limitation as to rate or amount. The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which will automatically become effective when the Attorney General of Texas approves the Bonds. (See "AD VALOREM TAX PROCEDURES", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the State for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed under the heading "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "REGISTERED OWNERS' REMEDIES" herein.

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. (See "Legal MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel").

Payment Record

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

Amendments

In the Bond Order, the District has reserved the right to amend the Bond Order without the consent of any holder for the purpose of amending or supplementing the Bond Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Bond Order that do not materially adversely affect the interests of the holders, (iv) qualify the Bond Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Bond Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Bond Order further provides that the holders of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Bond Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders of the then outstanding Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds;

(ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or interest on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Bond Order for further provisions relating to the amendment thereof.

Defeasance

The Bond Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption or otherwise) is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will 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, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Bond Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (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 the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. 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, the District has 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 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.

Sources and Uses of Funds

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

Sources		
Par Amount of Bonds	$	82,460,000.00
Reoffering Premium		9,224,682.90
Accrued Interest		377,941.67
Total Sources of Funds	$	92,062,624.57
Uses		
Deposit to Escrow Fund	$	90,960,515.00
Costs of Issuance		337,584.58
Deposit to Interest and Sinking Fund		377,941.67
Underwriters' Discount		386,583.32
Total Uses of Funds	$	92,062,624.57

REGISTERED OWNERS' REMEDIES

The Bond Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, 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 Bond Order covenants 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 Bond Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Bond 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, 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 (see "THE BONDS – Authorization and Purpose" herein), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages, beyond Chapter 1371, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. 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. As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond 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 U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of 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 Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

This section 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 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 and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or any 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 any 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.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable 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, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments, with respect to the Bonds, 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, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriters believe 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 Direct or Indirect 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.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Bond Order, the District covenants to maintain and provide a Paying Agent/Registrar until the Bonds are duly paid.

Successor Paying Agent/Registrar

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District has agreed to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Initial Registration

Definitive Bonds will be initially registered and delivered only to CEDE & CO., the nominee of DTC pursuant to the Book-Entry-Only System described herein.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds will be printed and delivered to the beneficial owners thereof and thereafter may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds 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 Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid to the new registered owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (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 aggregate principal amount as the Bonds surrendered for exchange or transfer.

Record Date for Interest Payment

The Record Date for determining the party to whom the interest payable on a Bond on any interest payment date means the close of business on the last day of the next preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not 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.

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath 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 Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

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

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

Local Funding for School Districts

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

State Compression Percentage

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

Maximum Compressed Tax Rate

The "Maximum Compressed Tax Rate" or the "MCR" is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2023 Legislative Sessions, the Legislature took action to reduce the MCR. The reduction in MCR was approved by voters at an election held on November 7, 2023. The MCR for the 2024-2025 school year is $0.685 and the floor is $0.6169. See "- 2023 Legislative Sessions."

Tier One Tax Rate

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

Enrichment Tax Rate

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

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

State Funding for School Districts

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

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

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

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

Tier One

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

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

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

Tier Two

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

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment

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

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

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

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

Tax Rate and Funding Equity

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

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

Local Revenue Level in Excess of Entitlement

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

Options for Local Revenue Levels in Excess of Entitlement

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2024-2025 school year, the District was not designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State Law. As a district with local revenues less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's "excess local revenues" 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 will be required to exercise one or more of the permitted wealth equalization 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 ration of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of an annexing district.

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

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. 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 the District is the responsibility of the Montgomery Central Appraisal District and the Harris Central Appraisal District (together 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 (collectively, the "Appraisal Cap"). 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. The Appraisal Cap took effect on January 1, 2024.

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. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates (see "AD VALOREM TAX PROCEDURES – 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 (increased from $40,000 beginning with the 2023 tax year), (2) a $10,000 exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions" for a discussion of legislation passed during the second called special session and the November 7, 2023 State-wide election at which voters approved an amendment to the Texas Constitution to increase the general residential homestead exemption for school districts from $40,000 to $100,000.

On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old.

Local Option Homestead Exemptions

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

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. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

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. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

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. For tax years beginning prior to January 1, 2022, 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. For tax years beginning on or after January 1, 2022, 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) allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not take action to extend this program, which expired by its terms effective December 31, 2022.

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

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

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAX PROCEDURES – 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.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on March 9, 1974 under Chapter 20, Texas Education Code (now codified as Section 45.003, Texas Education Code).

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.

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").

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

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.

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.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal Districts have the responsibility for appraising property in the District as well as other taxing units in the respective County. Each Appraisal District is governed by a board of directors members of which are both appointed by the governing bodies of various political subdivisions that participate in the respective Appraisal District and elected by voters within the respective County.

Property within the District is assessed as of January 1 of each year, taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

The District does not tax personal property not used in the production of income, such as personal automobiles.

The District collects an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by the Montgomery County Tax Assessor.

The District does not allow split payments of taxes on homesteads and does not give discounts for early payment of taxes.

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

Other than the State-mandated exemptions of $100,000 for general homestead and an additional $10,000 for persons who are 65 years of age or older and who are disabled, the District does not grant a local option exemption to the market value of the residence homestead of persons 65 years of age or older or the disabled.

The District does not grant any portion of the additional local option exemption of up to 20% of the market value of residence homesteads.

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended August 31, 2023, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. For a discussion of the TRS retirement plan, see "Note 4. Other Information – C. Defined Benefit Pension Plan" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

In addition to its participation in TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see "Note 4. Other Information – D. Defined Other Postemployment Benefit Plan" in the Financial Statements.

During the year ended August 31, 2023, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District contributed $250 per month per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "Note 4. Other Information – A. Risk Management - Health Care Coverage" in the Financial Statements.

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.

RATINGS

The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings ("Fitch") based upon the Texas Permanent School Fund Guarantee Program. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein). The District's underlying, unenhanced ratings, including the Bonds, are "Aa3" by Moody's and "AA" by Fitch.

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

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.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas who will deliver its opinion to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District ("Bond Counsel"), to like effect. The form of Bond Counsel's opinion is attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The legal fee to be paid to counsel to the Underwriters for services rendered in connection with the issuance of the Bonds is contingent upon the sale of the delivery of the Bonds.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE BONDS" (except under the subcaptions "Permanent School Fund Guarantee", "Payment Record", and "Sources and Uses of Funds", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only) "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereunder), "TAX MATTERS", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings," as to which no opinion will be expressed) and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law.

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C – Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate and the verification report relating to the refunding of the Refunded Bonds, (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters, and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds or the Refunded Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the maturity amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue 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 Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

INVESTMENT POLICIES

Investments

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

Legal Investments

Available District funds are invested as authorized by State law and in accordance with investment policies approved by the Board of Trustees. Both State law and the District's investment policies are subject to change. Under Texas 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 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 (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the Public Funds Investment Act (Chapter 2256, Government Code) as amended (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) 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 (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) 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 FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above, clause (12) below, or, if applicable, which are 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) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations 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 (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the District, (v) 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 (vi) the agreement to lend securities has a term of one year or less and (17) 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.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service.

The District 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.

Under State law, the District may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance or resolution. The District has not contracted with, and has no present intention of contracting with, any such investment management firm or the Texas Securities Board to provide such services.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

State law also requires that District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the 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 Board.

Additional Provisions

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

As a school district that qualifies as an "issuer" under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds. 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 bond 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. As of the date of this Official Statement, the District has not taken the steps necessary to allow for investing in corporate bonds or made investments in that type of instrument.

Current Investments

As of August 31, 2024, the District had approximately $10,175,862 (unaudited) invested in Lone Star and approximately $453,030,463 (unaudited) invested in Texpool (both an investment pool that generally has the characteristics of a money-market fund) and approximately $9,758,772 (unaudited) invested in an interest bearing account at the local depository bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the 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.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

FINANCIAL ADVISOR

SAMCO Capital Markets Inc. is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may 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, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

CYBERSECURITY RISK MANAGEMENT

The District's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the District continually assesses and monitors its cybersecurity risks, the District may be subject to cyber-attacks from time to time. In response to such assessments and monitoring, the District takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the District will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the District's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the District's operations and/or financial condition.

CONTINUING DISCLOSURE OF INFORMATION

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 for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB will be available to the public free of charge via the EMMA system at www.emma.msrb.org. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA'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 annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2024. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12.

The District's current fiscal year end is August 31. Accordingly, the Annual Operating Report must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 of 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 also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) 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 a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In the Order, the District adopted policies and procedures to ensure timely compliance with its continuing disclosure undertaking. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

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. For the purposes of the above described event notices (15) and (16), the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a “financial obligation” shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

Availability of Information

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be filed with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB 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 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 15c2-12 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 qualified 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 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 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.

WEATHER EVENTS

The District is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. The District’s area previously experienced multiple storms and future adverse weather events could result in damages to District facilities or damages to residential and commercial properties in the District that comprise the District’s ad valorem tax base. If a weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District’s tax rate. There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District’s boundaries or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

LITIGATION

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

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that except as disclosed in the Official Statement, 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.

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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the maturing principal of and interest on the Defeasance Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of $386,583.32 plus accrued interest from the Dated Date to the date of initial delivery of the Bonds. The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement 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.

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

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

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.

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

The Bond Order authorized the Pricing Officer to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Underwriters. This Official Statement has been approved by the Pricing Officer of the District for distribution in accordance with the provisions of the Rule.

/s/ Matt Calvert

Pricing Officer

NEW CANEY INDEPENDENT SCHOOL DISTRICT

Schedule I - Schedule of Refunded Bonds

Unlimited Tax Refunding Bonds, Series 2011

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded		Call Date	Principal Amount Unrefunded
2/15/2026	643153N47	480,000.00	3.500%	480,000.00		February 15, 2025	-
2/15/2027	643153N54	495,000.00	3.500%	495,000.00		February 15, 2025	-
2/15/2028	643153N62	515,000.00	3.500%	515,000.00		February 15, 2025	-
2/15/2029	643153N70	530,000.00	3.500%	530,000.00		February 15, 2025	-
2/15/2030	643153N88	550,000.00	4.000%	550,000.00		February 15, 2025	-
2/15/2031	643153N96	915,000.00	4.000%	915,000.00		February 15, 2025	-
2/15/2032		950,000.00	4.000%	950,000.00	(1)	February 15, 2025	-
2/15/2033	643153P29	320,000.00	4.000%	320,000.00	(1)	February 15, 2025	-
		$ 4,755,000.00		$ 4,755,000.00			$ -

(1) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $1,270,000 that matures February 15, 2033.

Unlimited Tax School Building Bonds, Series 2014

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded		Call Date	Principal Amount Unrefunded
2/15/2026	6431534K2	280,000.00	4.000%	280,000.00		February 15, 2025	-
2/15/2027	6431534L0	290,000.00	4.000%	290,000.00		February 15, 2025	-
2/15/2028	6431534M8	300,000.00	4.000%	300,000.00		February 15, 2025	-
2/15/2029	6431534N6	310,000.00	4.000%	310,000.00		February 15, 2025	-
2/15/2030	6431534P1	325,000.00	4.000%	325,000.00		February 15, 2025	-
2/15/2031	6431534U0	330,000.00	4.000%	330,000.00		February 15, 2025	-
2/15/2032		165,000.00	4.000%	165,000.00	(1)	February 15, 2025	-
2/15/2033		170,000.00	4.000%	170,000.00	(1)	February 15, 2025	-
2/15/2034	6431534Q9	180,000.00	4.000%	180,000.00	(1)	February 15, 2025	-
2/15/2035		190,000.00	4.250%	190,000.00	(2)	February 15, 2025	-
2/15/2036	6431534R7	195,000.00	4.250%	195,000.00	(2)	February 15, 2025	-
2/15/2037		205,000.00	4.250%	205,000.00	(3)	February 15, 2025	-
2/15/2038		215,000.00	4.250%	215,000.00	(3)	February 15, 2025	-
2/15/2039	6431534S5	225,000.00	4.250%	225,000.00	(3)	February 15, 2025	-
		$ 3,380,000.00		$ 3,380,000.00			$ -

(1) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $515,000 that matures February 15, 2034.
(2) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $385,000 that matures February 15, 2036.
(3) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $645,000 that matures February 15, 2039.

Unlimited Tax Refunding Bonds, Series 2014

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
2/15/2026	6431533Q0	415,000.00	3.500%	415,000.00	February 15, 2025	-
2/15/2027	6431533R8	440,000.00	4.000%	440,000.00	February 15, 2025	-
2/15/2028	6431533S6	455,000.00	4.000%	455,000.00	February 15, 2025	-
2/15/2029	6431533T4	475,000.00	4.000%	475,000.00	February 15, 2025	-
2/15/2030	6431533U1	490,000.00	4.000%	490,000.00	February 15, 2025	-
2/15/2031	6431533V9	510,000.00	4.000%	510,000.00	February 15, 2025	-
2/15/2032	6431533W7	430,000.00	4.000%	430,000.00	February 15, 2025	-
2/15/2033	6431533X5	480,000.00	4.000%	480,000.00	February 15, 2025	-
		$ 3,695,000.00		$ 3,695,000.00		$ -

Unlimited Tax School Building Bonds, Series 2015

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
2/15/2026		$ 740,000.00	5.000%	$ 740,000.00 [1]	February 15, 2025	-
2/15/2027	6431536Q7	775,000.00	5.000%	775,000.00 [1]	February 15, 2025	-
2/15/2028	6431536E4	820,000.00	5.000%	820,000.00	February 15, 2025	-
2/15/2029	6431536F1	855,000.00	5.000%	855,000.00	February 15, 2025	-
2/15/2030	6431536G9	900,000.00	4.000%	900,000.00	February 15, 2025	-
2/15/2031	6431536H7	1,000,000.00	4.000%	1,000,000.00	February 15, 2025	-
2/15/2032	6431536J3	1,040,000.00	4.000%	1,040,000.00	February 15, 2025	-
2/15/2033	6431536K0	1,085,000.00	4.000%	1,085,000.00	February 15, 2025	-
2/15/2034	6431536L8	1,000,000.00	4.000%	1,000,000.00	February 15, 2025	-
2/15/2035	6431536M6	1,045,000.00	4.000%	1,045,000.00	February 15, 2025	-
2/15/2036		2,380,000.00	5.000%	2,380,000.00 [2]	February 15, 2025	-
2/15/2037		2,500,000.00	5.000%	2,500,000.00 [2]	February 15, 2025	-
2/15/2038		3,505,000.00	5.000%	3,505,000.00 [2]	February 15, 2025	-
2/15/2039		4,270,000.00	5.000%	4,270,000.00 [2]	February 15, 2025	-
2/15/2040	6431536N4	6,355,000.00	5.000%	6,355,000.00 [2]	February 15, 2025	-
2/15/2041	6431536C8	6,680,000.00	5.000%	6,680,000.00	February 15, 2025	-
2/15/2042	6431536D6	7,020,000.00	5.000%	7,020,000.00	February 15, 2025	-
		$ 41,970,000.00		$ 41,970,000.00		$ -

[1] Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $1,515,000 that matures February 15, 2027.
[2] Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $19,010,000 that matures February 15, 2040.

Unlimited Tax Refunding Bonds, Series 2015

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
2/15/2026	6431535F2	$ 2,365,000.00	4.000%	$ 2,365,000.00	February 15, 2025	-
2/15/2027	6431535G0	2,465,000.00	4.000%	2,465,000.00	February 15, 2025	-
2/15/2028	6431535H8	2,560,000.00	4.000%	2,560,000.00	February 15, 2025	-
2/15/2029	6431535J4	2,670,000.00	4.000%	2,670,000.00	February 15, 2025	-
2/15/2030	6431535K1	2,775,000.00	4.000%	2,775,000.00	February 15, 2025	-
2/15/2031	6431535L9	3,505,000.00	4.000%	3,505,000.00	February 15, 2025	-
2/15/2032	6431535M7	3,665,000.00	5.000%	3,665,000.00	February 15, 2025	-
2/15/2033	6431535N5	3,860,000.00	5.000%	3,860,000.00	February 15, 2025	-
2/15/2034	6431535P0	4,225,000.00	5.000%	4,225,000.00	February 15, 2025	-
2/15/2035	6431535Q8	4,445,000.00	5.000%	4,445,000.00	February 15, 2025	-
2/15/2036	6431535R6	1,585,000.00	5.000%	1,585,000.00	February 15, 2025	-
2/15/2037	6431535S4	1,665,000.00	5.000%	1,665,000.00	February 15, 2025	-
		$ 35,785,000.00		$ 35,785,000.00		$ -

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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NEW CANEY INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [(1)]

2023/24 Total Valuation		$ 10,540,586,388
Less Exemptions & Deductions [(2)]:		
State Homestead Exemption	$ 1,383,820,726	
State Over-65 Exemption	38,856,127	
Disabled Homestead Exemption Loss	99,114,942	
Veterans Exemption Loss	4,885,545	
Surviving Spouse 100% Disabled Veteran Loss	4,263,611	
Surviving Spouse Deceased First Responder Loss	80,515	
Prorations & Other Partial Exemptions	2,111,619	
Pollution Control Loss	521,450	
Productivity Loss	136,156,148	
Homestead Cap Loss	590,963,145	
	$ 2,260,773,828	
2023/24 Net Taxable Valuation		$ 8,279,812,560
2024/25 Certified Net Taxable Valuation [(3)]		$ 8,849,778,977

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from $40,000 to $100,000. See "AD VALOREM TAX PROCEDURES -- Residential Homestead Exemptions" in this Official Statement.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled $284,156,899 for 2023/24.
(3) Source: Certified Values from the Montgomery and Harris Central Appraisal Districts as of August 2024. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [(1)]		$ 915,335,000
Less: The Refunded Bonds [(2)]		(89,585,000)
Plus: The Bonds [(2)]		82,460,000
Total Unlimited Tax Bonds [(1) (2)]		908,210,000
Less: Estimated Interest & Sinking Fund Balance (As of August 31, 2024)		(19,958,691)
Net General Obligation Debt		$ 888,251,309
Ratio of Net G.O. Debt to Net Taxable Valuation [(3)]	10.04%	
2025 Population Estimate [(4)]	83,204	
Per Capita Net Taxable Valuation	$106,362	
Per Capita Net G.O. Debt	$10,676	

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Source: New Caney ISD Estimate.
(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2023" in Appendix D for more information relative to the District's outstanding obligations.
(4) Source: The Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [(6)] Current [(7)]	% Collections [(6)] Total [(7)]
2006/07	$ 1,403,755,006 [(1)]	$ 1.6400 [(8)]	96.83%	101.44%
2007/08	1,628,307,021 [(1)]	1.4150 [(8)]	97.20%	100.64%
2008/09	1,902,216,996 [(1)]	1.4400	97.12%	100.02%
2009/10	2,032,733,864 [(1)]	1.4800	96.75%	99.11%
2010/11	2,076,233,536 [(1)]	1.5400	96.99%	99.53%
2011/12	2,220,942,251 [(1)]	1.5400	97.14%	99.82%
2012/13	2,363,898,110 [(1)]	1.5400	97.79%	100.67%
2013/14	2,556,225,775 [(1)]	1.6700	98.24%	100.48%
2014/15	2,803,969,485 [(1)]	1.6700	98.39%	100.22%
2015/16	3,215,791,497 [(1) (2)]	1.6700	98.23%	99.62%
2016/17	3,645,605,882 [(1) (2)]	1.6700	98.23%	99.75%
2017/18	3,976,159,760 [(1) (2)]	1.6700	98.40%	100.10%
2018/19	4,462,295,502 [(1) (2)]	1.6700	98.44%	99.63%
2019/20	4,851,824,401 [(1) (2)]	1.5684 [(9)]	98.18%	99.40%
2020/21	5,474,137,145 [(1) (2)]	1.4761	98.28%	99.87%
2021/22	6,120,432,719 [(1) (2)]	1.4603	98.37%	99.79%
2022/23	7,906,904,588 [(1) (3)]	1.4430	97.97%	99.16%
2023/24	8,279,812,560 [(1) (4)]	1.2575	97.80% [(10)]	99.00% [(10)]
2024/25	8,849,778,977 [(4) (5)]	1.2552	(In Process of Collection)	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(4) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from $40,000 to $100,000.
(5) Source: Certified Values from the Montgomery and Harris Central Appraisal Districts as of August 2024. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(6) Source: New Caney ISD Audited Financial Statements.
(7) Excludes penalties and interest.
(8) The decline in the District's Maintenance & Operation Tax from the 2006/07 fiscal year to the 2007/08 fiscal year is a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.
(9) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"- Local Funding for School Districts" in this Official Statement.
(10) Source: New Caney ISD Estimate.

TAX RATE DISTRIBUTION [(1)]

	2020/21	2021/22	2022/23	2023/24	2024/25
Maintenance & Operations [(2)]	$0.9761	$0.9603	$0.9430	$0.7575	$0.7552
Debt Service	$0.5000	$0.5000	$0.5000	$0.5000	$0.5000
Total Tax Rate	$1.4761	$1.4603	$1.4430	$1.2575	$1.2552

(1) On August 31, 2013, the District successfully held a tax ratification election. The voters of the District approved a maintenance and operations tax not to exceed $1.17.
(2) The decline in the District's Maintenance & Operations Tax from the 2019/20 fiscal year to the 2024/25 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding [(1)]	Ratio Debt to A.V. [(2)]
2006/07	$ 1,403,755,006	$ 153,984,458	10.97%
2007/08	1,628,307,021	172,730,458	10.61%
2008/09	1,902,216,996	196,665,453	10.34%
2009/10	2,032,733,864	205,705,492	10.12%
2010/11	2,076,233,536	202,104,257	9.73%
2011/12	2,220,942,251	250,515,776	11.28%
2012/13	2,363,898,110	276,909,358	11.71%
2013/14	2,556,225,775	279,004,409	10.91%
2014/15	2,803,969,485	353,859,957	12.62%
2015/16	3,215,791,497	345,046,645	10.73%
2016/17	3,645,605,882	411,228,762	11.28%
2017/18	3,976,159,760	461,040,353	11.60%
2018/19	4,462,295,502	512,885,359	11.49%
2019/20	4,851,824,401	504,345,000	10.39%
2020/21	5,474,137,145	543,155,000	9.92%
2021/22	6,120,432,719	561,995,000	9.18%
2022/23	7,906,904,588	733,685,000	9.28%
2023/24	8,279,812,560	915,335,000	11.06%
2024/25	8,849,778,977 [(3)]	893,050,000 [(4)]	10.09% [(4)]

(1) At fiscal year end. Excludes interest accreted on outstanding capital appreciation bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2023" in Appendix D for more information.
(3) Source: Certified Values from the Montgomery and Harris Central Appraisal Districts as of August 2024. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(4) Includes the Bonds and excludes the Refunded Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
E. Montgomery Co MUD #3	$ 46,495,000	100.00%	$ 46,495,000
E. Montgomery Co MUD #5	4,000,000	100.00%	4,000,000
E. Montgomery Co MUD #6	41,220,000	100.00%	41,220,000
E. Montgomery Co MUD #7	34,705,000	100.00%	34,705,000
Harris County	2,062,319,039	0.01%	206,232
Harris County Department of Education	28,960,000	0.01%	2,896
Harris County Flood Control	968,445,000	0.01%	96,845
Harris County Hospital District	65,285,000	0.01%	6,529
Harris County Toll Road	-	0.01%	-
Houston, City of	3,671,943,608	0.34%	12,484,608
Kings Manor MUD	10,810,000	100.00%	10,810,000
Lone Star College System	507,100,000	2.93%	14,858,030
Montgomery County	417,980,000	8.90%	37,200,220
Montgomery County MUD #24	15,215,000	100.00%	15,215,000
Montgomery County MUD #56	1,785,000	100.00%	1,785,000
Montgomery County MUD #83	10,375,000	100.00%	10,375,000
Montgomery County MUD #84	34,060,000	100.00%	34,060,000
Montgomery County MUD #96	20,470,000	100.00%	20,470,000
Montgomery County MUD #98	13,075,000	100.00%	13,075,000
Montgomery County MUD #110	7,615,000	100.00%	7,615,000
Montgomery County MUD #140	25,020,000	100.00%	25,020,000
New Caney MUD	74,623,524	100.00%	74,623,524
New Caney MUD - Hendricks Defined Area	1,290,000	100.00%	1,290,000
Port of Houston Authority	406,509,397	0.01%	40,651
Porter MUD (Auburn Trails Defined Area No. 1)	4,525,000	100.00%	4,525,000
Porter MUD (Auburn Trails Defined Area No. 2)	3,475,000	100.00%	3,475,000
Porter MUD (General Obligation Debt)	60,260,000	100.00%	60,260,000
Porter MUD - Hendricks Defined Area	14,925,000	100.00%	14,925,000
Roman Forest Consolidated MUD	10,335,000	100.00%	10,335,000
Roman Forest PUD #4	765,000	100.00%	765,000
Roman Forest, City of	2,710,000	100.00%	2,710,000
Valley Ranch MUD #1	31,820,000	100.00%	31,820,000
Valley Ranch Town Center District	19,430,000	100.00%	19,430,000
Woodbranch Village, City of	-	99.12%	-
Woodridge MUD	25,380,000	100.00%	25,380,000
Total Overlapping Debt [(1)]			$ 579,279,534
New Caney Independent School District [(2)]			888,251,309
Total Direct & Overlapping Debt [(2)]			$ 1,467,530,843
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		16.58%	
Per Capita Direct & Overlapping Debt		$17,638	

(1) Equals gross debt less self-supporting debt.
(2) Includes the Bonds and excludes the Refunded Bonds. Excludes the interest accreted on outstanding capital appreciation bonds.

Source: Municipal Advisory Council of Texas. The District has not independently verified the accuracy or completeness of such information (except for the amounts relating to the District), and no person should rely upon such information as being accurate or complete.

2024/25 Top Ten Taxpayers (1)

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
KPH-Consolidation Inc.	Medical Complex	$ 104,571,470	1.18%
Wal-Mart Stores Inc.	Retail Store & Distribution Center	102,759,860	1.16%
Entergy Texas Inc.	Electric Utility	98,146,580	1.11%
Polygon New Caney LLC	Commercial Land	92,500,000	1.05%
Administaff Services, Inc.	Employment Leasing Company	65,000,000	0.73%
AT Kingwood LP	Apartment Complex	53,919,693	0.61%
Valley Ranch Town Center Two	Shopping Center	52,056,824	0.59%
Lowe's	Retail Store & Distribution Center	50,280,820	0.57%
CF Kacey Multifamily DST	Apartment Complex	50,000,000	0.56%
The Pointe VRTC LLC	Apartment Complex	50,000,000	0.56%
		$ 719,235,247	8.13%

2023/24 Top Ten Taxpayers (2)

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Wal-Mart Stores Inc.	Retail Store & Distribution Center	$ 138,122,644	1.67%
Kingwood Medical Plaza Ltd	Medical Complex	136,299,576	1.65%
Administaff Services, Inc.	Employment Leasing Company	90,918,012	1.10%
Entergy Texas Inc.	Electric Utility	88,313,380	1.07%
Polygon New Caney LLC	Commercial Land	87,995,000	1.06%
Lowe's	Retail Store & Distribution Center	71,371,190	0.86%
CF Kacey Multifamily DST	Apartment Complex	52,500,000	0.63%
Sir Kingwood Villas LLC	Real Estate Development	50,200,000	0.61%
MDC Kings Landing LP	Commercial Building	49,786,810	0.60%
Kingwood Apartments LLC	Apartment Complex	49,155,760	0.59%
		$ 814,662,372	9.84%

2022/23 Top Ten Taxpayers (1)

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Wal-Mart Stores Inc.	Retail Store & Distribution Center	$ 136,387,096	1.72%
Kingwood Medical Plaza Ltd	Medical Complex	132,012,430	1.67%
Administaff Services, Inc.	Employment Leasing Company	94,739,684	1.20%
The Cubes at EMC Industrial Park LLC	Storage Units/Warehouses	92,580,000	1.17%
Entergy Texas Inc.	Electric Utility	78,505,890	0.99%
Christian James Properties	Apartment Complex	46,127,000	0.58%
CF Kacey Multifamily DST	Apartment Complex	45,626,280	0.58%
The Pointe Valley Ranch Town Center LLC	Shopping Center	44,200,000	0.56%
MDC Kings Landing LP	Commercial Building	43,800,000	0.55%
Sir Kingwood Villas LLC	Real Estate Development	43,750,000	0.55%
		$ 757,728,380	9.58%

(1) Source: Montgomery and Harris Central Appraisal Districts.
(2) Source: Comptroller of Public Accounts - Property Tax Division.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY [1]

Category		2023/24	% of Total		2022/23	% of Total		2021/22	% of Total
Real, Residential, Single-Family	$	6,246,779,320	59.26%	$	5,488,381,864	58.29%	$	3,887,477,392	56.93%
Real, Residential, Multi-Family		817,397,963	7.75%		664,206,200	7.05%		435,786,703	6.38%
Real, Vacant Lots/Tracts		460,473,097	4.37%		414,961,898	4.41%		169,944,354	2.49%
Real, Qualified Land & Improvements		144,396,030	1.37%		147,224,330	1.56%		124,387,310	1.82%
Real, Non-Qualified Land & Improvements		118,045,380	1.12%		123,968,454	1.32%		103,353,001	1.51%
Real, Commercial & Industrial		1,732,599,038	16.44%		1,764,893,901	18.74%		1,410,780,033	20.66%
Oil & Gas		-	0.00%		-	0.00%		-	0.00%
Utilities		171,271,771	1.62%		143,116,101	1.52%		112,990,664	1.65%
Tangible Personal, Commercial		532,063,670	5.05%		400,079,044	4.25%		386,078,474	5.65%
Tangible Personal, Industrial		23,719,737	0.23%		24,137,365	0.26%		23,584,274	0.35%
Tangible Personal, Mobile Homes & Other		110,358,857	1.05%		132,531,534	1.41%		92,782,062	1.36%
Tangible Personal, Residential Inventory		158,559,840	1.50%		90,172,640	0.96%		65,808,640	0.96%
Tangible Personal, Special Inventory		24,921,685	0.24%		22,047,879	0.23%		15,567,129	0.23%
Total Appraised Value	$	10,540,586,388	100.00%	$	9,415,721,210	100.00%	$	6,828,540,036	100.00%
Less:									
Homestead Cap Adjustment	$	590,963,145		$	671,627,300		$	120,279,304	
Productivity Loss		136,156,148			138,680,388			115,734,924	
Exemptions		1,533,654,535 [2]			698,508,934 [3]			472,093,089 [4]	
Total Exemptions/Deductions [5]	$	2,260,773,828		$	1,508,816,622		$	708,107,317	
Net Taxable Assessed Valuation	$	8,279,812,560		$	7,906,904,588		$	6,120,432,719	

Category		2020/21	% of Total		2019/20	% of Total		2018/19	% of Total
Real, Residential, Single-Family	$	3,608,348,677	58.54%	$	3,199,555,444	58.96%	$	2,818,117,402	56.51%
Real, Residential, Multi-Family		379,808,258	6.16%		342,604,105	6.31%		327,219,543	6.56%
Real, Vacant Lots/Tracts		234,413,644	3.80%		150,784,192	2.78%		197,914,700	3.97%
Real, Qualified Land & Improvements		115,779,870	1.88%		84,685,170	1.56%		84,399,698	1.69%
Real, Non-Qualified Land & Improvements		81,009,240	1.31%		62,422,711	1.15%		67,764,900	1.36%
Real, Commercial & Industrial		1,085,931,461	17.62%		987,166,394	18.19%		939,210,186	18.83%
Oil & Gas		15,340	0.00%		14,890	0.00%		20,990	0.00%
Utilities		92,572,330	1.50%		76,948,028	1.42%		71,112,790	1.43%
Tangible Personal, Commercial		379,199,916	6.15%		348,610,531	6.42%		333,107,800	6.68%
Tangible Personal, Industrial		27,369,145	0.44%		21,646,469	0.40%		27,290,688	0.55%
Tangible Personal, Mobile Homes & Other		87,722,497	1.42%		71,359,904	1.31%		65,811,619	1.32%
Tangible Personal, Residential Inventory		57,568,880	0.93%		68,435,310	1.26%		42,919,580	0.86%
Tangible Personal, Special Inventory		14,534,951	0.24%		12,865,678	0.24%		12,187,632	0.24%
Total Appraised Value	$	6,164,274,209	100.00%	$	5,427,098,826	100.00%	$	4,987,077,528	100.00%
Less:									
Homestead Cap Adjustment	$	148,859,339		$	101,047,320		$	74,274,506	
Productivity Loss		104,387,185			72,826,646			72,826,144	
Exemptions		436,890,540 [4]			401,400,459 [4]			377,681,376 [4]	
Total Exemptions/Deductions [5]	$	690,137,064		$	575,274,425		$	524,782,026	
Net Taxable Assessed Valuation	$	5,474,137,145		$	4,851,824,401		$	4,462,295,502	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from $40,000 to $100,000.
(3) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(4) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(5) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 8/31	Outstanding Bonds (1)	Less: The Refunded Bonds	Plus: The Bonds	Total (1)	Bonds Unpaid At Fiscal Year End	Percent of Principal Retired
2025	$ 14,100,000.00	$ -	$ 1,060,000.00	$ 15,160,000.00	$ 893,050,000.00	1.67%
2026	16,595,000.00	4,280,000.00	3,745,000.00	16,060,000.00	876,990,000.00	3.44%
2027	17,325,000.00	4,465,000.00	3,940,000.00	16,800,000.00	860,190,000.00	5.29%
2028	20,000,000.00	4,650,000.00	4,140,000.00	19,490,000.00	840,700,000.00	7.43%
2029	20,920,000.00	4,840,000.00	4,350,000.00	20,430,000.00	820,270,000.00	9.68%
2030	21,850,000.00	5,040,000.00	4,570,000.00	21,380,000.00	798,890,000.00	12.04%
2031	22,775,000.00	6,260,000.00	5,825,000.00	22,340,000.00	776,550,000.00	14.50%
2032	23,720,000.00	6,250,000.00	5,835,000.00	23,305,000.00	753,245,000.00	17.06%
2033	24,680,000.00	5,915,000.00	5,505,000.00	24,270,000.00	728,975,000.00	19.73%
2034	25,680,000.00	5,405,000.00	4,990,000.00	25,265,000.00	703,710,000.00	22.52%
2035	26,735,000.00	5,680,000.00	5,255,000.00	26,310,000.00	677,400,000.00	25.41%
2036	27,855,000.00	4,160,000.00	3,720,000.00	27,415,000.00	649,985,000.00	28.43%
2037	29,045,000.00	4,370,000.00	3,910,000.00	28,585,000.00	621,400,000.00	31.58%
2038	30,295,000.00	3,720,000.00	3,240,000.00	29,815,000.00	591,585,000.00	34.86%
2039	31,610,000.00	4,495,000.00	3,990,000.00	31,105,000.00	560,480,000.00	38.29%
2040	33,005,000.00	6,355,000.00	5,825,000.00	32,475,000.00	528,005,000.00	41.86%
2041	34,475,000.00	6,680,000.00	6,125,000.00	33,920,000.00	494,085,000.00	45.60%
2042	36,015,000.00	7,020,000.00	6,435,000.00	35,430,000.00	458,655,000.00	49.50%
2043	37,655,000.00	-	-	37,655,000.00	421,000,000.00	53.65%
2044	39,385,000.00	-	-	39,385,000.00	381,615,000.00	57.98%
2045	41,160,000.00	-	-	41,160,000.00	340,455,000.00	62.51%
2046	43,115,000.00	-	-	43,115,000.00	297,340,000.00	67.26%
2047	45,030,000.00	-	-	45,030,000.00	252,310,000.00	72.22%
2048	46,930,000.00	-	-	46,930,000.00	205,380,000.00	77.39%
2049	48,815,000.00	-	-	48,815,000.00	156,565,000.00	82.76%
2050	50,780,000.00	-	-	50,780,000.00	105,785,000.00	88.35%
2051	40,945,000.00	-	-	40,945,000.00	64,840,000.00	92.86%
2052	28,550,000.00	-	-	28,550,000.00	36,290,000.00	96.00%
2053	24,025,000.00	-	-	24,025,000.00	12,265,000.00	98.65%
2054	12,265,000.00	-	-	12,265,000.00	-	100.00%
Total	$ 915,335,000.00	$ 89,585,000.00	$ 82,460,000.00	$ 908,210,000.00		

(1) Excludes the accreted value of outstanding capital appreciation bonds.

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt Service (1) (2)	Less: Refunded Debt Service (3)	Plus: The Bonds (3) Principal	Interest	Total	Combined Total (1) (2) (3) (4)
2025	$ 55,466,695.46	$ 4,127,250.00	$ 1,060,000.00	$ 3,065,750.00	$ 4,125,750.00	$ 55,465,195.46
2026	55,464,057.96	8,320,187.50	3,745,000.00	3,976,375.00	7,721,375.00	54,865,245.46
2027	55,464,282.96	8,326,187.50	3,940,000.00	3,784,250.00	7,724,250.00	54,862,345.46
2028	56,030,164.21	8,323,437.50	4,140,000.00	3,582,250.00	7,722,250.00	55,428,976.71
2029	56,027,864.21	8,317,875.00	4,350,000.00	3,370,000.00	7,720,000.00	55,429,989.21
2030	56,029,668.38	8,317,325.00	4,570,000.00	3,147,000.00	7,717,000.00	55,429,343.38
2031	56,028,553.45	9,311,325.00	5,825,000.00	2,887,125.00	8,712,125.00	55,429,353.45
2032	56,028,513.95	9,032,800.00	5,835,000.00	2,595,625.00	8,430,625.00	55,426,338.95
2033	56,027,346.65	8,416,875.00	5,505,000.00	2,312,125.00	7,817,125.00	55,427,596.65
2034	56,025,601.05	7,640,050.00	4,990,000.00	2,049,750.00	7,039,750.00	55,425,301.05
2035	56,025,947.78	7,649,762.50	5,255,000.00	1,793,625.00	7,048,625.00	55,424,810.28
2036	56,028,829.06	5,890,431.25	3,720,000.00	1,569,250.00	5,289,250.00	55,427,647.81
2037	56,029,049.08	5,888,681.25	3,910,000.00	1,378,500.00	5,288,500.00	55,428,867.83
2038	56,027,121.80	5,038,006.25	3,240,000.00	1,199,750.00	4,439,750.00	55,428,865.55
2039	56,026,584.20	5,609,281.25	3,990,000.00	1,019,000.00	5,009,000.00	55,426,302.95
2040	56,028,218.90	7,198,875.00	5,825,000.00	773,625.00	6,598,625.00	55,427,968.90
2041	56,027,635.00	7,198,000.00	6,125,000.00	474,875.00	6,599,875.00	55,429,510.00
2042	56,025,626.38	7,195,500.00	6,435,000.00	160,875.00	6,595,875.00	55,426,001.38
2043	56,030,184.38	-	-	-	-	56,030,184.38
2044	56,027,843.75	-	-	-	-	56,027,843.75
2045	56,029,387.50	-	-	-	-	56,029,387.50
2046	56,162,993.75	-	-	-	-	56,162,993.75
2047	56,164,825.00	-	-	-	-	56,164,825.00
2048	56,163,562.50	-	-	-	-	56,163,562.50
2049	56,164,687.50	-	-	-	-	56,164,687.50
2050	56,164,450.00	-	-	-	-	56,164,450.00
2051	44,523,831.25	-	-	-	-	44,523,831.25
2052	30,725,325.00	-	-	-	-	30,725,325.00
2053	25,057,300.00	-	-	-	-	25,057,300.00
2054	12,510,300.00	-	-	-	-	12,510,300.00
	$ 1,568,536,451.11	$ 131,801,850.00	$ 82,460,000.00	$ 39,139,750.00	$ 121,599,750.00	$ 1,558,334,351.11

(1) Includes the accreted value of outstanding capital appreciation bonds.
(2) Interest on the Remarketed Series 2018 Variable Rate Bonds is calculated at the Term Rate of 4.00%, through August 14, 2027, and for purposes of illustration, assumed to be at 4.00% thereafter through stated maturity which is consistent with the District's planning estimate. Actual rates applicable to this bond at conclusion of a rate period are subject to market conditions at the time of the Bonds' remarketing. The Highest Rate that the bond interest rate could reset to, commencing on or after August 15, 2027, is 8.00%.
(3) Includes accrued interest in the amount of $377,941.67.
(4) Based on its wealth per student, the District does not expect to receive Instructional Facilities Allotment nor Existing Debt Allotment state financial assistance for the payment of debt service for the fiscal year 2024/25, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16, 2022/23 and 2023/24. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement (1)	$ 56,164,825.00
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption (2)	4,650,000.00
Projected Net Debt Service Requirement	$ 51,514,825.00
$0.58798 Tax Rate @ 99% Collections Produces (3)	$ 51,514,825.00
2024/25 Certified Net Taxable Assessed Valuation (4)	$ 8,849,778,977

(1) Includes the Bonds and excludes the Refunded Bonds. Includes the accreted value of outstanding capital appreciation bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2024/25, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16, 2022/23 and 2023/24.
(3) Certain of the District's bonds are "old debt" that are not subject to the 50-cent test. Consequently and despite the fact that the table above indicates a tax rate in excess of $0.50, the District may be required to utilize State tier one funds to pass the Attorney General's 50-cent test. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for Local School Districts" and "TAX RATE LIMITATIONS" in this Official Statement.
(4) Source: Certified Values from the Montgomery and Harris Central Appraisal Districts as of August 2024. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

AUTHORIZED BUT UNISSUED BONDS

The District has $295,000,000 ($295,000,000 in Proposition A and $0 in Proposition B) of authorized but unissued unlimited ad valorem tax bonds from the May 6, 2023 bond election. The District may issue a portion of the remaining authorized but unissued bonds within the next twelve months. 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.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES (1)

	Fiscal Year Ended August 31				
	2019	2020	2021	2022	2023
Beginning Fund Balance	**$ 28,464,319**	**$ 34,555,039**	**$ 38,935,475**	**$ 42,680,384**	**$ 60,528,390**
Revenues:					
Local and Intermediate Sources	$ 54,816,127	$ 54,225,534	$ 53,997,795	$ 58,581,844	$ 74,434,229
State Sources	94,800,120	109,176,863	112,054,657	118,480,233	119,439,268
Federal Sources & Other	3,072,806	1,825,277	2,654,582	4,947,212	4,698,818
Total Revenues	**$ 152,689,053**	**$ 165,227,674**	**$ 168,707,034**	**$ 182,009,289**	**$ 198,572,315**
Expenditures:					
Instruction	$ 82,902,383	$ 92,646,312	$ 94,714,173	$ 91,981,901	$ 113,891,434
Instructional Resources & Media Services	1,440,342	1,470,055	1,580,318	1,649,974	1,809,790
Curriculum & Instructional Staff Development	2,507,399	3,105,126	2,277,479	2,474,250	2,504,231
Instructional Leadership	1,750,356	2,131,627	2,069,111	2,278,847	2,634,147
School Leadership	8,870,580	9,562,637	9,605,123	9,825,675	11,508,573
Guidance, Counseling & Evaluation Services	4,796,035	5,386,699	5,592,686	6,243,756	7,285,045
Health Services	1,558,135	1,889,121	1,847,827	2,093,101	2,177,103
Student (Pupil) Transportation	7,469,469	7,502,889	8,681,758	8,656,307	9,696,887
Cocurricular/Extracurricular Activities	5,807,077	6,044,776	5,688,706	6,134,277	8,215,145
General Administration	5,958,212	6,354,047	5,648,213	5,832,147	6,973,022
Plant Maintenance and Operations	17,782,403	17,249,991	17,621,801	17,822,703	20,260,037
Security and Monitoring Services	1,334,177	2,291,521	2,079,960	2,486,047	2,770,993
Data Processing Services	3,833,944	4,109,086	4,202,884	4,147,195	4,711,062
Community Services	7,893	9,691	32,501	1,525	43,136
Principal on Long-term Debt	-	-	-	2,054,038	2,627,794
Interest on Long-term Debt	-	-	-	83,539	241,109
Facilities Acquisition and Construction	-	217,575	7,417,750	178,171	68,919
Other Intergovernmental Charges	634,467	630,485	620,810	667,917	795,451
Total Expenditures	**$ 146,652,872**	**$ 160,601,638**	**$ 169,681,100**	**$ 164,611,370**	**$ 198,213,878**
Excess (Deficiency) of Revenues over Expenditures	$ 6,036,181	$ 4,626,036	$ (974,066)	$ 17,397,919	$ 358,437
Other Resources and (Uses):					
Sale of Real or Personal Property	$ 54,539	$ -	$ 4,718,975	$ 144,687	$ -
Issuance of Leases/Subscriptions/Financed Purchases	-	-	-	305,400	3,469,208
Other Resources	-	-	-	-	39,246
Transfers Out	-	(245,600)	-	-	(770,000)
Total Other Resources (Uses)	**$ 54,539**	**$ (245,600)**	**$ 4,718,975**	**$ 450,087**	**$ 2,738,454**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 6,090,720	$ 4,380,436	$ 3,744,909	$ 17,848,006	$ 3,096,891
Ending Fund Balance	**$ 34,555,039**	**$ 38,935,475**	**$ 42,680,384**	**$ 60,528,390**	**$ 63,625,281** (2)

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budgets and Rates" in Appendix D hereto for a discussion of the 2023/24 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in this Official Statement.
(2) Of the $65mm of General Fund Balance, $6mm is assigned for Employee Retention Pay, $1.5mm is assigned for Capital Expenditures and the balance of $56.1mm is Unassigned. In fiscal year ending 2024, the District expects an estimated ending general fund balance of approximately $60,473,121.

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended August 31				
	2019	2020	2021	2022	2023
Revenues:					
Program Revenues:					
Charges for Services	$ 4,490,157	$ 3,043,843	$ 2,125,300	$ 3,494,617	$ 4,918,711
Operating Grants and Contributions	32,823,589	33,426,310	35,960,448	37,860,886	33,442,821
General Revenues:					
Property Taxes Levied for General Purposes	50,403,340	50,282,519	51,969,064	57,192,320	70,845,921
Property Taxes Levied for Debt Service	21,536,958	23,512,637	26,538,548	29,707,762	37,495,109
Grants and Contributions Not Restricted	91,384,217	102,737,693	106,439,841	114,821,085	114,823,562
Investment Earnings	2,515,739	2,048,914	164,039	615,451	6,417,589
Insurance Proceeds	-	2,459,755	1,245,291	32,872	1,999
Miscellaneous	3,172,858	518,332	224,669	488,114	605,449
Special Item - SSA Assets Transferred in	390,509	-	-	-	-
	$ 206,717,367	$ 218,030,003	$ 224,667,200	$ 244,213,107	$ 268,551,161
Expenses:					
Instruction	$ 104,887,737	$ 117,737,950	$ 121,640,917	$ 112,598,954	$ 130,517,941
Instruction Resources & Media Services	1,853,192	1,936,691	1,844,095	1,952,796	2,170,237
Curriculum & Staff Development	4,590,629	5,685,292	4,597,120	4,333,867	5,645,699
Instructional Leadership	1,957,178	2,475,055	2,149,787	2,099,057	2,596,873
School Leadership	9,944,877	10,777,004	10,210,830	9,601,073	11,850,218
Guidance, Counseling & Evaluation Services	6,344,738	7,237,177	7,357,158	7,246,430	8,162,045
Social Work Services	13,730	-	-	-	-
Health Services	1,665,398	2,069,314	2,123,779	2,031,512	2,152,354
Student Transportation	8,123,696	7,929,931	7,776,331	8,859,471	9,954,441
Food Service	10,977,902	9,492,276	8,781,178	10,762,680	12,710,183
Cocurricular/Extracurricular Activities	8,360,435	8,726,544	7,836,367	7,858,971	9,248,830
General Administration	6,399,835	6,960,427	6,005,423	5,759,683	6,974,544
Plant Maintenance & Operations	18,111,379	17,756,051	18,258,660	18,688,524	20,453,544
Security and Monitoring Services	1,426,477	2,284,307	2,215,537	2,774,297	2,931,267
Data Processing Services	4,125,286	4,499,756	4,800,822	4,476,431	5,057,389
Community Services	178,265	388,825	487,456	313,666	394,372
Debt Service - Interest on Long-term Debt	18,569,031	19,625,464	22,616,209	18,226,824	19,999,110
Debt Service - Bond Issuance Cost and Fees	610,335	250,503	1,461,443	367,471	1,642,102
Other Intergovernmental Charges	634,467	630,485	620,810	5,955	795,451
Payments Related to Shared Services Arrangements	165,000	743,848	431,976	360,727	651,524
Facilities Repair and Maintenance	144,138	518,075	67,065	674,662	90,438
Total Expenditures	$ 209,083,725	$ 227,724,975	$ 231,282,963	$ 218,993,051	$ 253,998,562
Change in Net Assets	$ (2,366,358)	$ (9,694,972)	$ (6,615,763)	$ 25,220,056	$ 14,552,599
Beginning Net Assets	$ (70,103,616)	$ (72,469,974)	$ (82,164,946)	$ (88,780,709)	$ (63,560,653)
Ending Net Assets	$ (72,469,974)	$ (82,164,946)	$ (88,780,709)	$ (63,560,653)	$ (49,008,054)

(1) The foregoing information represents government-wide financial information provided in accordance with GASB Statement No. 34, which the District adopted for the 2002 fiscal year.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT
AND ITS ECONOMY

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NEW CANEY INDEPENDENT SCHOOL DISTRICT

General and Economic Information

New Caney Independent School District (the "District") is located adjacent to Harris County in the southeastern corner of Montgomery County, approximately 25 miles northeast of the City of Houston's central business district. The District is a petroleum producing and lumbering area that includes the unincorporated communities of New Caney and Porter, both located on U.S. Highway 59. The District's current estimated population is approximately 83,204.

Montgomery County, Texas (the "County") a component of the Houston Metropolitan Area where many of the residents work, was created in 1837 from Washington County. The County was named after U.S. Revolutionary General Richard Montgomery and is located on the southern edge of the Big Thicket. The County seat is the City of Conroe.

Source: Texas Municipal Report for New Caney ISD and Montgomery County

Enrollment Statistics

Year Ending 8/31	Enrollment
2012	10,880
2013	11,551
2014	12,458
2015	13,068
2016	13,906
2017	14,681
2018*	15,046
2019*	15,543
2020*	16,075
2021*	16,287
2022	17,116
2023	18,344
2024	18,987
Current	19,415

**Enrollment figures as of the end of the year.*

District Staff

Teachers		1,405.46
Auxiliary Personnel		552
Teachers' Aides & Secretaries		442
Other		372
Administrators		119
	Total	2,890.46

Facilities

Campus	Grade Alignment	Enrollment	Capacity	Year Built	Year of Addition/ Renovation
The Learning Center	1-12	110	100	1939	1999
Tavola Elementary	PK-5	851	1,000	2015	NA
Crippen Elementary	PK-5	811	1,000	1997	2013
Kings Manor Elementary	PK-5	776	900	2002	2017
New Caney Elementary	PK-5	766	900	1968	2003
Oakley Elementary	PK-5	712	1,000	2011	NA
Porter Elementary	PK-5	933	800	1965	2003
Bens Branch Elementary	PK-5	824	1,000	2004	2013
Brookwood Forest Elementary	PK-5	791	1,000	2017	2015
Valley Ranch Elementary	PK-5	795	1,000	2006	2013
Sorters Mill Elementary	PK-5	835	1,000	2007	2013
Dogwood Elementary	PK-5	904	1,000	2017	NA
Pine Valley Middle School	6-8	754	1,100	1972	2005, 2017
Keefer Crossing Middle School	6-8	1,269	1,350	1959	2013
White Oak Middle School	6-8	824	1,100	2004	NA
Woodridge Forrest Middle School	6-8	1,365	1,350	2014	NA
Porter High School	9-12	2,093	2,500	2010	2017
New Caney High School*	9-12	2,260	2,475	1986	2014, 2017
Infinity Early College High School	9-12	360	500	2017	2015
West Fork High School	9-12	1,282	2,250	2022	N/A

**Includes Annex and CRC*

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
New Caney ISD	School District	2,890
Administaff	Leasing Employee Co.	830
Columbia Kingwood Medical Center	Hospital	675
Super Wal-Mart	Retail Merchant	650
Wal-Mart Distribution Center	Distribution Center	600
Kingwood College	Education	250
Randall's	Retail Food Chain	170
Home Depot	Retail Hardware	150
Gerlands Food Fair	Retail Food Chain	110
Kroger Company	Retail Food Chain	105
Brookshire Bros.	Retail Food Chain	80

Unemployment Rates

	October 2022	October 2023	October 2024
Montgomery County	3.8%	3.7%	4.3%
State of Texas	3.8%	3.7%	4.1%

Source: Texas Workforce Commission

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

December 18, 2024

NEW CANEY INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2024
DATED AS OF NOVEMBER 15, 2024
IN THE AGGREGATE PRINCIPAL AMOUNT OF $82,460,000

AS BOND COUNSEL FOR THE NEW CANEY INDEPENDENT SCHOOL DISTRICT (the *District*) in connection with the issuance of the bonds described above (the *Bonds*), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and are payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the order authorizing the issuance of the Bonds (the *Order*), (ii) the Escrow and Trust Agreement, dated as of October 21, 2024, between the District and BOKF, NA, Dallas, Texas, as Escrow Agent (the *Escrow Agreement*), (iii) the report of Public Finance Partners LLC, with respect to the adequacy of certain escrowed funds and securities to accomplish the refunding purposes of the Bonds (the *Verification Report*), (iv) the executed Initial Bond numbered T-1, and (v) the District's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued, and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the District in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally; that the District has the legal authority to issue the Bonds and to repay the Bonds; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged for such payment, without limit as to rate or amount.

IT IS FURTHER OUR OPINION that the Escrow Agreement has been duly authorized, executed and delivered by the District and constitutes a binding and enforceable agreement in accordance with its terms and that the "Refunded Obligations" (as defined in the Order) being refunded by the Bonds are outstanding under the orders authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments, if any, including the income therefrom, held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the Verification Report concerning the sufficiency of the cash and investments, if any, deposited pursuant to the Escrow Agreement for the purpose of paying the principal of, redemption premium, if any, and interest on the Refunded Obligations.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the *Code*). In expressing the aforementioned opinions, we have relied on the Verification Report and we have further relied on, and assumed continuing compliance with, certain representations contained in the Federal Tax Certificate of the District and covenants set forth in the order adopted by the District to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions 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 opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the *Service*); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. 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.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds and the defeasance of the Refunded Obligations under the Constitution and general laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District. 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.

Respectfully,

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APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2023

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New Caney Independent School District

Annual Financial Report
For the Fiscal Year Ended August 31, 2023

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New Caney Independent School District
Annual Financial Report
For the Fiscal Year Ended August 31, 2023
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New Caney Independent School District
Annual Financial Report
For the Fiscal Year Ended August 31, 2023
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Certificate of the Board

New Caney Independent School District	**Montgomery**	**170-908**
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and 7 approved Ø disapproved for the fiscal year ended August 31, 2023 at a meeting of the Board of Trustees of such school district on the 18th day of December 2023.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

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Financial Section

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Independent Auditor's Report

To the Board of Trustees of
New Caney Independent School District
New Caney, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

The Board of Trustees of
New Caney Independent School District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information Included in the Annual Report

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
December 8, 2023

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Management's Discussion and Analysis
(Unaudited)

As management of the New Caney Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2023.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $(49,008,054) *(net deficit).*
- The District's total net deficit decreased by $14,552,599 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $314,172,726, an increase of $190,144,358 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $56,093,781, or 28 percent of total general fund expenditures.
- The District's total bonded debt increased by $188,827,755 (31 percent) during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues *(governmental activities)*. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling and Evaluation Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments Related to Shared Services Arrangements and Other Intergovernmental Charges, as applicable*.

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

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

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

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

The District maintains fifty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and the capital projects funds, all of which are considered to be major funds. Data from the other fifty governmental funds are combined into a single, aggregated presentation titled total nonmajor funds.

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

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. A statement of fiduciary net position and a statement of changes in fiduciary net position are presented for fiduciary funds, as noted in the table of contents of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

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

Government-wide Financial Analysis

As mentioned earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $(49,008,054) at the close of the most recent fiscal year.

New Caney Independent School District's Net Position

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	$ 344,045,114	39	$ 149,520,249	22	$ 194,524,865	130
Capital assets	530,684,873	61	519,211,088	78	11,473,785	2
Total assets	874,729,987	100	668,731,337	100	205,998,650	
Total deferred outflows of resources	46,580,785	100	37,679,640	100	8,901,145.00	24
Other liabilities	26,695,800	3	22,770,213	3	3,925,587	17
Long-term liabilities outstanding	887,862,719	97	682,280,206	97	205,582,513	30
Total liabilities	914,558,519	100	705,050,419	100	209,508,100	
Total deferred inflows of resources	55,760,307	100	64,921,211	100	(9,160,904)	(14)
Net position						
Net investment in capital assets (deficit)	(32,863,446)	67	(29,273,385)	46	(3,590,061)	12
Restricted	21,719,930	(44)	8,874,659	(14)	12,845,271	145
Unrestricted (deficit)	(37,864,538)	77	(43,161,927)	68	5,297,389	(12)
Total net position (deficit)	$ (49,008,054)	100	$ (63,560,653)	100	$ 14,552,599	

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

Net position that is restricted for debt service and grants total $21,719,930 of total net position.

Unrestricted net position of ($37,864,538) deficit resulted from the implementation of GASB Statement No. 75 for postemployment benefit (retiree health care provided through TRS-CARE) in a prior fiscal year.

Governmental Activities. Governmental activities decreased the District's net deficit by $14,552,599 from current operations. The elements giving rise to this change may be determined from the table below.

New Caney Independent School District's Changes in Net Position

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue						
Program revenues:						
Charges for services	$ 4,918,711	3	$3,494,617	1	$ 1,424,094	41
Operating grants and contributions	33,442,821	12	37,860,886	16	(4,418,065)	(12)
General revenues:						
Property taxes, levied for general purpose	70,845,921	26	57,192,320	23	13,653,601	24
Property taxes, levied for debt service	37,495,109	14	29,707,762	12	7,787,347	26
Grants and contributions not restricted to specific programs	114,823,562	43	114,821,085	48	2,477	-
Insurance proceeds	1,999	-	32,872	-	(30,873)	(94)
Investment earnings	6,417,589	2	615,451	-	5,802,138	943
Miscellaneous	605,449	-	488,114	-	117,335	24
Total revenues	268,551,161	100	244,213,107	100	24,338,054	
Expenses:						
Instruction	130,517,941	51	112,598,954	52	17,918,987	16
Instructional resources and media services	2,170,237	1	1,952,796	1	217,441	11
Curriculum and instructional staff development	5,645,699	2	4,333,867	2	1,311,832	30
Instructional leadership	2,596,873	1	2,099,057	1	497,816	24
School leadership	11,850,218	5	9,601,073	4	2,249,145	23
Guidance, counseling, and evaluation services	8,162,045	3	7,246,430	3	915,615	13
Health services	2,152,354	1	2,031,512	1	120,842	6
Student transportation	9,954,441	4	8,859,471	4	1,094,970	12
Food services	12,710,183	5	10,762,680	5	1,947,503	18
Extracurricular activities	9,248,830	4	7,858,971	4	1,389,859	18
General administration	6,974,544	3	5,759,683	3	1,214,861	21
Plant maintenance and operations	20,453,544	8	18,688,524	9	1,765,020	9
Security and monitoring services	2,931,267	1	2,774,297	1	156,970	6
Data processing services	5,057,389	2	4,476,431	2	580,958	13
Community services	394,372	-	313,666	-	80,706	26
Interest on long-term debt	19,999,110	8	18,226,824	8	1,772,286	10
Issuance costs and fees	1,642,102	1	367,471	-	1,274,631	347
Facilities repair and maintenance	90,438	-	5,955	-	84,483	1,419
Payments related to shared services arrangements	651,524	-	360,727	-	290,797	81
Other intergovernmental charges	795,451	-	674,662	-	120,789	18
Total expenses	253,998,562	100	218,993,051	100	35,005,511	
Change in net position	14,552,599		25,220,056		(10,667,457)	
Net position (deficit) - beginning	(63,560,653)		(88,780,709)		25,220,056	
Net position (deficit) - ending	$ (49,008,054)		$ (63,560,653)		$ 14,552,599	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling $148,266,383) represent 55 percent of total revenues and property taxes ($108,341,030) represent 40 percent of total revenues. The remaining 5 percent is generated from investment earnings, charges for services, insurance proceeds, and miscellaneous revenues. The most significant change in revenues is the increase in property taxes due to increases in taxable value and investment earnings due to increased interest rates.

The primary functional expense of the District is instruction ($130,517,941) which represents 51 percent of total expenses. The remaining functional categories of expenses are individually 10 percent or less of total expenses. Expenses increased $35,005,511, the most significant increase being instruction.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $314,172,726, a increase of $190,144,358 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $56,093,781 and total fund balance was $63,625,281. As a measure of the general fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 32 percent of the same amount. The fund balance of the District's general fund increased by $3,096,891 during the current fiscal year. The fund balance of the general fund increased primarily due to revenues from an increase in property taxes and an increase in investment earnings that offset an increase overall in functional expenditures.

The debt service fund has a total fund balance of $16,458,691, all of which is restricted for retirement of long-term debt. The net increase in fund balance during the current year in the debt service fund was $9,206,910. The increase in fund balance was due primarily to an increase in property taxes that exceeded an increase in current debt service requirements.

The capital projects fund has a total fund balance of $224,545,879, all of which is restricted for capital acquisition programs and contractual obligations. The net increase in fund balance during the current year in the capital projects fund was $174,990,993. The net increase in fund balance during the current year in the capital projects fund was due to the issuance of capital bonds.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. The variations between the original budget and the final amended budget of the general fund included an increase in state program revenues and an increase in instruction and debt service expenditures.

There were no significant variations between the final budget and actual results at year end.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental-type activities as of August 31, 2023, amounts to $530,768,785 (net of accumulated depreciation/amortization). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, right-to-use leased assets, right-to-use subscription assets, and construction in progress.

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

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	$ 44,430,507	8	$ 43,493,163	8	$ 937,344	2
Buildings and improvements (net)	448,263,021	85	363,399,001	71	84,864,020	23
Furniture and equipment (net)	16,044,446	3	11,575,701	2	4,468,745	39
Right-to-use leased assets (net)	1,641,963	-	4,844,245	1	(3,202,282)	(66)
Right-to-use subscription assets (net)	590,707	-	-	-	590,707	-
Construction in progress	19,714,229	4	95,898,978	18	(76,184,749)	(79)
Totals	$ 530,684,873	100	$ 519,211,088	100	$ 11,473,785	

Major capital asset purchases during the current fiscal year included the following:

- $25,852,515 construction and renovations for various campuses and facilities
- $6,883,601 for buses and other equipment

Additional information on the District's capital assets can be found in Note 3.D. in the notes to the financial statements as noted in the table of contents of this report.

Construction Commitments. At the end of the current fiscal year, the Districts commitments with construction contractors totaled $11,202,358.

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

New Caney Independent School District's Outstanding Long-term Liabilities

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	$ 792,717,658	90	$ 603,889,903	88	$ 188,827,755	31
Leases payable	1,702,270	-	4,802,983	1	(3,100,713)	(65)
Financed purchases	2,051,863	-	516,080	-	1,535,783	298
Subscription liabilities	529,932	-	-	-	529,932	-
Net pension liability	60,496,183	7	24,990,021	4	35,506,162	142
Net OPEB liability	30,364,813	3	48,081,219	7	(17,716,406)	(37)
Totals	$ 887,862,719	100	$ 682,280,206	100	$ 205,582,513	

The District's bonded debt increased by $188,827,755 (31 percent) during the current fiscal year. The key factor in this increase was the issuance of $205,200,000 in bonds.

The District’s general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Guarantee Program.

State statutes do not limit the amount of bonded indebtedness issued by school districts, so long as the debt service tax rate does not exceed the limit established in Texas Education Code 45.0031. Addtionally, approval by the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District’s long-term debt can be found in Note 3.E. in the notes to the financial statements as indicated in the table of contents of this report.

Additional information on the District’s net pension liability can be found in Note 4.C. in the notes to the financial statements as indicated in the table of contents of this report.

Additional information on the District’s OPEB liability can be found in Note 4.D. to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- Current enrollment totals 18,909 students, which is an increase from the prior year.
- District staff totals 3,147 employees, which includes of 1,320 teachers and 385 teachers’ aides and secretaries.
- The District maintains 19 campuses for instruction and The Learning Center.
- Unemployment rates for the State and County were 4.1% and 4.6% respectively
- Property values of the District are projected to increase for the 2023-2024 fiscal year.

A maintenance and operations tax rate of $0.7575 and a debt service tax rate of $0.50, a total rate of $1.2575, were adopted for 2023-2024. Preceding year rates were $0.943, $0.50 and $1.443, respectively.

All of these factors were considered in preparing the District’s budget for the 2023-2024 fiscal year.

During the current fiscal year, fund balance in the general fund increased to $63,625,281, which exceeded three months of annual operating expenditures.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Finance, New Caney Independent School District, 21580 Loop 494, New Caney, Texas, 77357.

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Basic Financial Statements

New Caney Independent School District

Exhibit A-1

Statement of Net Position
August 31, 2023

Data Control Codes		1 Primary Government Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 4,652,692
1120	Current investments	303,041,710
1220	Property taxes receivable	4,597,163
1230	Allowance for uncollectible taxes	(92,000)
1240	Due from other governments	30,374,122
1290	Other receivables	1,084,717
1300	Inventories	386,710
	Capital assets:	
1510	Land and improvements	44,430,507
1520	Buildings and improvements (net)	448,263,021
1530	Furniture and equipment (net)	16,044,446
1559	Right-to-use leased assets (net)	1,641,963
1560	Right-to-use subscription assets (net)	590,707
1580	Construction in progress	19,714,229
1000	Total assets	874,729,987
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred outflows - pension	26,384,892
1706	Deferred outflows - OPEB	12,733,433
1710	Deferred charge on refunding	7,462,460
1700	Total deferred outflows of resources	46,580,785
	LIABILITIES	
2110	Accounts payable	6,702,697
2140	Interest payable	1,328,575
2150	Payroll deductions and withholdings	93,128
2160	Accrued wages payable	17,900,898
2180	Due to other governments	440,123
2190	Due to student groups	25,552
2300	Unearned revenue	204,827
	Noncurrent liabilities:	
2501	Due within one year	13,512,697
2502	Due in more than one year	783,489,026
2540	Net pension liability	60,496,183
2545	Net OPEB liability	30,364,813
2000	Total liabilities	914,558,519
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflows - pension	5,556,815
2606	Deferred inflows - OPEB	47,972,281
2610	Deferred gain on refunding	2,231,211
2600	Total deferred inflows of resources	55,760,307
	NET POSITION	
3200	Net investment in capital assets (deficit)	(32,863,446)
3820	Restricted for grants	8,765,921
3850	Restricted for debt service	12,954,009
3900	Unrestricted (deficit)	(37,864,538)
3000	**TOTAL NET POSITION (DEFICIT)**	$ (49,008,054)

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

New Caney Independent School District

Exhibit B-1

Statement of Activities
For the Fiscal Year Ended August 31, 2023

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues Charges for Services	4 Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	PRIMARY GOVERNMENT:				
	Governmental activities:				
0011	Instruction	$ 130,517,941	$ 211,044	$ 10,543,007	$ (119,763,890)
0012	Instructional resources and media services	2,170,237	159,531	136,971	(1,873,735)
0013	Curriculum and instructional staff development	5,645,699	2,632	3,303,026	(2,340,041)
0021	Instructional leadership	2,596,873	1,404	117,593	(2,477,876)
0023	School leadership	11,850,218	441,545	475,238	(10,933,435)
0031	Guidance, counseling, and evaluation services	8,162,045	4,650	1,289,328	(6,868,067)
0033	Health services	2,152,354	-	59,593	(2,092,761)
0034	Student transportation	9,954,441	-	217,028	(9,737,413)
0035	Food services	12,710,183	2,284,228	12,007,906	1,581,951
0036	Extracurricular activities	9,248,830	1,153,717	103,484	(7,991,629)
0041	General administration	6,974,544	205,676	271,813	(6,497,055)
0051	Plant maintenance and operations	20,453,544	1,133	2,223,309	(18,229,102)
0052	Security and monitoring services	2,931,267	2,160	224,149	(2,704,958)
0053	Data processing services	5,057,389	-	273,280	(4,784,109)
0061	Community services	394,372	-	357,681	(36,691)
0072	Interest on long-term debt	19,999,110	-	1,564,254	(18,434,856)
0073	Issuance costs and fees	1,642,102	-	-	(1,642,102)
0081	Facilities repair and maintenance	90,438	-	12,961	(77,477)
0093	Payments related to shared services arrangements	651,524	450,991	262,200	61,667
0099	Other intergovernmental charges	795,451	-	-	(795,451)
TG	Total governmental activities	253,998,562	4,918,711	33,442,821	(215,637,030)
TP	**TOTAL PRIMARY GOVERNMENT**	$ 253,998,562	$ 4,918,711	$ 33,442,821	(215,637,030)
	General revenues:				
MT	Property taxes, levied for general purpose				70,845,921
DT	Property taxes, levied for debt service				37,495,109
GC	Grants and contributions not restricted to specific programs				114,823,562
IN	Insurance proceeds				1,999
IE	Investment earnings				6,417,589
MI	Miscellaneous				605,449
TR	Total general revenues				230,189,629
CN	Change in net position				14,552,599
NB	Net position (deficit) - beginning				(63,560,653)
NE	**NET POSITION (DEFICIT) - ENDING**				$ (49,008,054)

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

New Caney Independent School District
Balance Sheet
Governmental Funds
August 31, 2023

Data Control Codes		199 General Fund	599 Debt Service Fund
	ASSETS		
1110	Cash and cash equivalents	$ 1,968,734	$ 483,785
1120	Current investments	51,046,416	15,220,475
1220	Property taxes receivable	3,065,994	1,531,169
1230	Allowance for uncollectible taxes	(61,000)	(31,000)
1240	Due from other governments	26,245,514	-
1260	Due from other funds	2,178,744	111,554
1290	Other receivables	1,717	1,083,000
1300	Inventories	31,500	-
1000	Total assets	84,477,619	18,398,983
1000a	**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**	$ 84,477,619	$ 18,398,983
	LIABILITIES		
2110	Accounts payable	$ 794,634	$ -
2150	Payroll deductions and withholdings	93,128	-
2160	Accrued wages payable	16,650,264	-
2170	Due to other funds	273,766	-
2180	Due to other governments	-	440,123
2190	Due to student groups	25,552	-
2300	Unearned revenue	10,000	-
2000	Total liabilities	17,847,344	440,123
	DEFERRED INFLOWS OF RESOURCES		
2600	Unavailable revenue - property taxes	3,004,994	1,500,169
	Total deferred inflows of resources	3,004,994	1,500,169
	FUND BALANCES		
3410	Nonspendable - inventories	31,500	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	16,458,691
3545	Committed - other	-	-
3590	Assigned - employee retention pay	6,000,000	-
3595	Assigned - capital expenditures	1,500,000	-
3600	Unassigned	56,093,781	-
3000	Total fund balances	63,625,281	16,458,691
4000	**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**	$ 84,477,619	$ 18,398,983

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

Exhibit C-1

699 Capital Projects Funds	Total Nonmajor Funds	98 Total Governmental Funds
$ 22,853	$ 2,177,320	$ 4,652,692
230,439,589	6,335,230	303,041,710
-	-	4,597,163
-	-	(92,000)
-	4,128,608	30,374,122
-	161,506	2,451,804
-	-	1,084,717
-	355,210	386,710
230,462,442	13,157,874	346,496,918
$ 230,462,442	$ 13,157,874	$ 346,496,918
$ 5,839,611	$ 68,452	$ 6,702,697
-	-	93,128
40,796	1,209,838	17,900,898
36,156	2,141,882	2,451,804
-	-	440,123
-	-	25,552
-	194,827	204,827
5,916,563	3,614,999	27,819,029
-	-	4,505,163
-	-	4,505,163
-	-	31,500
-	8,765,921	8,765,921
224,545,879	-	224,545,879
-	-	16,458,691
-	776,954	776,954
-	-	6,000,000
-	-	1,500,000
-	-	56,093,781
224,545,879	9,542,875	314,172,726
$ 230,462,442	$ 13,157,874	$ 346,496,918

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New Caney Independent School District **Exhibit C-1R**

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)		$ 314,172,726
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	$ 721,418,946	
Accumulated depreciation/amortization of governmental capital assets	(190,734,073)	530,684,873
Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		4,505,163
Long-term liabilities, including bonds, leases and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year end related to such items, consist of:		
Bonds payable, at original par	$ (733,685,000)	
Premium on bonds payable	(55,356,382)	
Accreted interest	(3,676,276)	
Accrued interest on the bonds	(1,328,575)	
Financed purchases	(2,051,863)	
Lease liability	(1,702,270)	
Subscription liability	(529,932)	
Net pension liability	(60,496,183)	
Net OPEB liability	(30,364,813)	(889,191,294)
Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds due to it is not a current financial resource available to pay for current expenditures.		7,462,460
Deferred gain on refunding is reported as deferred inflow in the statement of net position that applies to a future period(s) and will not be recognized as an inflow of resouces (revenue) until that time.		(2,231,211)
Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		26,384,892
Deferred inflows of resources for pension represents an acquisition of net position that future period(s) and will not be recognized as an inflow of resouces (revenue) until that time.		(5,556,815)
Deferred outflows of resources for OPEB represents a consumption of net position that applies to a applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		12,733,433
Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resouces (revenue) until that time.		(47,972,281)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)		$ (49,008,054)

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

New Caney Independent School District

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

Data Control Codes		199 General Fund	599 Debt Service Fund
	REVENUES		
5700	Local and intermediate sources	$ 74,434,229	$ 38,712,423
5800	State program revenues	119,439,268	1,074,080
5900	Federal program revenues	4,698,818	-
5020	Total revenues	198,572,315	39,786,503
	EXPENDITURES		
	Current:		
0011	Instruction	113,891,434	-
0012	Instructional resources and media services	1,809,790	-
0013	Curriculum and instructional staff development	2,504,231	-
0021	Instructional leadership	2,634,147	-
0023	School leadership	11,508,573	-
0031	Guidance, counseling, and evaluation services	7,285,045	-
0033	Health services	2,177,103	-
0034	Student transportation	9,696,887	-
0035	Food services	-	-
0036	Extracurricular activities	8,215,145	-
0041	General administration	6,973,022	-
0051	Plant maintenance and operations	20,260,037	-
0052	Security and monitoring services	2,770,993	-
0053	Data processing services	4,711,062	-
0061	Community services	43,136	-
	Debt service:		
0071	Principal on long-term debt	2,627,794	9,600,000
0072	Interest on long-term debt	241,109	21,148,582
0073	Issuance costs and fees	-	1,642,102
	Capital outlay:		
0081	Facilities acquisition and construction	68,919	-
	Intergovernmental:		
0093	Payments related to shared services arrangements	-	-
0099	Other intergovernmental charges	795,451	-
6030	Total expenditures	198,213,878	32,390,684
1100	Excess (deficiency) of revenues over (under) expenditures	358,437	7,395,819
	OTHER FINANCING SOURCES (USES)		
7901	Issuance of refunding bonds	-	5,200,000
7911	Issuance of capital-related bonds	-	-
7913	Issuance of leases, subscriptions and financed purchases	3,469,208	-
7915	Transfers in	-	-
7916	Premium on issuance of bonds	-	21,312,887
7949	Other resources	39,246	-
8911	Transfers out	(770,000)	-
8940	Payment to bond refunding escrow agent	-	(24,701,796)
7080	Total other financing sources (uses)	2,738,454	1,811,091
1200	Net change in fund balances	3,096,891	9,206,910
0100	Fund balances - beginning	60,528,390	7,251,781
3000	**FUND BALANCES - ENDING**	$ 63,625,281	$ 16,458,691

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

Exhibit C-2

699 Capital Projects Funds	Total Nonmajor Funds	98 Total Governmental Funds
$ 1,856,053	$ 4,443,172	$ 119,445,877
39,542	1,198,952	121,751,842
-	27,861,597	32,560,415
1,895,595	33,503,721	273,758,134
-	8,396,814	122,288,248
-	257,048	2,066,838
-	3,172,618	5,676,849
-	71,821	2,705,968
-	697,882	12,206,455
-	1,144,403	8,429,448
-	20,393	2,197,496
-	127,124	9,824,011
-	12,761,343	12,761,343
-	407,239	8,622,384
-	370,812	7,343,834
57,719	2,093,041	22,410,797
-	189,292	2,960,285
-	224,512	4,935,574
-	347,821	390,957
2,236	464,646	12,694,676
205	25,824	21,415,720
-	-	1,642,102
26,844,442	-	26,913,361
-	651,524	651,524
-	-	795,451
26,904,602	31,424,157	288,933,321
(25,009,007)	2,079,564	(15,175,187)
-	-	5,200,000
200,000,000	-	200,000,000
-	-	3,469,208
-	770,000	770,000
-	-	21,312,887
-	-	39,246
-	-	(770,000)
-	-	(24,701,796)
200,000,000	770,000	205,319,545
174,990,993	2,849,564	190,144,358
49,554,886	6,693,311	124,028,368
$ 224,545,879	$ 9,542,875	$ 314,172,726

New Caney Independent School District **Exhibit C-3**

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

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL (EXHIBIT C-2)		$ 190,144,358
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.		
Capital assets increased	$ 34,677,831	
Depreciation/amortization expense	(21,710,604)	12,967,227
The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.		(83,912)
Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year.		888,246
Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Par value	$ (205,200,000)	
(Premium) discount	(21,312,887)	(226,512,887)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		9,600,000
Payment to escrow agent to refund bonds from refunding proceeds.		24,701,796
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The increase (decrease) in interest expense reported in the statement of activities consist of the following:		
Accrued interest on current interest bonds payable (increased) decreased	$ (433,326)	
Accreted interest paid	(56,318)	
Amortization of bond premium and discount	2,407,844	
Amortization of deferred charge and deferred gain on refunding	(501,590)	1,416,610
Issuance of leases, financed purchases, and subscription liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the statement of net position.		
Leases, financed purchases, and subscription issued		(3,469,208)
Repayment of leases, financed purchases, and subscription liabilities principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		3,094,676
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ 10,201,910	
Deferred inflows (increased) decreased	22,858,373	
Net pension liability (increased) decreased	(35,506,162)	(2,445,879)
The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ (749,318)	
Deferred inflows (increased) decreased	(12,715,516)	
Net OPEB liability (increased) decreased	17,716,406	4,251,572
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)		$ 14,552,599

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

New Caney Independent School District **Exhibit E-1**

Statement of Fiduciary Net Position
Fiduciary Fund
August 31, 2023

		865
		Custodial Fund
		Student Activity
ASSETS		
Cash and cash equivalents	$	603,984
Other receivables		203
Total assets		604,187
NET POSITION		
Restricted for:		
Student activities		604,187
TOTAL NET POSITION	$	604,187

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

New Caney Independent School District **Exhibit E-2**

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

	865 Custodial Fund
	Student Activity
ADDITIONS	
Dues and fees	$ 578,830
Fundraisers	368,245
Donations	34,415
Other	19,790
Total additions	1,001,280
DEDUCTIONS	
Student activity	745,500
Administrative	103,640
Fundraiser expense	67,276
Scholarships	400
Other	80,612
Total deductions	997,428
Net change in fiduciary net position	3,852
Net position - beginning	600,335
NET POSITION - END OF YEAR	$ 604,187

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues and other nonexchange transactions.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

> The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.
>
> The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.
>
> The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities.

Additionally, the District reports the following fiduciary fund types:

> The *custodial fund* accounts for assets held by the District for student organizations. Custodial funds report fiduciary activities that are not held in a trust.

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

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

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and cash on deposit with bank depository.

2. Investments

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

3. Receivables and Payables

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

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

4. Inventories and Prepaid Items

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

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

5. Capital Assets

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and improvements and construction in progress are not depreciated/amortized. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and improvements	5-47
Furniture and equipment	5-30
Furniture and equipment, right-to-use	Shorter of lease term or useful life
Subscriptions, right-to-use	Shorter of subscription term or useful life

6. Leases

The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The District recognizes lease liabilities with an initial, individual value of $50,000 or more.

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

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

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

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

7. Subscription-Based Information Technology Arrangements (SBITAs)

The District has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The District recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of $50,000 or more.

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

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

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

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

8. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

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

9. Compensated Absences

Vacation

The District does not have a liability for unpaid vacation at year end due to the District’s policy does not allow a carryover of vacation not taken at August 31.

Sick Leave
Prior to September 1, 1992, the District's policy permitted employees to accumulate earned but unused sick leave benefits. Payment for unused sick leave days accumulated locally will be made upon retirement (in accordance with guidelines established by the Teacher Retirement System of Texas) for all employees hired prior to September 1, 1992. No liabilities were recorded due to the amounts were not significant. All sick pay is accrued when incurred in the government-wide financial statements. If significant, a liability for these amounts is reported in governmental funds only if they have met the District's retirement and State's retirement eligibility requirements.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Net Position Flow Assumption
Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

12. Fund Balance Flow Assumptions
Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. The general fund is the only fund that reports a positive unassigned fund balance.

13. Fund Balance Policies
Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by policy, authorized the superintendent or their designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

14. Pension

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension 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 pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Other Postemployment Benefits (OPEB)

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

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

G. Use of Estimates

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

H. Data Control Codes

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

I. Implementation of New Accounting Standards

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for SBITAs for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 96 was implemented in the District’s 2023 financial statements with no impact to amounts previously reported.

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *National School Breakfast and Lunch Program* special revenue fund and debt service fund. All annual appropriations lapse at fiscal year-end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

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

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

B. Encumbrances

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

	Restricted Fund Balance
Capital projects Fund	$ 11,202,358
Total encumbrances	$ 11,202,358

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits

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

Investments

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

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

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

The District's measurements of investments are presented in the table below. The District's investment balances and weighted average maturity and credit risk of such investments are as follows:

	Fair Value Measurement Using			
	August 31, 2022	Percent of Total Investments	Weighted Average Maturity (Days)	Moody's / S&P Rating
Investments measured at amortized cost:				
Investment pools				
Texpool	$ 294,659,291	97%	23	AAAm
Lone Star Government Overnight	8,382,419	3%	18	AAAm
Total investments	$ 303,041,710	100%		
Portfolio weighted average maturity			23	

Local Government Investment Pools

Certain investment types are not required to be measured at fair value; these include certain investment pools in which the underlying portfolio is measured at amortized cost. Other investment pools, in which underlying portfolio investments are measured at fair value, are reported by the District at the net asset value (NAV) determined by the pool, which approximates fair value.

TexPool

TexPool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds.

TexPool transacts at a net asset value of $1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

LoneStar Government Overnight Fund

The objective of the Lone Star Government Overnight Fund is to provide safety of principal, daily liquidity, and the highest possible rate of return. The fund seeks to maintain a net asset value of one dollar, and its dollar-weighted average maturity is 60 days or fewer. The fund may invest in obligations of the U.S. or its agencies and instrumentalities; other obligations guaranteed or insured by the U.S. or its agencies and instrumentalities; fully collateralized repurchase agreements having a defined termination date and secured by obligations of the U.S. or its agencies and instrumentalities; reverse repurchase agreements authorized under the Public Funds Investment Act; and SEC-regulated no-load money market mutual funds that investment exclusively in authorized Government Overnight Fund Investments.

Credit Risk

For fiscal year 2023, the District invested in TexPool and Lone Star Investment Pool. TexPool is duly chartered and administered by the State Comptroller's Office. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, formerly, the Texas Association of School Boards Financial Services. The credit rating for investments are noted in the table above.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 180 days, diversification and by holding securities to maturity not to exceed one year unless specifically authorized by the Board of Trustees.

Concentration of Credit Risk
The District's investment policy does not limit an investment in any one issuer.

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

Custodial Credit Risk – Investments
For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial credit risk due to the investments are insured or registered in the District's name, or the investments are held by the District or its agent.

B. Receivables

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

Change in uncollectibles related to General Fund property taxes	$ (11,000)
Change in uncollectibles related to Debt Service property taxes	(7,000)
Total change in uncollectibles of the current fiscal year	$ (18,000)

Approximately 65% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

C. Interfund Receivables and Payables

1. Receivables/Payables
The composition of interfund balances as of August 31, 2023, was as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	$ 2,178,744	$ 273,766
Debt service fund	111,554	-
Capital projects fund	-	36,156
Other governmental funds - nonmajor	161,506	2,141,882
Totals	$ 2,451,804	$ 2,451,804

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

2. Transfers

The Interfund transfers are defined as "flows of assets from one fund to another fund without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund to finance various programs accounted for in other funds.

Transfer Out	Transfers In	Amount
General Fund	Other governmental funds - nonmajor	$ 770,000
Total		$ 770,000

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2023 was as follows:

	Beginning Balance	Additions	Reductions and Adjustments	Transfers and Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land and improvements	$ 43,493,163	$ 937,344	$ -	$ -	$ 44,430,507
Construction in progress	95,898,978	25,852,515	-	(102,037,264)	19,714,229
Total capital assets, not being depreciated/amortized	139,392,141	26,789,859	-	(102,037,264)	64,144,736
Capital assets, being depreciated/amortized:					
Buildings and improvements	510,564,213	-	-	102,037,264	612,601,477
Furniture and equipment	31,914,455	6,883,601	(520,192)	-	38,277,864
Right-to-use leased assets	6,888,305	291,177	(1,497,807)	-	5,681,675
Right-to-use subscription assets	-	713,194	-	-	713,194
Total capital assets, being depreciated/amortized	549,366,973	7,887,972	(2,017,999)	102,037,264	657,274,210
Less accumulated depreciation/amortization for:					
Buildings and improvements	(147,165,212)	(17,173,244)	-	-	(164,338,456)
Furniture and equipment	(20,338,754)	(2,330,944)	436,280	-	(22,233,418)
Right-to-use leased assets	(2,044,060)	(2,083,929)	88,277	-	(4,039,712)
Right-to-use subscription assets	-	(122,487)	-	-	(122,487)
Total accumulated depreciation/amortization	(169,548,026)	(21,710,604)	524,557	-	(190,734,073)
Total capital assets, being depreciated/amortized, net	379,818,947	(13,822,632)	(1,493,442)	102,037,264	466,540,137
Governmental activities capital assets, net	$ 519,211,088	$ 12,967,227	$ (1,493,442)	$ -	$ 530,684,873

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

Governmental Activities:	
11 Instruction	$ 16,617,005
12 Instructional resources and media services	179,244
13 Curriculum and instructional staff development	32,773
21 Instructional leadership	520
23 School leadership	152,603
31 Guidance, counseling, and evaluation services	24,667
33 Health services	48,977
34 Student transportation	1,446,262
35 Food services	224,477
36 Extracurricular activities	1,933,049
41 General administration	99,690
51 Plant maintenance and operations	452,394
52 Security and monitoring services	78,082
53 Data processing	420,861
Total depreciation/amortization expense-governmental activities	$ 21,710,604

Construction Commitments

The District had active construction projects as of August 31, 2023. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
Porter Elementary School Replacement	$ 11,202,358
Totals	$ 11,202,358

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

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, leases payable, financed purchases, subscription liabilities, and net pension and OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions/ Adjustments	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 561,995,000	$ 205,200,000	$ (33,510,000)	$ 733,685,000	$ 11,825,000
Issuance premiums	37,489,945	21,312,887	(3,446,450)	55,356,382	-
Accreted interest (CAB's)	4,404,958	56,318	(785,000)	3,676,276	-
Total bonds payable, net	603,889,903	226,569,205	(37,741,450)	792,717,658	11,825,000
Leases payable	4,802,983	291,177	(3,391,890)	1,702,270	650,901
Financed purchases	516,080	2,464,837	(929,054)	2,051,863	846,371
Subscription liabilities	-	713,194	(183,262)	529,932	190,425
Net pension liability	24,990,021	40,261,178	(4,755,016)	60,496,183	-
Net OPEB liability	48,081,219	2,077,634	(19,794,040)	30,364,813	-
Governmental activities long-term liabilities	$ 682,280,206	$ 272,377,225	$ (66,794,712)	$ 887,862,719	$ 13,512,697

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities buildings (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 7-32 year current interest and capital appreciation bonds (CAB) with various amounts of principal maturing each year. The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2011 REF	2.0-4.0%	9,255,000	2/15/2033	$ 6,100,000	$ -	$ (430,000)	$ 5,670,000
2013 REF	3.25-6.25%	13,985,000	2/15/2035	10,490,000	-	(575,000)	9,915,000
2013 BLDG	3.00-5.00%	31,850,000	2/15/2042	25,590,000	-	(25,590,000)	-
2014 REF	2.00-4.00%	7,680,000	2/15/2033	4,875,000	-	(380,000)	4,495,000
2014 BLDG	2-4.25%	9,240,000	2/15/2042	4,885,000	-	(250,000)	4,635,000
2015 REF	2.00-5.00%	51,500,000	2/15/2037	42,240,000	-	(2,040,000)	40,200,000
2015 BLDG	2.00-5.00%	86,315,000	2/15/2045	82,570,000	-	(645,000)	81,925,000
2015A REF	2.00-5.00%	10,610,000	2/15/2030	8,675,000	-	(940,000)	7,735,000
2016 REF	2.00-4.00%	8,605,000	8/15/2038	8,020,000	-	(135,000)	7,885,000
2017 BLDG	2.00-5.00%	73,895,000	2/15/2047	70,230,000	-	(335,000)	69,895,000
2017 REF	2.00-5.00%	28,550,000	2/15/2039	24,675,000	-	(1,215,000)	23,460,000
2018 BLDG	1.25%	59,015,000	2/15/2050	57,885,000	-	-	57,885,000
2019 BLDG	3.00-5.00%	59,230,000	2/15/2051	59,230,000	-	-	59,230,000
2019 REF	3.00-5.00%	16,875,000	2/15/2039	16,875,000	-	-	16,875,000
2020 REF	1.519-5.00%	61,210,000	9/1/2020	60,095,000	-	-	60,095,000
2020 REF CABS	3.00-5.00%	1,055,000	9/1/2020	1,055,000	-	(470,000)	585,000
2021 BLDG	2.00-5.00%	49,170,000	4/1/2021	48,660,000	-	(505,000)	48,155,000
2022 BLDG	3.00-5.00%	29,845,000	2/15/2052	29,845,000	-	-	29,845,000
2023 BLDG/REF	5.00%	205,200,000	2/15/2053	-	205,200,000	-	205,200,000
Totals				$ 561,995,000	$ 205,200,000	$ (33,510,000)	$ 733,685,000

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

Year Ending August 31,	Principal Value	Interest	Total Requirements
2024	$ 11,825,000	$ 28,426,110	$ 40,251,110
2025	13,805,000	29,676,146	43,481,146
2026	14,055,000	29,048,008	43,103,008
2027	14,650,000	28,403,608	43,053,608
2028	16,610,000	27,711,114	44,321,114
2029	17,360,000	26,962,564	44,322,564
2030	18,105,000	26,216,994	44,321,994
2031	18,840,000	25,482,879	44,322,879
2032	19,580,000	24,739,714	44,319,714
2033	20,330,000	23,990,797	44,320,797
2034	21,110,000	23,212,052	44,322,052
2035	21,930,000	22,391,773	44,321,773
2036	22,800,000	21,521,154	44,321,154
2037	23,730,000	20,590,624	44,320,624
2038	24,710,000	19,611,197	44,321,197
2039	25,740,000	18,582,035	44,322,035
2040	26,830,000	17,489,794	44,319,794
2041	27,985,000	16,335,835	44,320,835
2042	29,195,000	15,126,577	44,321,577
2043	30,480,000	13,841,010	44,321,010
2044	31,845,000	12,476,544	44,321,544
2045	33,270,000	11,049,388	44,319,388
2046	34,765,000	9,552,794	44,317,794
2047	36,340,000	7,980,425	44,320,425
2048	37,885,000	6,433,863	44,318,863
2049	39,400,000	4,919,188	44,319,188
2050	40,980,000	3,338,250	44,318,250
2051	30,065,000	1,946,231	32,011,231
2052	17,225,000	986,825	18,211,825
2053	12,240,000	306,000	12,546,000
Totals	$ 733,685,000	$ 518,349,493	$ 1,252,034,493

In July 2023, the District issued $205,200,000 of Unlimited Tax Building and Refunding Bonds, Series 2023. The issuance refunded $24,695,000 of the District's Series 2013 bonds, and was initiated to provide long-term financing at fixed rates and to pay the costs of issuance related to the bonds. The net carrying value of the old debt was more than the reacquisition price by $1,031,810. This amount is amortized over the life of the new debt. The refunding resulted in a debt service savings of $3,471,310 and an economic gain of $2,514,607. The Bonds are scheduled to mature on February 15, 2053.

As of August 31, 2023, the District has $495,000,000 ($465,000,000 in Proposition A and $30,000,000 in Proposition B) of authorized but unissued unlimited ad valorem tax bonds from the May 6, 2023 bond election.

In prior years, the District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the Districts basic financial statements. As of August 31, 2023, the District had no outstanding defeased bonds.

Leases Payable

The District has entered into multiple lease agreements as lessee. The leases allow the right-to-use vehicles, copiers, and office space over the term of the lease. The District is required to make monthly and annual payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term and ending lease liability are as follows:

	Interest Rate(s)	Lease Term in Years	Ending Balance
Governmental activities:			
Vehicles	Various	3.18%-7.82%	$ 483,266
Copiers	5.00%	5	976,147
Office space	5.00%	3	242,857
Total governmental activities			$ 1,702,270

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

Year Ending August 1,	Principal	Interest	Total Requirements
2024	$ 650,901	$ 75,687	$ 726,588
2025	531,548	47,394	578,942
2026	502,147	21,948	524,095
2027	17,674	1,721	19,395
Total governmental activities	$ 1,702,270	$ 146,750	$ 1,849,020

The value of the right-to-lease assets as of the end of the current fiscal year was $5,681,675 and had accumulated amortization of $4,039,712.

Financed Purchases

The District issued financed purchase agreements for laptops and hardware with original terms of 3-4 years and an interest rate of 2.685 - 5%. The schedule of payments are as follows:

Year Ending August 1,	Principal	Interest	Total Requirements
2024	$ 846,371	$ 96,540	$ 942,911
2025	614,158	60,275	674,433
2026	591,334	29,567	620,901
Total governmental activities	$ 2,051,863	$ 186,382	$ 2,238,245

The value of the financed purchased equipment as of the end of the current fiscal year was $3,249,395 and had accumulated depreciation of $583,956.

Subscription Based Information Technology Arrangements (SBITA)
The District has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The District is required to make monthly or annual payments at its incremental borrowing rate.

The SBITA rate, term and ending subscription liabilities are as follows:

	Interest Rates	Liability at Commencement	SBITA Term in Years	Ending Balance
Governmental activities:				
Cloud subscription	3.86%	$ 497,010	5	$ 445,737
License subscription	4.51%	216,184	2	84,195
Total governmental activities				$ 529,932

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

Year Ending August 31,	Principal	Interest	Total
2024	$ 190,425	$ 21,149	$ 211,574
2025	110,178	13,257	123,435
2026	114,430	9,005	123,435
2027	114,899	4,588	119,487
Totals	$ 529,932	$ 47,999	$ 577,931

The value of the right-to-use subscription assets as of the end of the current fiscal year was $713,194 and had accumulated amortization of $122,487.

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Other governmental funds:	
Campus activity	$ 768,277
Education foundation grant	8,668
Local funds	9
Total other committed fund balance	$ 776,954

G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Property taxes	$ 70,273,362	$ 37,179,422	$ -	$ -	$ 107,452,784
Investment income	2,830,038	1,533,001	1,856,053	198,497	6,417,589
Food sales	-	-	-	2,284,228	2,284,228
Extracurricular student activities	-	-	-	1,960,447	1,960,447
Other	1,330,829	-	-	-	1,330,829
Total	$ 74,434,229	$ 38,712,423	$ 1,856,053	$ 4,443,172	$ 119,445,877

Note 4. Other Information

A. Risk Management

Property/Liability
The District is exposed to various risks of loss related to property/liability losses for which the District participates in the Texas Association of Public Schools Property and Liability Fund. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its liability coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverages in the past fiscal year and there were no settlements exceeding insurance coverages for each of the past three fiscal years.

Health Care Coverage
During the year ended August 31, 2023, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of $250 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation
The District participates in the Texas Association of School Boards Risk Management Fund ("Fund") for Workers' Compensation. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its coverages and transfers the risk to the Fund. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the pool. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years.

B. Litigation and Contingencies

The District is a defendant in various lawsuits arising principally in the normal course of operations. In the opinion of the District's management, the potential claims will not have a material effect on the District's financial position or results of operations.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2023, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

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

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

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

Benefits Provided
TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity, except for members who are grandfathered where the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article XVI, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

Rates for such plan fiscal years are as follows:

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

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

District contributions	$ 5,440,579
Member contributions	10,875,950
NECE On-behalf contributions (State)	7,240,795

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

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

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

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

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

- Public education employer contribution - all public schools, charter schools and regional education service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2.0% in fiscal year 2025.

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

On August 31, 2023, the District reported a liability of $60,496,183 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the net pension liability	$ 60,496,183
State's proportionate share of the net pension liability associated with the District	83,887,373
Total	$ 144,383,556

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

At the measurement date of August 31, 2022, the District's proportion of the collective net pension liability was 0.10190% which was an increase 0.00377% from its proportion measured as of August 31, 2021.

For the fiscal year ended August 31, 2023, the District recognized pension expense of $15,905,140 and revenue of $8,018,682 for support provided by the State.

On August 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 877,190	$ 1,318,931
Changes of assumptions	11,272,408	2,809,399
Difference between projected and actual earnings on pension plan investments	5,976,829	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	2,817,886	1,428,485
District contributions paid subsequent to the measurement date	5,440,579	-
Totals	$ 26,384,892	$ 5,556,815

$5,440,579 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	
2024	$ 4,484,467
2025	2,295,819
2026	476,755
2027	7,017,647
2028	1,112,810
Total	$ 15,387,498

Actuarial Methods and Assumptions

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

Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.00%
Long-term expected rate of return	7.00%
Municipal bond rate as of August 2022	3.91%. Source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2121
Inflation	2.30%
Salary increases	2.95% to 8.95% including inflation
Ad hoc postemployment benefit changes	None
Mortality rates	The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale (“U-MP”). The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation**	Long-term Expected Geometric Real Rate of Return**	Expected Contribution to Long-term Portfolio Returns
Global equity:			
U.S.	18.00%	4.60%	1.12%
Non-U.S. developed	13.00%	4.90%	0.90%
Emerging markets	9.00%	5.40%	0.75%
Private equity*	14.00%	7.70%	1.55%
Stable value:			
Government bonds	16.00%	1.00%	0.22%
Absolute return*	-	3.70%	-
Stable value hedge funds	5.00%	3.40%	0.18%
Real return:			
Real estate	15.00%	4.10%	0.94%
Energy, natural resources and infrastructure	6.00%	5.10%	0.37%
Commodities	-	3.60%	-
Risk parity:			
Risk parity	8.00%	4.60%	0.43%
Asset allocation leverage:			
Cash	2.00%	3.00%	0.01%
Asset allocation leverage cash	-6.00%	3.60%	-0.05%
Inflation expectation			2.70%
Volatility drag****			-0.91%
Total	100.00%		8.21%

* Absolute return includes credit sensitive investments.

* Target allocations are based on the FY 2022 policy model.

** Capital market assumptions come from Aon Hewitt (as of 8/31/2022).

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

Discount Rate Sensitivity Analysis

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	$ 94,109,123	$ 60,496,183	$ 33,251,317

Change of Assumptions Since the Prior Measurement Date

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

Change of Benefit Terms Since the Prior Measurement Date

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

D. Defined Other Postemployment Benefit Plan

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

TRS-Care Monthly Plan 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

Contributions

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

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

Rates for such plan fiscal years are as follows:

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

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

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

District contributions	$ 1,122,506
Member contributions	883,684
NECE on-behalf contributions (State)	1,604,065

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

The State of Texas also contributed $734,992, $525,988 and $549,462 in 2023, 2022, and 2021, respectively, for on-behalf payments for Medicare Part D.

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of $83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19 related health care costs during fiscal year 2022.

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

On August 31, 2023, the District reported a liability of $30,364,813 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided by the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District are as follows:

District's proportionate share of the net OPEB liability	$ 30,364,813
State's proportionate share of the net OPEB liability associated with the District	37,040,301
Total	$ 67,405,114

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

At the measurement date of August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.12682% which was an increase of 0.00217% from its proportion measured as of August 31, 2021.

For the fiscal year ended August 31, 2023, the District recognized net OPEB revenue of ($8,385,384) due to recognition of deferred inflows in excess of deferred outflows and current year expense. OPEB revenue of ($5,256,318) was recognized for support provided by the State.

On August 31, 2023, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,688,176	$ 25,296,615
Changes of assumptions	4,625,162	21,095,666
Difference between projected and actual earnings on OPEB plan investments	90,448	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	5,207,141	1,580,000
District contributions paid subsequent to the measurement date	1,122,506	-
Totals	$ 12,733,433	$ 47,972,281

$1,122,506 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 30,	
2024	$ (6,588,202)
2025	(6,587,873)
2026	(5,300,208)
2027	(3,556,928)
2028	(4,727,154)
Thereafter	(9,600,989)
Total	$ (36,361,354)

Actuarial Methods and Assumptions

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

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

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

See Note 4.C for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

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

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

Discount Rate

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

Sensitivity Analysis of Rates

Discount Rate

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

	1% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
District's proportionate share of the net OPEB liability	$ 35,802,522	$ 30,364,813	$ 25,959,570

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 25,020,743	$ 30,364,813	$ 37,292,712

Change of Assumptions Since the Prior Measurement Date
The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

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

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

E. Joint Venture-Shared Service Arrangement

The District participates in the following shared service arrangements:

Purchasing Alliance Cooperative
The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides food purchasing services for various member districts. All services are provided by the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the appropriate Special Revenue Fund and has accounted for these funds using Model 1 in the SSA section of the Resource Guide. Expenditures spent by the District were $571,331 for the year ended August 31, 2023.

Humble Regional Day School Program for the Deaf
The District participates in a shared service arrangement, Humble Regional Day School Program for the Deaf, with numerous districts for the education of students with a hearing impairment. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Humble Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for the financial activities of the shared service arrangement.

F. Net Position Deficit

The statement of net position reported a deficit balance of $48,914,142 at August 31, 2023 due to the implementation of Governmental Accounting Standards Board Statement No. 75 in fiscal year 2018 and the implementation of Governmental Accounting Standards Board Statement No. 68 in fiscal year 2015 significantly reducing the unrestricted net position which resulted in an overall deficit.

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Required Supplementary Information
(Unaudited)

New Caney Independent School District

Exhibit G-1

Schedule of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended August 31, 2023

Data Control Codes		199 Budgeted Amounts Original	199 Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	Local and intermediate sources	$ 71,863,260	$ 74,837,920	$ 74,434,229	$ (403,691)
5800	State program revenues	102,936,552	110,812,468	119,439,268	8,626,800
5900	Federal program revenues	2,150,000	4,526,848	4,698,818	171,970
5020	Total revenues	176,949,812	190,177,236	198,572,315	8,395,079
	EXPENDITURES:				
	Current:				
0011	Instruction	102,681,569	111,145,876	113,891,434	(2,745,558)
0012	Instructional resources and media services	1,736,548	1,858,615	1,809,790	48,825
0013	Curriculum and instructional staff development	2,588,280	2,688,291	2,504,231	184,060
0021	Instructional leadership	2,606,988	2,651,974	2,634,147	17,827
0023	School leadership	10,286,995	11,707,847	11,508,573	199,274
0031	Guidance, counseling, and evaluation services	6,799,007	7,351,020	7,285,045	65,975
0033	Health services	2,178,121	2,288,943	2,177,103	111,840
0034	Student transportation	8,526,637	10,124,987	9,696,887	428,100
0036	Extracurricular activities	7,490,252	8,548,607	8,215,145	333,462
0041	General administration	6,431,712	7,069,922	6,973,022	96,900
0051	Plant maintenance and operations	17,518,692	20,245,884	20,260,037	(14,153)
0052	Security and monitoring services	2,674,664	2,793,778	2,770,993	22,785
0053	Data processing services	4,725,347	4,841,745	4,711,062	130,683
0061	Community services	-	43,039	43,136	(97)
	Debt service:				
0071	Principal on long-term debt	-	2,627,794	2,627,794	-
0072	Interest on long-term debt	-	241,109	241,109	-
0073	Issuance costs and fees	-	99,934	-	99,934
	Capital outlay:				
0081	Facilities acquisition and construction	-	68,919	68,919	-
	Intergovernmental charges:				
0095	Payments to juvenile justice alternative education programs	45,000	45,000	-	45,000
0099	Other intergovernmental charges	660,000	795,452	795,451	1
6030	Total expenditures	176,949,812	197,238,736	198,213,878	(975,142)
1100	Excess (deficiency) of revenues over (under) expenditures	-	(7,061,500)	358,437	7,419,937
	OTHER FINANCING SOURCES (USES):				
7913	Issuance of leases, subscriptions and financed purchases	-	-	3,469,208	3,469,208
7949	Other resources	-	-	39,246	39,246
8911	Transfers out	-	(770,000)	(770,000)	-
7080	Total other financing sources (uses)	-	(770,000)	2,738,454	3,508,454
1200	Net change in fund balance	-	(7,831,500)	3,096,891	10,928,391
0100	Fund balance - beginning	60,528,390	60,528,390	60,528,390	-
3000	**FUND BALANCE - ENDING**	$ 60,528,390	$ 52,696,890	$ 63,625,281	$ 10,928,391

The Notes to the Required Supplementary Information are an integral part of this schedule.

New Caney Independent School District **Exhibit G-2**

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan
Teacher Retirement System of Texas
For the Last Nine Fiscal Years*

Year	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.1019013%	$ 60,496,183	$ 83,887,373	$ 144,383,556	$ 127,078,479	47.61%	75.62%
2022	0.0981291%	24,990,021	38,140,413	63,130,434	121,277,371	20.61%	88.79%
2021	0.0985874%	52,801,386	77,448,604	130,249,990	115,981,853	45.53%	75.54%
2020	0.1042179%	54,175,721	72,459,837	126,635,558	108,854,866	49.77%	75.24%
2019	0.0999142%	54,995,174	78,083,072	133,078,246	103,297,323	53.24%	73.74%
2018	0.0927553%	29,658,134	45,319,803	74,977,937	95,872,906	30.93%	82.17%
2017	0.0866803%	32,755,201	52,456,045	85,211,246	88,748,492	36.91%	78.00%
2016	0.0866180%	30,618,310	48,009,456	78,627,766	82,049,484	37.32%	78.43%
2015	0.0567278%	15,152,779	38,947,704	54,100,483	74,214,555	20.42%	83.25%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.

The Notes to the Required Supplementary Information are an integral part of this schedule.

New Caney Independent School District **Exhibit G-3**

Schedule of the District's Contributions to the
Teacher Retirement System of Texas Pension Plan
For the Last Nine Fiscal Years*

Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 5,440,579	$ (5,440,579)	$ -	$ 135,901,069	4.00%
2022	4,755,052	(4,755,052)	-	127,078,479	3.74%
2021	4,187,799	(4,187,799)	-	121,277,371	3.45%
2020	4,066,939	(4,066,939)	-	115,981,853	3.51%
2019	3,646,779	(3,646,779)	-	108,854,866	3.35%
2018	3,512,303	(3,512,303)	-	103,297,323	3.40%
2017	3,039,976	(3,039,976)	-	95,872,906	3.17%
2016	2,753,835	(2,753,835)	-	88,748,492	3.10%
2015	2,564,563	(2,564,563)	-	82,049,484	3.13%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end.

The Notes to the Required Supplementary Information are an integral part of this schedule.

New Caney Independent School District

Exhibit G-4

Schedule of the District's Proportionate Share of the Net OPEB
Liability of a Cost-Sharing Multiple-Employer OPEB Plan
Teacher Retirement System of Texas
For the Last Six Fiscal Years*

Year	District's Proportion of Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	State's Proportionate Share of the Net OPEB Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.1268159%	$ 30,364,813	$ 37,040,301	$ 67,405,114	$ 127,078,479	23.89%	11.52%
2022	0.1246452%	48,081,219	64,418,118	112,499,337	121,277,371	39.65%	6.18%
2021	0.1267839%	48,196,275	64,764,240	112,960,515	115,981,853	41.56%	4.99%
2020	0.1280920%	60,576,301	80,492,354	141,068,655	108,854,866	55.65%	2.66%
2019	0.1240100%	61,919,274	89,157,122	151,076,396	103,297,323	59.94%	1.57%
2018	0.1144160%	49,755,221	75,560,484	125,315,705	95,872,906	51.90%	0.91%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.

The Notes to the Required Supplementary Information are an integral part of this schedule.

New Caney Independent School District **Exhibit G-5**

Schedule of the District's Contributions to the
Teacher Retirement System of Texas OPEB Plan
For the Last Six Fiscal Years*

Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 1,122,506	$ (1,122,506)	$ -	$ 135,901,069	0.83%
2022	1,041,548	(1,041,548)	-	127,078,479	0.82%
2021	974,292	(974,292)	-	121,277,371	0.80%
2020	963,005	(963,005)	-	115,981,853	0.83%
2019	908,968	(908,968)	-	108,854,866	0.84%
2018	768,007	(768,007)	-	103,297,323	0.74%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end.

The Notes to the Required Supplementary Information are an integral part of this schedule.

Note 1. Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

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

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year-end.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended August 31, 2023 expenditures exceeded appropriations in the following fund due to adoption of GASB 96:

Fund	Function	Final Budget	Actual	Variance
General Fund	11	$ 111,145,876	$ 113,891,434	$ (2,745,558)
General Fund	51	20,245,884	20,260,037	(14,153)
General Fund	61	43,039	43,136	(97)

Note 2. Net Pension Liability and Net OPEB Liability

The following factors significantly affect trends in the amounts reported for the District's proportionate share of the net pension liability and net OPEB liability:

Changes in Actuarial Assumptions and Inputs

	Net Pension Liability		Net OPEB Liability
Measurement Date August 31,	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2022	7.000%	7.000%	3.910%
2021	7.250%	7.250%	1.950%
2020	7.250%	7.250%	2.330%
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	
2014	8.000%	8.000%	

Changes in Demographic and Economic Assumptions

For measurement date August 31, 2018 – Net Pension Liability and Net OPEB Liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Changes in Benefit Terms

For measurement date August 31, 2022 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 65% to 62%. The participation rate for post-65 retirees was lowered from 40% to 25%.

For measurement date August 31, 2018 – Net OPEB Liability:

- Changes of benefit terms were made effective September 1, 2017 by the 85th Texas Legislature.

Other Changes

For measurement date August 31, 2020 – Net OPEB Liability:

- The participation rate for post-65 retirees was lowered from 50% to 40%.
- The ultimate health care trend rate assumption decreased to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

For measurement date August 31, 2019 – Net Pension Liability:

- With the enactment of SB3 by the 2019 Texas Legislature, as assumption was made about how this would impact future salaries. It is assumed that eligible active members will each receive a $2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

For measurement date August 31, 2019 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65.
- The trend rates were reset to better reflect the plan's anticipated experience.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%.

For measurement date August 31, 2018 – Net OPEB Liability:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.

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Supplementary Information

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds
August 31, 2023

Data Control Codes		206 Education for Homeless Children and Youth	210 Title I 1003 School Improvement	211 ESEA Title I Improving Basic Programs
	ASSETS			
1110	Cash and cash equivalents	$ -	$ -	$ -
1120	Current investments	-	-	-
1240	Due from other governments	16,208	5	803,028
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 16,208	$ 5	$ 803,028
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	2,575	-	195,933
2170	Due to other funds	13,633	5	607,095
2300	Unearned revenue	-	-	-
2000	Total liabilities	16,208	5	803,028
	FUND BALANCES			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 16,208	$ 5	$ 803,028

224	225	226	240	244	255	263
IDEA-B Formula	IDEA-B Preschool Grant	IDEA-B High Cost Funds	National School Breakfast/Lunch Program	Career and Technical - Basic Grant	ESEA Title II Supporting Effective Instruction	Title III, English Language Acquisition and Enhancement
$ -	$ -	$ -	$ 406,641	$ -	$ -	$ -
-	-	-	6,329,053	-	-	-
434,171	5,355	-	1,129,364	4,258	131,375	91,925
-	-	-	157,485	-	-	-
-	-	-	355,210	-	-	-
$ 434,171	$ 5,355	$ -	$ 8,377,753	$ 4,258	$ 131,375	$ 91,925
$ 14,402	$ 2,474	$ -	$ 304	$ -	$ -	$ -
291,834	2,477	-	429,268	-	20,882	43,230
127,935	404	-	1,757	4,258	110,493	48,695
-	-	-	-	-	-	-
434,171	5,355	-	431,329	4,258	131,375	91,925
-	-	-	7,946,424	-	-	-
-	-	-	-	-	-	-
-	-	-	7,946,424	-	-	-
$ 434,171	$ 5,355	$ -	$ 8,377,753	$ 4,258	$ 131,375	$ 91,925

New Caney Independent School District

Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2023

Data Control Codes		277 Coronavirus Relief Funds	279 Enhancing Education through Technology-ARRA	281 ESSER II CRRSA
	ASSETS			
1110	Cash and cash equivalents	$ 157,143	$ -	$ -
1120	Current investments	-	-	-
1240	Due from other governments	-	13,214	102,691
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 157,143	$ 13,214	$ 102,691
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	3,712	-
2170	Due to other funds	-	9,502	102,691
2300	Unearned revenue	157,143	-	-
2000	Total liabilities	157,143	13,214	102,691
	FUND BALANCES			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 157,143	$ 13,214	$ 102,691

282	284	285	289	385	397	410
ESSER III American Rescue Plan	IDEA - Part B, Formula- American Rescue Plan	IDEA - Part B, Preschool - American Rescue Plan	Other Federally Funded Grants	Supplemental Visually Impaired	Advanced Placement Incentives	State Textbook Fund
$ -	$ -	$ -	$ -	$ -	$ 14,299	$ -
-	-	-	-	-	-	-
456,373	520,272	10,523	57,389	-	-	293,891
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 456,373	$ 520,272	$ 10,523	$ 57,389	$ -	$ 14,299	$ 293,891
$ -	$ -	$ -	$ -	$ -	$ -	$ 51,272
203,631	-	-	-	-	-	-
252,742	520,272	10,523	57,389	-	-	242,619
-	-	-	-	-	7,892	-
456,373	520,272	10,523	57,389	-	7,892	293,891
-	-	-	-	-	6,407	-
-	-	-	-	-	-	-
-	-	-	-	-	6,407	-
$ 456,373	$ 520,272	$ 10,523	$ 57,389	$ -	$ 14,299	$ 293,891

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2023

Data Control Codes		425 School Safety Standards	426 Silent Panic Alert	427 Special Education Fiscal Support
	ASSETS			
1110	Cash and cash equivalents	$ -	$ -	$ 6,116
1120	Current investments	-	-	-
1240	Due from other governments	13,160	16,427	-
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 13,160	$ 16,427	$ 6,116
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	13,160	16,427	-
2300	Unearned revenue	-	-	6,116
2000	Total liabilities	13,160	16,427	6,116
	FUND BALANCES			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 13,160	$ 16,427	$ 6,116

429	458	460	461	462	463	464
Other State Funded Grants	SSA - Purchasing Alliance Co-op	New Caney High School Campus Activity	White Oak M.S. Campus Activity	Keefer Crossing M.S. Campus Activity	Porter Elementary Campus Activity	New Caney Elementary Campus Activity
$ 10,993	$ 813,090	$ 46,776	$ 23,589	$ 27,012	$ 24,087	$ 13,360
-	-	6,177	-	-	-	-
28,979	-	-	-	-	-	-
-	-	-	2	845	-	-
-	-	-	-	-	-	-
$ 39,972	$ 813,090	$ 52,953	$ 23,591	$ 27,857	$ 24,087	$ 13,360
$ -	$ -	$ -	$ -	$ -	$ -	$ -
16,296	-	-	-	-	-	-
-	-	-	-	-	-	-
23,676	-	-	-	-	-	-
39,972	-	-	-	-	-	-
-	813,090	-	-	-	-	-
-	-	52,953	23,591	27,857	24,087	13,360
-	813,090	52,953	23,591	27,857	24,087	13,360
$ 39,972	$ 813,090	$ 52,953	$ 23,591	$ 27,857	$ 24,087	$ 13,360

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2023

Data Control Codes		465 Tavola Elementary Campus Activity	466 Robert Crippen Elementary Campus Activity	467 Kings Manor Elementary Campus Activity
	ASSETS			
1110	Cash and cash equivalents	$ 39,726	$ 6,929	$ 6,113
1120	Current investments	-	-	-
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	645
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 39,726	$ 6,929	$ 6,758
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	1,214
2300	Unearned revenue	-	-	-
2000	Total liabilities	-	-	1,214
	FUND BALANCES			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	39,726	6,929	5,544
3000	Total fund balances	39,726	6,929	5,544
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 39,726	$ 6,929	$ 6,758

468	469	470	471	472	473	474
Infinity Early College High School Campus Activity	**Special Education Campus Activity**	**Bens Branch Elementary Campus Activity**	**Valley Ranch Elementary Campus Activity**	**Sorters Mill Elementary Campus Activity**	**New Caney Middle School Campus Activity**	**District Wide Activity**
$ 15,093	$ 210	$ 59,469	$ 41,074	$ 3,374	$ 11,558	$ 2,543
-	-	-	-	-	-	-
-	-	-	-	-	-	-
19	-	-	-	2,497	-	-
-	-	-	-	-	-	-
$ 15,112	$ 210	$ 59,469	$ 41,074	$ 5,871	$ 11,558	$ 2,543
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	188	750
-	-	-	-	-	-	-
-	-	-	-	-	188	750
-	-	-	-	-	-	-
15,112	210	59,469	41,074	5,871	11,370	1,793
15,112	210	59,469	41,074	5,871	11,370	1,793
$ 15,112	$ 210	$ 59,469	$ 41,074	$ 5,871	$ 11,558	$ 2,543

New Caney Independent School District

Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2023

Data Control Codes		475 New Caney High School Athletic Activity	476 Porter High School Campus Activity	477 Oakley Elementary Campus Activity
	ASSETS			
1110	Cash and cash equivalents	$ 194,106	$ 23,644	$ 27,803
1120	Current investments	-	-	-
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 194,106	$ 23,644	$ 27,803
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	-	-	-
	FUND BALANCES			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	194,106	23,644	27,803
3000	Total fund balances	194,106	23,644	27,803
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 194,106	$ 23,644	$ 27,803

478	479	480	481	482	483	485
Porter High School Athletic Activity	**Woodridge Forest M.S. Campus Activity**	**Dogwood Elementary Campus Activity**	**Brookwood Forest Elementary Campus Activity**	**West Fork High School Campus Activity**	**District Wide Fine Arts Activity**	**West Fork High School Athletic Activity**
$ 80,848	$ 41,933	$ 3,075	$ 15,869	$ 12,110	$ 1,000	$ 39,060
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	13	-	-
-	-	-	-	-	-	-
$ 80,848	$ 41,933	$ 3,075	$ 15,869	$ 12,123	$ 1,000	$ 39,060
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	130
-	-	-	-	-	-	-
-	-	-	-	-	-	130
-	-	-	-	-	-	-
80,848	41,933	3,075	15,869	12,123	1,000	38,930
80,848	41,933	3,075	15,869	12,123	1,000	38,930
$ 80,848	$ 41,933	$ 3,075	$ 15,869	$ 12,123	$ 1,000	$ 39,060

New Caney Independent School District

Exhibit H-1
(Page 6 of 6)

Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2023

Data Control Codes		495 Education Foundation Grant	499 Locally Funded Special Revenue Fund	Total Nonmajor Funds (See Exhibit C-1)
	ASSETS			
1110	Cash and cash equivalents	$ 8,668	$ 9	$ 2,177,320
1120	Current investments	-	-	6,335,230
1240	Due from other governments	-	-	4,128,608
1260	Due from other funds	-	-	161,506
1300	Inventories	-	-	355,210
1000	**TOTAL ASSETS**	$ 8,668	$ 9	$ 13,157,874
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ 68,452
2160	Accrued wages payable	-	-	1,209,838
2170	Due to other funds	-	-	2,141,882
2300	Unearned revenue	-	-	194,827
2000	Total liabilities	-	-	3,614,999
	FUND BALANCES			
3450	Restricted - grant funds	-	-	8,765,921
3545	Committed - other	8,668	9	776,954
3000	Total fund balances	8,668	9	9,542,875
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 8,668	$ 9	$ 13,157,874

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New Caney Independent School District
Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds
For the Fiscal Year Ended August 31, 2023

Data Control Codes		206 Education for Homeless Children and Youth	210 Title I 1003 School Improvement	211 ESEA Title I Improving Basic Programs
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	84,870	43,001	3,309,047
5020	Total revenues	84,870	43,001	3,309,047
	EXPENDITURES			
	Current:			
0011	Instruction	26,861	43,001	1,850,396
0012	Instructional resources and media services	-	-	359
0013	Curriculum and instructional staff development	-	-	1,106,971
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	42,758
0031	Guidance, counseling, and evaluation services	14,000	-	650
0033	Health services	-	-	-
0034	Student transportation	2,850	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	425	-	137,980
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	53,958
0061	Community services	40,734	-	115,975
	Debt service:			
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	84,870	43,001	3,309,047
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balances (deficit) - beginning	-	-	-
3000	**FUND BALANCES - ENDING**	$ -	$ -	$ -

224	225	226	240	244	255	263
IDEA-B Formula	IDEA-B Preschool Grant	IDEA-B High Cost Funds	National School Breakfast/Lunch Program	Career and Technical - Basic Grant	ESEA Title II Supporting Effective Instruction	Title III, English Language Acquisition and Enhancement
$ -	$ -	$ -	$ 2,477,120	$ -	$ -	$ -
-	-	-	380,499	-	-	-
2,594,678	31,112	41,366	11,781,089	143,688	456,097	518,158
2,594,678	31,112	41,366	14,638,708	143,688	456,097	518,158
1,643,378	31,112	41,366	-	143,688	-	349,373
-	-	-	-	-	390	-
4,848	-	-	-	-	390,149	164,377
-	-	-	-	-	15,614	4,170
-	-	-	-	-	44,696	-
813,957	-	-	-	-	2,762	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	12,761,343	-	-	-
-	-	-	-	-	-	238
-	-	-	-	-	2,486	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,395	-	-	-	-	-	-
-	-	-	5,709	-	-	-
-	-	-	524	-	-	-
131,100	-	-	-	-	-	-
2,594,678	31,112	41,366	12,767,576	143,688	456,097	518,158
-	-	-	1,871,132	-	-	-
-	-	-	770,000	-	-	-
-	-	-	770,000	-	-	-
-	-	-	2,641,132	-	-	-
-	-	-	5,305,292	-	-	-
$ -	$ -	$ -	$ 7,946,424	$ -	$ -	$ -

New Caney Independent School District
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2023

Data Control Codes		277 Coronavirus Relief Funds	279 Enhancing Education through Technology-ARRA	281 ESSER II CRRSA
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	176,567	41,670	2,719,647
5020	Total revenues	176,567	41,670	2,719,647
	EXPENDITURES			
	Current:			
0011	Instruction	-	-	1,809,701
0012	Instructional resources and media services	-	-	18,301
0013	Curriculum and instructional staff development	-	-	146,044
0021	Instructional leadership	-	-	26,648
0023	School leadership	-	-	134,460
0031	Guidance, counseling, and evaluation services	-	-	81,024
0033	Health services	-	-	20,393
0034	Student transportation	-	2,557	121,717
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	12,239
0041	General administration	-	-	46,769
0051	Plant maintenance and operations	176,567	-	178,954
0052	Security and monitoring services	-	-	25,582
0053	Data processing services	-	-	87,789
0061	Community services	-	39,113	10,026
	Debt service:			
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	176,567	41,670	2,719,647
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balances (deficit) - beginning	-	-	-
3000	**FUND BALANCES - ENDING**	$ -	$ -	$ -

282	284	285	289	385	397	410
ESSER III American Rescue Plan	**IDEA - Part B, Formula-American Rescue Plan**	**IDEA - Part B, Preschool - American Rescue Plan**	**Other Federally Funded Grants**	**Supplemental Visually Impaired**	**Advanced Placement Incentives**	**State Textbook Fund**
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	5,612	-	641,231
5,067,619	560,299	35,625	257,064	-	-	-
5,067,619	560,299	35,625	257,064	5,612	-	641,231
1,197,647	319,857	25,649	119,080	5,612	-	589,958
84,963	-	-	-	-	-	-
1,285,929	-	-	72,015	-	-	-
18,872	-	-	632	-	-	-
32,053	-	-	17,570	-	-	-
107,892	109,342	9,976	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,145	-	-	-	-	-	-
1,736,409	-	-	-	-	-	-
83,549	-	-	47,767	-	-	-
82,765	-	-	-	-	-	-
3,431	-	-	-	-	-	-
407,664	-	-	-	-	-	51,273
25,300	-	-	-	-	-	-
-	131,100	-	-	-	-	-
5,067,619	560,299	35,625	257,064	5,612	-	641,231
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	6,407	-
$ -	$ -	$ -	$ -	$ -	$ 6,407	$ -

New Caney Independent School District

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2023

Data Control Codes		425 School Safety Standards	426 Silent Panic Alert	427 Special Education Fiscal Support
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	13,160	16,427	-
5900	Federal program revenues	-	-	-
5020	Total revenues	13,160	16,427	-
	EXPENDITURES			
	Current:			
0011	Instruction	-	-	-
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	13,160	16,427	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
	Debt service:			
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	13,160	16,427	-
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balances (deficit) - beginning	-	-	-
3000	**FUND BALANCES - ENDING**	$ -	$ -	$ -

429	458	460	461	462	463	464
Other State Funded Grants	SSA - Purchasing Alliance Co-op	New Caney High School Campus Activity	White Oak M.S. Campus Activity	Keefer Crossing M.S. Campus Activity	Porter Elementary Campus Activity	New Caney Elementary Campus Activity
$ -	$ 661,827	$ 65,374	$ 57,823	$ 59,636	$ 54,928	$ 62,803
142,023	-	-	-	-	-	-
-	-	-	-	-	-	-
142,023	661,827	65,374	57,823	59,636	54,928	62,803
391	-	10,714	14,139	10,655	13,062	13,352
-	-	657	9,987	7,553	6,530	5,848
-	-	-	-	-	-	1,250
4,485	-	-	-	-	-	-
-	-	26,144	19,388	29,336	17,140	9,184
-	-	484	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	17,848	15,265	23,700	6,422	25,723
-	182,007	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	316	-	-
-	-	-	-	-	-	-
137,147	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	389,324	-	-	-	-	-
142,023	571,331	55,847	58,779	71,560	43,154	55,357
-	90,496	9,527	(956)	(11,924)	11,774	7,446
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	90,496	9,527	(956)	(11,924)	11,774	7,446
-	722,594	43,426	24,547	39,781	12,313	5,914
$ -	$ 813,090	$ 52,953	$ 23,591	$ 27,857	$ 24,087	$ 13,360

New Caney Independent School District
Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2023

Data Control Codes		465 Tavola Elementary Campus Activity	466 Robert Crippen Elementary Campus Activity	467 Kings Manor Elementary Campus Activity
	REVENUES			
5700	Local and intermediate sources	$ 87,024	$ 55,536	$ 79,306
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	87,024	55,536	79,306
	EXPENDITURES			
	Current:			
0011	Instruction	22,110	19,178	9,852
0012	Instructional resources and media services	14,436	7,716	15,685
0013	Curriculum and instructional staff development	120	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	24,652	19,369	45,019
0031	Guidance, counseling, and evaluation services	1,420	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	21,481	6,623	20,301
0041	General administration	-	-	-
0051	Plant maintenance and operations	1,111	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
	Debt service:			
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	85,330	52,886	90,857
1100	Excess (deficiency) of revenues over (under) expenditures	1,694	2,650	(11,551)
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	1,694	2,650	(11,551)
0100	Fund balances (deficit) - beginning	38,032	4,279	17,095
3000	**FUND BALANCES - ENDING**	$ 39,726	$ 6,929	$ 5,544

468	469	470	471	472	473	474
Infinity Early College High School Campus Activity	Special Education Campus Activity	Bens Branch Elementary Campus Activity	Valley Ranch Elementary Campus Activity	Sorters Mill Elementary Campus Activity	New Caney Middle School Campus Activity	District Wide Activity
$ 15,627	$ 1,404	$ 74,859	$ 48,220	$ 51,014	$ 25,200	$ 7,969
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,627	1,404	74,859	48,220	51,014	25,200	7,969
-	-	17,869	9,084	15,106	5,265	-
-	-	18,643	8,982	9,903	7,943	-
-	-	-	-	-	-	-
-	1,400	-	-	-	-	-
3,864	-	14,793	6,043	22,446	11,747	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	13,258	6,260	1,868	9,377	9,189
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	793	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,864	1,400	65,356	30,369	49,323	34,332	9,189
11,763	4	9,503	17,851	1,691	(9,132)	(1,220)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,763	4	9,503	17,851	1,691	(9,132)	(1,220)
3,349	206	49,966	23,223	4,180	20,502	3,013
$ 15,112	$ 210	$ 59,469	$ 41,074	$ 5,871	$ 11,370	$ 1,793

New Caney Independent School District
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2023

Data Control Codes		475 New Caney High School Athletic Activity	476 Porter High School Campus Activity	477 Oakley Elementary Campus Activity
	REVENUES			
5700	Local and intermediate sources	$ 111,603	$ 97,593	$ 42,169
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	111,603	97,593	42,169
	EXPENDITURES			
	Current:			
0011	Instruction	-	382	15,461
0012	Instructional resources and media services	-	748	10,912
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	98,523	15,726
0031	Guidance, counseling, and evaluation services	-	2,896	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	83,263	4,700	6,344
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
	Debt service:			
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	83,263	107,249	48,443
1100	Excess (deficiency) of revenues over (under) expenditures	28,340	(9,656)	(6,274)
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	28,340	(9,656)	(6,274)
0100	Fund balances (deficit) - beginning	165,766	33,300	34,077
3000	**FUND BALANCES - ENDING**	$ 194,106	$ 23,644	$ 27,803

478 Porter High School Athletic Activity	479 Woodridge Forest M.S. Campus Activity	480 Dogwood Elementary Campus Activity	481 Brookwood Forest Elementary Campus Activity	482 West Fork High School Campus Activity	483 District Wide Fine Arts Activity	485 West Fork High School Athletic Activity
$ 76,222	$ 68,687	$ 55,469	$ 38,325	$ 19,300	$ 750	$ 47,384
-	-	-	-	-	-	-
-	-	-	-	-	-	-
76,222	68,687	55,469	38,325	19,300	750	47,384
-	3,455	12,795	7,051	214	-	-
-	7,175	10,394	9,550	373	-	-
-	-	-	915	-	-	-
-	-	-	-	-	-	-
-	19,118	22,798	12,603	8,452	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
53,856	36,823	11,663	1,990	799	-	18,009
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,047	-	651	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
53,856	66,571	58,697	32,109	10,489	-	18,009
22,366	2,116	(3,228)	6,216	8,811	750	29,375
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22,366	2,116	(3,228)	6,216	8,811	750	29,375
58,482	39,817	6,303	9,653	3,312	250	9,555
$ 80,848	$ 41,933	$ 3,075	$ 15,869	$ 12,123	$ 1,000	$ 38,930

New Caney Independent School District — **Exhibit H-2**
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances — (Page 6 of 6)
Nonmajor Government Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2023

Data Control Codes		495 Education Foundation Grant	499 Locally Funded Special Revenue Fund	Total Nonmajor Funds (See Exhibit C-2)
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ 4,443,172
5800	State program revenues	-	-	1,198,952
5900	Federal program revenues	-	-	27,861,597
5020	Total revenues	-	-	33,503,721
	EXPENDITURES			
	Current:			
0011	Instruction	-	-	8,396,814
0012	Instructional resources and media services	-	-	257,048
0013	Curriculum and instructional staff development	-	-	3,172,618
0021	Instructional leadership	-	-	71,821
0023	School leadership	-	-	697,882
0031	Guidance, counseling, and evaluation services	-	-	1,144,403
0033	Health services	-	-	20,393
0034	Student transportation	-	-	127,124
0035	Food services	-	-	12,761,343
0036	Extracurricular activities	-	-	407,239
0041	General administration	-	-	370,812
0051	Plant maintenance and operations	-	-	2,093,041
0052	Security and monitoring services	-	-	189,292
0053	Data processing services	-	-	224,512
0061	Community services	-	-	347,821
	Debt service:			
0071	Principal on long-term debt	-	-	464,646
0072	Interest on long-term debt	-	-	25,824
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	651,524
6030	Total expenditures	-	-	31,424,157
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	2,079,564
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	770,000
7080	Total other financing sources (uses)	-	-	770,000
1200	Net change in fund balances	-	-	2,849,564
0100	Fund balances (deficit) - beginning	8,668	9	6,693,311
3000	**FUND BALANCES - ENDING**	$ 8,668	$ 9	$ 9,542,875

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New Caney Independent School District
Schedule of Delinquent Taxes Receivable
For the Fiscal Year Ended August 31, 2023

	1	2	3
	Tax Rates		Assessed/Appraised Value For School
Year Ended August 31,	Maintenance	Debt Service	Tax Purposes
2014 and prior years	$ Various	$ Various	$ Various
2015	1.1700	0.5000	2,733,588,922
2016	1.1700	0.5000	3,141,603,593
2017	1.1700	0.5000	3,528,444,491
2018	1.1700	0.5000	3,851,748,623
2019	1.1700	0.5000	4,308,636,048
2020	1.0684	0.5000	4,680,992,923
2021	0.9761	0.5000	5,255,477,881
2022	0.9603	0.5000	5,898,340,067
2023	0.9430	0.5000	7,483,075,417
1000 TOTALS			

8000 - Taxes refunded under section 26.1115, tax code, for owners who received an exemption as provided by section 11.42(f), tax code

Exhibit J-1

10 Beginning Balance 9/1/22	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/23
$ 420,111	$ -	$ 17,116	$ 7,315	$ (56,892)	$ 338,788
77,120	-	2,609	1,115	(606)	72,790
86,781	-	3,972	1,698	(683)	80,428
126,446	-	13,470	5,756	(762)	106,458
190,808	-	20,947	8,951	(2,157)	158,753
281,781	-	49,188	21,020	21,335	232,908
432,001	-	108,728	50,884	53,750	326,139
668,627	-	126,410	64,753	(31,969)	445,495
1,407,242	-	58,526	30,473	(680,224)	638,019
-	107,980,778	69,129,411	36,653,982	-	2,197,385
$ 3,690,917	$ 107,980,778	$ 69,530,377	$ 36,845,947	$ (698,208)	$ 4,597,163
		$ 68,132			

New Caney Independent School District **Exhibit J-2**

Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual
National School Breakfast and Lunch Program
For the Fiscal Year Ended August 31, 2023

Data Control Codes		Budgeted Amounts Original	Final	Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 1,214,391	$ 1,214,391	$ 2,477,120	$ 1,262,729
5800	State program revenues	365,000	377,000	380,499	3,499
5900	Federal program revenues	9,787,142	11,245,014	11,781,089	536,075
5020	Total revenues	11,366,533	12,836,405	14,638,708	1,802,303
	EXPENDITURES				
	Current:				
0035	Food services	11,366,533	13,399,858	12,761,343	638,515
	Debt service:				
0071	Principal on long-term debt	-	206,023	5,709	200,314
0072	Interest on long-term debt	-	524	524	-
6030	Total expenditures	11,366,533	13,606,405	12,767,576	838,829
1100	Excess (deficiency) of revenues over (under) expenditures	-	(770,000)	1,871,132	2,641,132
	OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	770,000	770,000	-
7080	Total other financing sources (uses)	-	770,000	770,000	-
1200	Net change in fund balance	-	-	2,641,132	2,641,132
0100	Fund balance - beginning	5,305,292	5,305,292	5,305,292	-
3000	**FUND BALANCE - ENDING**	$ 5,305,292	$ 5,305,292	$ 7,946,424	$ 2,641,132

New Caney Independent School District **Exhibit J-3**

Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual
Debt Service Fund
For the Fiscal Year Ended August 31, 2023

Data Control Codes		Budgeted Amounts Original	Final	Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 37,590,209	$ 37,590,209	$ 38,712,423	$ 1,122,214
5800	State program revenues	-	-	1,074,080	1,074,080
5020	Total revenues	37,590,209	37,590,209	39,786,503	2,196,294
	EXPENDITURES				
	Debt service:				
0071	Principal on long-term debt	16,732,127	14,600,025	9,600,000	5,000,025
0072	Interest on long-term debt	20,850,582	21,348,082	21,148,582	199,500
0073	Issuance costs and fees	7,500	1,642,102	1,642,102	-
6030	Total expenditures	37,590,209	37,590,209	32,390,684	5,199,525
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	7,395,819	7,395,819
	OTHER FINANCING SOURCES (USES)				
7901	Issuance of refunding bonds	-	-	5,200,000	5,200,000
7916	Premium on issuance of bonds	-	-	21,312,887	21,312,887
8940	Payment to bond refunding escrow agent	-	-	(24,701,796)	(24,701,796)
7080	Total other financing sources (uses)	-	-	1,811,091	1,811,091
1200	Net change in fund balance	-	-	9,206,910	9,206,910
0100	Fund balance - beginning	7,251,781	7,251,781	7,251,781	-
3000	**FUND BALANCE - ENDING**	$ 7,251,781	$ 7,251,781	$ 16,458,691	$ 9,206,910

New Caney Independent School District **Exhibit J-4**

Use of Funds Report – Select State Allotment Programs
For the Fiscal Year Ended August 31, 2023

Data Codes		Responses
	Section A: Compensatory Education Programs	
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	$ 20,173,113
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	$ 10,004,228
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$ 4,188,130
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	$ 2,753,168

Overall Compliance, Internal Control Section and Federal Awards

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
New Caney Independent School District
New Caney, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Caney Independent School District (the District) as of and for the year ended August 31, 2023 and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

The Board of Trustees of
New Caney Independent School District

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
December 8, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Board of Trustees of
New Caney Independent School District
New Caney, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Caney Independent School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

The Board of Trustees of
New Caney Independent School District

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
December 8, 2023

New Caney Independent School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2023

Section 1. Summary of Auditor's Results

Financial Statements

1.	Type of auditor's report issued	Unmodified
2.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3.	Noncompliance material to the financial statements noted?	No

Federal Awards

4.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5.	Type of auditor's report issued on compliance with major programs?	Unmodified
6.	Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
7.	Identification of major programs	COVID-19 - Emergency Connectivity Fund – 32.009 COVID-19 – Elementary and Secondary School Emergency Relief Fund – 84.425D, 84.425U, & 84.425W
8.	Dollar threshold used to distinguish between Type A and Type B federal programs	$886,484
9.	Auditee qualified as a low-risk auditee	Yes

Section 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported

New Caney Independent School District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended August 31, 2023

Prior Year Findings

None reported

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New Caney Independent School District

Exhibit K-1

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2023

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal Assitance Listing Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	23610101170908	$ 3,309,047
Title I 1003 School Improvement	84.010A	23610141170908	43,001
Total Assistance Listing Number 84.010A			3,352,048
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	236600011709086000	2,594,678
High Cost Fund	84.027A	66002306	41,366
COVID-19 - IDEA - Part B, Formula - ARP	84.027X	225350021709085000	560,299
Total Assistance Listing Number 84.027			3,196,343
IDEA - Part B, Preschool	84.173A	236610011709086610	31,112
COVID-19 - IDEA - Part B, Preschool - ARP	84.173X	225360021709085000	35,625
Total Assistance Listing Number 84.173			66,737
Total Special Education Cluster (IDEA)			3,263,080
Career and Technical - Basic Grant	84.048A	23420006170908	143,688
ESEA, Title X, Part C - Texas Education for Homeless Children & Youth	84.196A	234600057110059	84,870
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	23671001170908	518,158
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	23694501170908	455,566
Educator Assessments	84.367A	69452271	531
Total Assistance Listing Number 84.367A			456,097
Summer School LEP	84.369A	69552002	41,438
Title IV, Part A, Subpart 1	84.424A	23680101170908	207,224
COVID-19 - CRRSA ESSER II	84.425D	21521001170908	2,719,647
COVID-19 - ARP ESSER III	84.425U	21528001170908	5,067,619
COVID-19 - ARP Homeless I - Texas Education for Homeless Children & Youth Supplemental	84.425W	215330017110059	41,670
Total Assistance Listing Number 84.425			7,828,936
Restart 2 for 2019 Flooding	84.938A	20511703170908	8,402
TOTAL U.S. DEPARTMENT OF EDUCATION			15,903,941

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

New Caney Independent School District

Exhibit K-1

Schedule of Expenditures of Federal Awards - Continued
For the Fiscal Year Ended August 31, 2023

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal Assitance Listing Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	71402301	2,574,514
Total Assistance Listing Number 10.553			2,574,514
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	806780706	690,210
Passed Through State Department of Agriculture - Cash Assistance:			
Supply Chain Assistance Program	10.555	806780706	528,529
Passed Through State Department of Education - Cash Assistance:			
National School Lunch Program	10.555	71302301	7,987,836
Total Assistance Listing Number 10.555			9,206,575
Total Child Nutrition Cluster			11,781,089
Passed Through Montgomery County, Texas:			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to Counties	10.666	N/A	2,840
Total Forest Service Schools and Roads Cluter			2,840
TOTAL U.S. DEPARTMENT OF AGRICULTURE			11,783,929
U.S. DEPARTMENT OF THE TREASURY			
Passed Through Montgomery County, Texas:			
COVID-19 - Coronavirus Relief Fund Reimbursement Program	21.019	N/A	176,567
TOTAL U.S. DEPARTMENT OF THE TREASURY			176,567
FEDERAL COMMUNICATIONS COMMISSION			
Direct Program - Noncash Assistance:			
COVID-19 - Emergency Connectivity Fund	32.009	N/A	1,616,263
TOTAL FEDERAL COMMUNICATIONS COMMISSION			1,616,263
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Health and Human Services Commission			
Medicaid Cluster:			
Medicaid Administrative Claiming Program (MAC)	93.778	HHS000537900102	68,763
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			68,763
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 29,549,463

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

New Caney Independent School District

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Summary of Significant Accounting Policies

The District accounts for all awards under federal programs in the General Fund and certain Special Revenue Funds in accordance with the Texas Education Agency's Financial Accountability System Resource Guide. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

Note 2. De Minimis Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Note 3. Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 and federal revenues reported on Exhibit C-2:

Total expenditures of federal awards per Exhibit K-1	$ 29,549,463
General Fund - federal revenue	
SHARS	2,675,316
ROTC	140,091
E-rate	195,545
Total federal revenues per exhibit C-2	$ 32,560,415

New Caney Independent School District **Exhibit L-1**

Schedule of Required Responses to Selected
School FIRST Indicators (Unaudited)
For the Fiscal Year Ended August 31, 2023

Data Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered **to not have made** timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	$ 3,676,276

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

Permanent School Fund Guaranteed Bonds

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

(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.
(2) At August 31, 2023 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $178,520,723,868, of which
$62,789,897,186 represents interest to be paid. As shown in the table above, at August 31, 2023, there were $115,730,826,682 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $154,120,128,859 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2023, the amount of outstanding bond guarantees represented 76.36% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category(1)

Fiscal Year	School District Bonds		Charter District Bonds		Totals	
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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