

OFFICIAL STATEMENT

Dated July 30, 2025

Rating:
Moody's: "Aaa" / "Aa3"
See "OTHER INFORMATION - Rating" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"

NEW ISSUE – Book-Entry-Only

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



\$32,105,000

BLANCO INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Blanco, Kendall and Hays Counties)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

Dated: August 19, 2025

Due: February 15, as shown on the inside cover page

Interest to Accrue From the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$32,105,000 Blanco Independent School District (the "District") Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") will accrue from the Date of Initial Delivery (defined below), and will be payable on August 15 and February 15 of each year commencing August 22, 2025 (an irregular interest payment date), until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 45, Texas Education Code, as amended, an order (the "Order") approved by the Board of Trustees of the District (the "Board"), and an election held in the District on May 3, 2025 (the "Election"). The Bonds are payable from a continuing direct ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the District sufficient to pay debt service on the Bonds, as provided in the Order. See "THE BONDS – Authority for Issuance." **An application has been filed and conditional approval has been received by the District for the Bonds to be guaranteed by the Texas Permanent School Fund which guarantee will automatically become effective when the Attorney General of Texas approves the issuance of the Bonds (see "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) the purposes authorized at the Election; and (ii) paying the costs and expenses of issuing the Bonds (see "THE BONDS – Purpose").

CUSIP PREFIX: 093347
MATURITY SCHEDULE & 9-DIGIT CUSIP
See Inside Cover Page

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (collectively, the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas (see "APPENDIX C – Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about August 19, 2025 (the "Date of Initial Delivery").

SAMCO CAPITAL

BOK FINANCIAL SECURITIES, INC.

MATURITY SCHEDULE

Maturity (February 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers ⁽¹⁾
2026	\$ 420,000	5.000%	2.600%	093347HR6
***	***	***	***	***
2029	65,000	5.000%	2.690%	093347HS4
2030	235,000	5.000%	2.820%	093347HT2
2031	325,000	5.000%	2.990%	093347HU9
2032	350,000	5.000%	3.140%	093347HV7
2033	510,000	5.000%	3.310%	093347HW5
2034	725,000	5.000%	3.440%	093347HX3
2035	950,000	5.000%	3.670%	093347HY1
2036	1,240,000	5.000%	3.860% ⁽²⁾	093347HZ8
2037	1,535,000	5.000%	4.030% ⁽²⁾	093347JA1
2038	1,895,000	5.000%	4.160% ⁽²⁾	093347JB9
2039	2,085,000	5.000%	4.270% ⁽²⁾	093347JC7
2040	2,185,000	5.000%	4.380% ⁽²⁾	093347JD5
2041	2,300,000	5.000%	4.500% ⁽²⁾	093347JE3
2042	2,410,000	5.000%	4.580% ⁽²⁾	093347JF0
2043	2,535,000	5.000%	4.680% ⁽²⁾	093347JG8
2044	1,515,000	5.000%	4.740% ⁽²⁾	093347JH6
2045	1,590,000	5.000%	4.790% ⁽²⁾	093347JJ2

\$9,235,000 5.000% Term Bonds due February 15, 2050, Priced to Yield 4.950%⁽²⁾ – 093347JK9⁽¹⁾

(Interest to Accrue from the Date of Initial Delivery)

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- (2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed February 15, 2035, the first optional redemption date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). Additionally, the Term Bonds maturing on February 15, 2050 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

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This Official Statement, which includes the cover page 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, salesman or other person has been authorized by the District 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. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

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 Financial Advisor. 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.

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

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

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY ("TEA") DESCRIBED UNDER "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND TEA, RESPECTIVELY.

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY.....	4	FINANCIAL INFORMATION.....	27
DISTRICT OFFICIALS, STAFF AND		TABLE 9 – CHANGES IN NET ASSETS.....	27
CONSULTANTS	6	TABLE 9A – GENERAL FUND REVENUE AND	
ELECTED OFFICIALS	6	EXPENDITURE HISTORY	28
SELECTED ADMINISTRATIVE STAFF	6	FINANCIAL POLICIES	29
CONSULTANTS AND ADVISORS	6	INVESTMENTS	30
INTRODUCTION	7	TABLE 10 – CURRENT INVESTMENTS.....	31
THE BONDS.....	7	LEGAL MATTERS	31
THE PERMANENT SCHOOL FUND GUARANTEE		TAX MATTERS.....	32
PROGRAM.....	12	CONTINUING DISCLOSURE INFORMATION	33
STATE AND LOCAL FUNDING OF SCHOOL		OTHER INFORMATION.....	35
DISTRICTS IN TEXAS	12		
CURRENT SCHOOL FINANCE SYSTEM	13	APPENDICES	
SCHOOL FINANCE SYSTEM AS APPLIED TO THE		GENERAL INFORMATION REGARDING THE	
DISTRICT	17	DISTRICT	A
TAX RATE LIMITATIONS	18	EXCERPTS FROM THE ANNUAL FINANCIAL	
AD VALOREM TAX PROCEDURES	19	REPORT	B
TABLE 1 – VALUATION, EXEMPTIONS AND TAX		FORM OF BOND COUNSEL’S OPINION	C
SUPPORTED DEBT.....	23	THE PERMANENT SCHOOL FUND GUARANTEE	
TABLE 2 – VALUATION AND TAX SUPPORTED DEBT		PROGRAM	D
HISTORY	24		
TABLE 3 – TAX RATE, LEVY AND COLLECTION			
HISTORY	24		
TABLE 4 – TEN LARGEST TAXPAYERS	24		
TABLE 5 – ESTIMATED OVERLAPPING DEBT	25		
DEBT INFORMATION.....	26		
TABLE 6 – TAX SUPPORTED DEBT SERVICE			
REQUIREMENTS.....	26		
TABLE 7 – INTEREST AND SINKING FUND BUDGET			
PROJECTION	26		
TABLE 8 – AUTHORIZED BUT UNISSUED UNLIMITED TAX			
SCHOOL BUILDING BONDS	26		

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

OFFICIAL STATEMENT SUMMARY

This summary 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 summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT	The Blanco Independent School District (the “District”) is a political subdivision of the State of Texas (the “State”) located in Blanco, Kendall and Hays Counties, Texas. The District is governed by a seven-member Board of Trustees (the “Board”) the members of which serve staggered three-year terms with elections being held in May of each year. 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. See “APPENDIX A – General Information Regarding the District.”
THE BONDS	The Bonds are issued as \$32,105,000 Unlimited Tax School Building Bonds, Series 2025. The Bonds will be dated August 19, 2025 (“Date of Initial Delivery”) and will be issued as serial Bonds maturing on February 15 in the years 2026 and 2029 through and including 2045 and as Term Bonds maturing on February 15, 2050.
PAYMENT OF INTEREST	Interest on the Bonds will accrue from the Date of Initial Delivery and will be due on August 22, 2025 (an irregular interest payment date), and each February 15 and August 15 thereafter until maturity or prior redemption. See “THE BONDS – Description of the Bonds” and “THE BONDS – Optional Redemption.”
AUTHORITY FOR ISSUANCE	The Bonds are being issued pursuant to the Constitution and the general laws of the State, including particularly Chapter 45, Texas Education Code, as amended, an order (the “Order”) approved by the Board, and an election held in the District on May 3, 2025 (the “Election”). See “THE BONDS – Authority for Issuance.”
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property located within the District. Also see “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” for a discussion of recent developments in State law affecting the financing of school districts in the State.
PSF GUARANTEE	The District has applied for and has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).
REDEMPTION	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – Optional Redemption.” Additionally, the Term Bonds maturing on February 15, 2050 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”
TAX EXEMPTION	In the opinion of Bond Counsel, assuming continuing compliance by the District after the date of initial delivery of the Bonds with certain covenants contained in the Order and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals (see “TAX MATTERS”).

USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for (i) the purposes authorized at the Election; and (ii) paying the costs and expenses of issuing the Bonds (see “THE BONDS – Purpose”).
RATING	The Bonds have been rated “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds have been rated “Aa3” by Moody’s without regard to credit enhancement (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). See “OTHER INFORMATION – Rating.”
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Debt service on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System”).
PAYMENT RECORD	The District has never defaulted in payment of its tax supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 6/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2021	8,150	\$ 1,151,806,421	\$ 141,326	\$ 7,595,000	0.66%	\$ 932
2022	8,364	1,241,034,905	148,378	6,190,000	0.50%	740
2023	8,542	1,638,023,581	191,761	43,150,000	2.63%	5,052
2024	8,692	1,818,187,147	209,179	42,310,000	2.33%	4,868
2025	8,652	1,994,067,286 ⁽³⁾	230,475	73,530,000 ⁽⁴⁾	3.69% ⁽⁴⁾	8,499 ⁽⁴⁾

(1) Source: The Texas Municipal Advisory Council of Texas

(2) Includes frozen property values.

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

(4) Projected; includes the Bonds.

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Board of Trustees</u>	<u>Term Expires</u>
Larry Kuebel President	May 2026
Joe Hernandez Vice President	May 2028
Chad Meyer Secretary	May 2028
Aaron Lux Member	May 2026
Stephen Mackey Member	May 2027
Erika Sykes Member	May 2027
Kathy Kersten Member	May 2028

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Clay Rosenbaum	Superintendent	8 Years
Tracie Moos	Chief Financial Officer	5.5 Years

CONSULTANTS AND ADVISORS

Auditors	Armstrong, Vaughan & Associates, P.C. Certified Public Accountants Universal City, Texas
Bond Counsel	Norton Rose Fulbright US LLP Austin, Texas
Financial Advisor	Specialized Public Finance Inc. Austin, Texas

For additional information regarding the District, please contact:

Tracie Moos Chief Financial Officer Blanco Independent School District 814 Eleventh Street Blanco, Texas 78606 830/833-4414 830/833-2019 Fax	or	Jennifer Ritter Managing Director Specialized Public Finance Inc. 248 Addie Roy Road Suite B-103 Austin, Texas 78746 (512) 275-7300 (512) 275-7305 Fax
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**OFFICIAL STATEMENT
RELATING TO

\$32,105,000
BLANCO INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$32,105,000 Blanco Independent School District Unlimited Tax School Building Bonds, Series 2025 (the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order authorizing the issuance of the Bonds (the “Order”) adopted by the Board of Trustees (the “Board”) of the Blanco Independent School District (the “District”).

There follow in this Official Statement descriptions of the Bonds and certain information regarding 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 from the District’s Financial Advisor, Specialized Public Finance Inc., Austin, Texas.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Official Statement will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision of the State of Texas (the “State”) located in Blanco, Kendall and Hays Counties, Texas. The District is governed by a seven-member Board of Trustees (the “Board”) the members of which serve staggered three-year terms with elections being held on the first Saturday in May of each year. 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 District covers approximately 379 square miles in Blanco, Kendall and Hays Counties. See “APPENDIX A – General Information Regarding the District.”

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 19, 2025, and mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest on the Bonds will accrue from the Date of Initial Delivery and will be due on August 22, 2025 (an irregular interest payment date), and each February 15 and August 15 thereafter until maturity or prior redemption. The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Debt service on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and the general laws of the State including particularly Chapter 45, Texas Education Code, as amended, the Order and an election held in the District on May 3, 2025 (the “Election”).

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are secured by and payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, in an amount sufficient to provide for the payment of debt service on the Bonds. An application has been filed by the District and conditional approval has been received for the Bonds to be guaranteed by the Permanent School Fund Guarantee (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District will select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on February 15, 2050 (the “Term Bonds”) are subject to mandatory sinking fund redemption by lot or other customary random method prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

Term Bonds Due February 15, 2050	
Redemption Date	Principal Amount
February 15, 2046	\$ 1,670,000
February 15, 2047	1,755,000
February 15, 2048	1,845,000
February 15, 2049	1,935,000
February 15, 2050*	2,030,000

*Stated Maturity.

The principal amount of the Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the District at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the Interest and Sinking Fund at a price not exceeding the principal amount of the Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District must cause a notice of redemption to be sent by United States mail, first-class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF WILL CEASE TO ACCRUE.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant (defined below) or Indirect Participant (defined below) 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 Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption 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 Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption. See “THE BONDS – Book-Entry-Only System.”

DEFEASANCE OF OUTSTANDING BONDS . . . The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The sufficiency of deposits as hereinbefore described shall be certified by an independent certified accountant, the District’s Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order.

The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that “Government Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date 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. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category.

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

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each stated maturity of the Bonds, in the aggregate principal amount of each 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 rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 Paying Agent/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 the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District and the Underwriters believe to be reliable, but the District and the Underwriters take no responsibility for the accuracy thereof.

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

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “THE BONDS – Book-Entry-Only System” above for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond which is subject to partial redemption.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for determining the party entitled to receipt of the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month (except with respect to the August 22, 2025 irregular interest payment date, for which the Record Date shall be the Bonds’ initial delivery date). In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“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 Holder of a Bond appearing on the registration 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.

BONDHOLDERS’ REMEDIES . . . If the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, as well as enforce rights of payment under the Permanent School Fund Guarantee, if there is no other available remedy at law to compel performance of the Bonds or the 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 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 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. In so ruling, the Court declared that statutory language such as “sue and be sued,” in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers school districts and relates to contracts entered into by school districts for providing goods or services to school districts. The District is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Because it is unclear whether the Texas legislature has effectively waived the District’s sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce creditors’ rights 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

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

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) the purposes authorized at the Election; and (ii) paying the costs and expenses of issuing the Bonds. A summary of the Bonds authorized at the Election is provided in Table 8 herein.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources:

Par Amount of Bonds	\$ 32,105,000.00
Reoffering Premium	<u>1,231,721.70</u>
Total Sources	\$ 33,336,721.70

Uses:

Deposit to Project Construction Fund	\$ 32,965,000.00
Deposit to Interest and Sinking Fund	1,065.45
Underwriter’s Discount	200,018.12
Costs of Issuance	<u>170,638.13</u>
Total Uses	\$ 33,336,721.70

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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. Certain of the information provided below is contingent on voter approval of a constitutional amendment that will be submitted to the voters at an election to be held on November 4, 2025. See “– 2025 Legislative Session,” 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 is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: (i) a maintenance and operations (“M&O”) tax to pay current expenses and (ii) an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district’s debt service. School districts are required to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount. See “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein. Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district’s M&O tax rate.

2025 LEGISLATIVE SESSION . . . The regular session of the 89th Texas Legislature (the “Legislature”) commenced on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called a special session which began on July 21, 2025. The initial agenda, which may be supplemented at any time, for the special session includes the following items: (i) flood warning systems, (ii) flood emergency communications, (iii) relief funding for hill country floods, (iv) natural disaster preparation and recovery, (v) eliminating the STAAR test, (vi) cutting property taxes, (vii) protecting children from THC, (viii) regulating hemp-derived products, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting human trafficking victims, (xii) police personnel records, (xiii) protecting women’s spaces, (xiv) attorney general election powers, (xv) redistricting, (xvi) title theft and deed fraud, (xvii) water project incentives, and (xviii) the state judicial department. The Governor has also identified several bills that were vetoed or filed without signature that will be placed on the upcoming special session agenda for further consideration. Additional special sessions may be called by the Texas Governor.

During the 89th 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. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) the State mandated general homestead

exemption from \$100,000 to \$140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000, and (3) the exemption for tangible personal property used in the production of income from the current \$2,500 to \$125,000. Additionally, the Legislature passed legislation that would authorize roughly \$8.5 billion in funding for public schools and would provide districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation becomes effective September 1, 2025, when the state fiscal biennium begins for purposes of this program, and the amount spent for purposes of the program for the 2025-2027 biennium may not exceed \$1 billion. The legislation applies beginning with the 2026-2027 school year. Beginning on September 1, 2027, the legislation requires that the amount appropriated for purposes of the program for a state fiscal biennium must be established by the legislature by appropriation for that biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding.

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

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 (the "SCP") is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage 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 2026, the SCP is set at 63.22%.

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (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 school district's current year SCP multiplied by \$1.00; 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 2025 Legislative Session, the Legislature took action to reduce the maximum MCR for the 2025-2026 school year. The MCR for the 2025-2026 school year is \$0.6322 and the floor is \$0.5689.

In calculating and making available school districts' MCRs for the 2025-2026 school year, the TEA shall calculate and make available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Subject to voter approval at a Statewide election to be held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution would increase (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000. If adopted, the proposed constitutional amendment takes effect for the tax year beginning January 1, 2025.

If the increase in the residence homestead as proposed by constitutional amendment does not take effect, beginning on September 1, 2025, and up until September 1, 2029, the Commissioner may adjust school districts' MCRs for the 2025-2026 school year accordingly. Before making an adjustment, the Commissioner shall notify and must receive approval from the Legislative Budget Board and the office of the Governor.

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. 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 District – 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 actual 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 2026-2027 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, other than students in average daily attendance who do not reside in the district and are enrolled in a full-time virtual program, 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 and demographics of students in ADA, to make up most of a school district’s Tier One entitlement under the Foundation School Program.

The Basic Allotment for school districts with a Tier One Tax Rate equal to the school district’s MCR, is \$6,160 plus the guaranteed yield increment adjustment (the “GYIA”) for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than the school district’s MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at \$55. 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 the district’s Basic Allotment 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 weight changes to 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 \$320 million for each year of the 2026-2027 state fiscal biennium.

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 Basic Allotment (multiplied by 0.02084. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Golden Penny levied of \$129.52 per student in WADA. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment multiplied by 0.008. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Copper Penny levied of \$49.72 per student in WADA.

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. A school district may use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid. 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 2026-2027 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 2026-2027 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 2026-2027 State fiscal biennium on new bonds issued by school districts in the 2026-2027 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. See "– State Funding for School District" and "– Tax Rate and Funding Equity."

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 or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Commissioner. In the 2025 Legislative Sessions, the State Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 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.

For the 2026-2027 school year, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the district under state law providing for state aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling as such state law existed on January 1, 2025, if any increase in a residence homestead exemption

under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

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. A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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.

SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2024-2025 fiscal year, the District was designated as an "excess local revenue" district by the TEA. According to currently available information from TEA, the District is subject to recapture and, therefore, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District has notified the TEA that it intends to reduce its wealth per student pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein).

A district's excess local revenue must be tested for each future school year and, if it exceeds the maximum permitted level, must be reduced by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should continue to exceed the maximum permitted level in future school years, it will be required each year to exercise one or more of the wealth reduction options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily,

a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

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

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS . . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on May 23, 1964, in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

Furthermore, a school district cannot annually increase its tax rate in excess of the school district’s Voter-Approval Tax Rate without submitting such tax rate to an election and a majority of the voters voting at such election approving the adopted rate (see “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 and Source for Payment”).

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

PUBLIC HEARING AND VOTER-APPROVAL TAX RATE . . . A school district’s total tax rate is the combination of the M&O tax rate and the I&S tax rate. Generally, the highest rate at which a school district may levy taxes for any given year without holding an election to approve the tax rate is the “Voter-Approval Tax Rate,” as described below.

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

such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), 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 I&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.

AD VALOREM TAX PROCEDURES

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

The 89th Texas Legislature adjourned on June 2, 2025 and the period for the Governor to veto any legislation ended on June 22, 2025. The District is currently evaluating legislation approved during the 89th Legislative Session which may impact ad valorem taxation of property within the District. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" for information on legislation affecting ad valorem taxation exemptions.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within each county in which a district is located as of January 1 of each year is the responsibility of the Appraisal District for that county (the "Appraisal District"). Except as generally described below, each Appraisal District is required to appraise all property within each 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, each 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 applicable 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.

Unless extended by the Legislature, through December 31, 2026 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. 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. For the 2025 tax year, the Maximum Property Value was increased to \$5,160,000.

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 . . . During the 89th 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. Subject to the Governor's signing of the relevant legislation and contingent on voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000.

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

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

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

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. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the State Legislature and signed by the Governor during the 89th Regular Session would provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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 without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without 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 retail manufactured housing inventory, or a dealer’s motor vehicle, vessel and outboard motor, or heavy equipment inventory.

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

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

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

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. The 87th Texas Legislature did not vote to extend this program, which is now scheduled to expire by its terms, effective December 1, 2022 (See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts.”)

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

In the 88th Legislative Session, House Bill 5 (“HB 5” or “The Texas Jobs, Energy, Technology, and Innovation Act”) was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code (“Chapter 403”) and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project’s construction period. Taxable valuation for purposes of the debt services taxes securing bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

For a discussion of how the various exemptions described above are applied by the District, see “AD VALOREM TAX PROCEDURES – 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 (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real 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 \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate. The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate”).

The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT . . . Each respective Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Blanco, Hays and Kendall Counties. Hays Central Appraisal District is governed by a board of directors, certain members of which are appointed by the governing bodies of various political subdivisions that participate in the Appraisal District and certain of which are elected by voters within Hays County. Blanco County Appraisal District and Kendall Appraisal District are each governed by a board of directors appointed by the governing bodies of various political subdivisions that participate in the Appraisal District.

Split payments and discounts are not permitted.

The District has not adopted a tax abatement policy.

The District grants a State-mandated \$100,000 general residence homestead exemption*.

The District grants a \$10,000 residence homestead exemption for persons 65 years of age or older; the District does not grant an exemption to the market value of residence homestead of the disabled*.

The District grants a State-mandated residence homestead exemption for disabled veterans. The District has not granted a local option, additional exemption for disabled veterans above the amount of the State-mandated exemption.

See Table 1 for a listing of the amounts of the exemptions described above.

The District does tax freeport property and goods-in-transit.

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

The District does not tax non-business personal property; and the Appraisal District collects taxes for the District.

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

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

TABLE 1 – VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2024/25 Market Valuation Established by Blanco, Kendall and Hays County Appraisal Districts (excluding totally exempt property)	\$ 5,966,335,369
Less Exemptions/Reductions at 100% Market Value:	3,972,268,083
2024/25 Taxable Assessed Valuation	\$ 1,994,067,286 ⁽¹⁾
Debt Payable from Ad Valorem Taxes (as of 6-1-2025)	\$ 41,425,000
The Bonds	32,105,000
Total Debt payable from Ad Valorem Taxes	\$ 73,530,000
Interest and Sinking Fund (as of 6-1-2025)	\$ 2,057,217
Ratio of Net Tax Supported Debt to Taxable Assessed Valuation	3.69%

2025 Estimated Population - 8,652
Per Capita Taxable Assessed Valuation - \$230,475
Per Capita Debt Payable from Ad Valorem Taxes - \$8,499

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

TABLE 2 – VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 6/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End Of Year	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2021	8,150	\$ 1,151,806,421	\$ 141,326	\$ 7,595,000	0.66%	\$ 932
2022	8,364	1,241,034,905	148,378	6,190,000	0.50%	740
2023	8,542	1,638,023,581	191,761	43,150,000	2.63%	5,052
2024	8,692	1,818,187,147	209,179	42,310,000	2.33%	4,868
2025	8,989	1,994,067,286 ⁽³⁾	221,834	73,530,000 ⁽⁴⁾	3.69%	8,180

(1) Source: The Texas Municipal Advisory Council of Texas

(2) Includes frozen property values.

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

(4) Projected; includes the Bonds.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 6/30	Tax Rate	General Fund	Interest and Sinking Fund	Adjusted Tax Levy ⁽¹⁾	% Current Collections	% Total Collections
2021	\$ 1.0435	\$ 0.9073	\$ 0.1362	\$ 11,959,297	97.48%	100.17%
2022	0.9970	0.8820	0.1150	13,160,528	97.77%	100.05%
2023	0.9796	0.8646	0.1150	15,996,139	96.87%	98.14%
2024	0.7942	0.6792	0.1150	14,422,211	97.08%	99.92%
2025	0.7919	0.6769	0.1150	15,514,029	97.67% ⁽²⁾	99.89% ⁽²⁾

(1) The levies are subject to change during the ensuing year due to settlement of contested valuation, etc.

(2) Collections as of June 30, 2025.

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Permian Highway Pipeline	\$ 63,159,092	3.17%
Rockin J Ranch	23,318,078	1.17%
Humulus Lupulus ENT Inc	15,112,180	0.76%
Pedernales Electric Co-Op	13,073,360	0.66%
Klepac Greenhouse Inc	11,639,230	0.58%
Hunter JRW Holdings	10,027,020	0.50%
Lindeman Lane Enterprises LLC	8,393,130	0.42%
Patricia Ryan	5,417,374	0.27%
LCRA Transmission Services	5,391,870	0.27%
Uptown Blanco LTD	4,985,711	0.25%
	<u>\$ 160,517,045</u>	<u>8.05%</u>

TABLE 5 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Issuer	Total Funded Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt as of 6/30/2025
Blanco County	\$ 10,115,000	52.08%	\$ 5,267,892
City of Blanco	17,295,000	100.00%	17,295,000
Hays County	448,288,993	0.28%	1,255,209
Kendall County	30,700,000	2.56%	785,920
Blanco ISD	73,530,000 ⁽¹⁾	100.00%	73,530,000 ⁽¹⁾
Total Direct Overlapping G.O. Tax Debt			\$ 98,134,021
Ratio of Direct Overlapping G.O. Tax Debt to Taxable Assessed Valuation			4.92%
Per Capita Overlapping G.O. Tax Debt			\$ 11,342

(1) Includes the Bonds.

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DEBT INFORMATION

TABLE 6 – TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 6/30	Outstanding Debt			The Bonds ⁽¹⁾			Total Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2025	\$ 885,000	\$ 1,655,010	\$ 2,540,010	\$ -	\$ -	\$ -	\$ 2,540,010
2026	910,000	1,634,546	2,544,546	420,000	784,789	1,204,789	3,749,334
2027	935,000	1,612,600	2,547,600	-	1,584,250	1,584,250	4,131,850
2028	1,010,000	1,589,184	2,599,184	-	1,584,250	1,584,250	4,183,434
2029	1,040,000	1,562,088	2,602,088	65,000	1,584,250	1,649,250	4,251,338
2030	1,090,000	1,533,225	2,623,225	235,000	1,581,000	1,816,000	4,439,225
2031	1,240,000	1,501,786	2,741,786	325,000	1,569,250	1,894,250	4,636,036
2032	1,405,000	1,462,783	2,867,783	350,000	1,553,000	1,903,000	4,770,783
2033	1,525,000	1,420,950	2,945,950	510,000	1,535,500	2,045,500	4,991,450
2034	1,680,000	1,344,700	3,024,700	725,000	1,510,000	2,235,000	5,259,700
2035	1,810,000	1,260,700	3,070,700	950,000	1,473,750	2,423,750	5,494,450
2036	1,900,000	1,170,200	3,070,200	1,240,000	1,426,250	2,666,250	5,736,450
2037	1,995,000	1,075,200	3,070,200	1,535,000	1,364,250	2,899,250	5,969,450
2038	2,075,000	995,400	3,070,400	1,895,000	1,287,500	3,182,500	6,252,900
2039	2,155,000	912,400	3,067,400	2,085,000	1,192,750	3,277,750	6,345,150
2040	2,240,000	826,200	3,066,200	2,185,000	1,088,500	3,273,500	6,339,700
2041	2,330,000	736,600	3,066,600	2,300,000	979,250	3,279,250	6,345,850
2042	2,425,000	643,400	3,068,400	2,410,000	864,250	3,274,250	6,342,650
2043	2,520,000	546,400	3,066,400	2,535,000	743,750	3,278,750	6,345,150
2044	2,625,000	445,600	3,070,600	1,515,000	617,000	2,132,000	5,202,600
2045	2,730,000	340,600	3,070,600	1,590,000	541,250	2,131,250	5,201,850
2046	2,835,000	231,400	3,066,400	1,670,000	461,750	2,131,750	5,198,150
2047	2,950,000	118,000	3,068,000	1,755,000	378,250	2,133,250	5,201,250
2048	-	-	-	1,845,000	290,500	2,135,500	2,135,500
2049	-	-	-	1,935,000	198,250	2,133,250	2,133,250
2050	-	-	-	2,030,000	101,500	2,131,500	2,131,500
	<u>\$ 42,310,000</u>	<u>\$ 24,618,969</u>	<u>\$ 66,928,969</u>	<u>\$ 32,105,000</u>	<u>\$ 26,295,039</u>	<u>\$ 58,400,039</u>	<u>\$ 125,329,008</u>

(1) Interest calculated at the rates shown on the inside cover page hereof.

TABLE 7 – INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated Tax Supported Debt Service Requirements, Fiscal Year Ending 6-30-2025		\$ 2,540,010
Interest and Sinking Fund, 6-30-2024	\$ 2,047,168	
Interest and Sinking Fund Tax Levy @ 95% Collection	<u>2,178,518</u>	<u>4,225,686</u>
Estimated Balance, 6-30-2025		\$ 1,685,676

TABLE 8 – AUTHORIZED BUT UNISSUED UNLIMITED TAX SCHOOL BUILDING BONDS

Purpose	Date Authorized	Amount		Authorization	
		Authorized	Heretofore Issued	Being Used ⁽¹⁾	Unissued Balance ⁽¹⁾
School Buildings & Buses	5/3/2025	\$ 32,215,000	\$ -	\$ 32,215,000	\$ -
Technology	5/3/2025	750,000	-	750,000	-
Total		<u>\$ 32,965,000</u>	<u>\$ -</u>	<u>\$ 32,965,000</u>	<u>\$ -</u>

(1) Includes allocated premium which will be used against the voted authorization.

After the issuance of the Bonds, the District will not have any remaining authorized but unissued debt.

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . . The District does not anticipate issuing additional debt within the next twelve months.

OTHER OBLIGATIONS . . . See Note E to the Financial Statements which describes current leases of the District. See “APPENDIX B – Excerpts from the District’s Annual Financial Report.”

PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS . . . Pension funds for employees of Texas school districts, and any employee in public education in the State, are administered by the Teacher Retirement System of Texas (the “System”). The individual employees contribute a fixed amount of their salary to the System, currently 8%, and the State contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by Federally funded programs. For more detailed information concerning the retirement plan, see “APPENDIX B – Excerpts from the District’s Annual Financial Report.”

FINANCIAL INFORMATION

TABLE 9 – CHANGES IN NET ASSETS

	Fiscal Year Ended June 30,				
	2024	2023	2022	2021	2020
PROGRAM REVENUES:					
Charges for Services	\$ 525,571	\$ 584,198	\$ 393,089	\$ 403,527	\$ 462,330
Operating Grants and Contributions	2,381,199	2,533,210	2,295,085	1,611,309	1,156,621
GENERAL REVENUES:					
Maintenance and operations taxes	\$ 12,450,523	\$ 14,209,737	\$ 11,763,916	\$ 10,483,515	\$ 10,048,235
Debt service taxes	2,106,107	1,891,478	1,534,445	1,573,729	1,384,021
State aid-formula grants	1,401,626	1,367,356	1,077,279	2,559,889	2,404,949
Grants and Contributions	-	-	-	-	-
Investment Earnings	2,455,348	1,949,406	43,602	20,180	207,593
Miscellaneous	208,151	197,902	172,509	97,111	134,699
Total Revenues	\$ 21,528,525	\$ 22,733,287	\$ 17,279,925	\$ 16,749,260	\$ 15,798,448
EXPENSES:					
Instruction	\$ 8,366,611	\$ 7,560,511	\$ 6,307,947	\$ 6,994,677	\$ 7,426,444
Instruction, resources and media services	166,318	169,114	159,608	145,411	137,342
Curriculum and Instructional Staff Development	538,557	525,612	318,624	237,494	165,162
Instructional Leadership	364,383	346,783	347,976	494,172	598,721
School Leadership	863,644	828,699	776,935	750,666	801,734
Guidance, Counseling and Evaluation Services	461,263	458,331	397,775	487,891	467,076
Social Work Services	19,407	14,957	22,686	-	-
Health Services	133,847	130,485	123,258	111,080	118,496
Student Transportation	678,195	628,318	592,669	490,460	440,179
Food Services	689,332	657,446	626,772	615,884	644,092
Cocurricular/Extracurricular Activities	1,088,723	1,209,355	954,415	858,127	689,501
General Administration	807,949	861,812	832,802	673,978	560,139
Plant Maintenance and Operations	1,706,229	1,625,495	1,504,086	1,248,758	1,189,944
Security and Monitoring Services	329,355	112,986	75,072	64,621	35,815
Data Processing Services	518,523	432,839	327,768	270,039	366,244
Community Services	24,540	21,851	21,602	17,135	15,784
Debt Service	1,574,760	1,693,608	81,600	199,062	299,867
Miscellaneous	922,731	3,087,365	960,609	213,783	180,617
Total Expenditures	\$ 19,254,367	\$ 20,365,567	\$ 14,432,204	\$ 13,873,238	\$ 14,137,157
Transfers out	\$ -	\$ -	\$ -	\$ -	\$ -
Change in net assets	2,274,158	2,367,720	2,847,721	2,876,022	1,661,291
Net Assets - Beginning	\$ 16,686,710	\$ 14,318,990	\$ 11,471,269	\$ 8,595,248	\$ 6,933,957
Prior Period Adjustment	-	-	-	-	-
Net Assets - Ending	\$ 18,960,868	\$ 16,686,710	\$ 14,318,990	\$ 11,471,270	\$ 8,595,248

Source: District’s Comprehensive Annual Financial Reports.

TABLE 9A – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended June 30,				
	2024	2023	2022	2021	2020
REVENUES:					
Local, Intermediate and Out of State	\$ 13,201,922	\$ 14,625,318	\$ 11,959,813	\$ 10,672,548	\$ 10,315,577
State Program Revenues	1,379,682	1,572,781	1,620,776	2,334,260	1,904,211
Federal Program Revenues	65,961	99,812	88,890	90,598	6,849
Total Revenues	<u>\$ 14,647,565</u>	<u>\$ 16,297,911</u>	<u>\$ 13,669,479</u>	<u>\$ 13,097,406</u>	<u>\$ 12,226,637</u>
EXPENSES:					
Instruction	\$ 7,191,501	\$ 6,900,730	\$ 5,870,405	\$ 5,889,873	\$ 6,043,631
Instructional Resources & Media Services	159,848	151,085	144,482	134,994	126,756
Curriculum and Instructional Staff Development	255,578	248,088	154,819	154,109	144,103
Instructional Leadership	179,956	173,028	169,213	204,644	183,589
School Leadership	863,807	831,946	823,262	720,702	717,505
Guidance, Counseling & Evaluation Services	370,224	345,734	350,107	347,625	301,492
Social Work Services	1,851	11,726	1,675	-	-
Health Services	90,233	93,511	88,054	82,274	89,223
Student Transportation	648,122	631,411	681,522	595,990	593,906
Food Services	25,165	22,957	24,525	113,614	131,608
Extracurricular Activities	846,376	1,126,387	813,738	655,775	531,637
General Administration	713,325	761,761	709,851	573,945	472,543
Facilities Maintenance and Operations	1,618,500	1,582,426	1,424,324	1,195,829	1,224,464
Security and Monitoring Services	125,539	77,384	101,389	38,938	35,450
Data Processing Services	512,351	419,206	314,059	260,759	248,099
Community Services	-	-	-	-	-
Debt Service	43,829	-	-	-	1,247,736
Capital Outlay	1,378,964	434,997	1,207,629	-	36,507
Intergovernmental	868,448	3,078,854	891,004	213,783	180,617
Total Expenses	<u>\$ 15,893,617</u>	<u>\$ 16,891,231</u>	<u>\$ 13,770,058</u>	<u>\$ 11,182,854</u>	<u>\$ 12,308,866</u>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (1,246,052)	\$ (593,320)	\$ (100,579)	\$ 1,914,552	\$ (82,229)
Other Resources	156,314	190,198	-	379,373	834
Other Uses	-	-	-	(451,132)	-
Excess (Deficiency) of Revenues and Other Resources Over Expenditures and Other Uses	<u>\$ (1,089,738)</u>	<u>\$ (403,122)</u>	<u>\$ (100,579)</u>	<u>\$ 1,842,793</u>	<u>\$ (81,395)</u>
Fund Balances on Beginning of FY	8,738,571	9,141,693	9,242,272	7,399,479	7,480,874
Adjustments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances on FYE ⁽¹⁾	<u>\$ 7,648,833</u>	<u>\$ 8,738,571</u>	<u>\$ 9,141,693</u>	<u>\$ 9,242,272</u>	<u>\$ 7,399,479</u>

Source: District's Comprehensive Annual Financial Reports.

(1) The unaudited General Fund balance as of June 30, 2025 was \$7,381,289.

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FINANCIAL POLICIES

Basis of Accounting . . . The modified accrual basis of accounting is used for the Governmental Fund Types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. All primary revenue sources are considered susceptible to accrual.

General Fund Balance . . . The Board has set as one of its goals, to maintain an operating fund balance equal to 2½ months of the operating expenditures. This balance will enable the district to: (1) avoid borrowing large sums of money, especially at the beginning of the school year; (2) have ample capital to meet unforeseen circumstances; (3) take advantage of discounts that vendors offer through prompt payments; (4) capitalize upon investment opportunities; and (5) secure and maintain good bond ratings.

Budgetary Procedures . . . The school district budget is developed using a combination of techniques such as per pupil allocations, zero based budgeting (ZBB) and program budgeting. Per pupil allocations are determined each year by the superintendent. The amount allocated is a function of per pupil cost and student membership. Zero based planning and budgeting involves decision making from the lowest levels of management to the top. For example, departmental grade level chairpersons are required to analyze each capital outlay item - whether already existing or newly proposed - so that the starting point for the development of the budget is zero. On the other hand, program budgeting is a “top down” process designed by the board and management. Goals and objectives are developed:

- Before designing programs;
- In a hierarchical manner; and
- Not necessarily in clear or singular relation to the existing organizational structure.

In using the various budgeting techniques, certain basic principles concerning preparation and administration of the budget are followed. These include, as a minimum, the following:

1. The Superintendent of Schools should administer the school budget. In this, he is responsible for preparing or causing for the preparation of the budget document; he involves administrative and other school staff members, and also citizens and groups in the community in its preparation; and he is responsible to present and defend the proposed budget to the school board and the public.

2. The Board has legal responsibility for the formal adoption of the budget; and holds the Superintendent responsible for its administration.

3. Preparation of the budget is a continuous process which proceeds in three phases:

- Determination of the educational plan/program;
- Calculation of the cost of the proposed program; and
- Determination of the plan for obtaining the necessary revenue.

4. The proposed budget is reviewed in open hearings where all citizens have an opportunity to study it and make recommendations and comments concerning it. The hearings are held soon enough for adjustments to be made by the board should they choose to do so as a result of public reaction. The first budget is operable on the first day of the fiscal year to which it applies.

5. The approved budget is included with the minutes of the board meeting as official verification of its acceptance.

6. Continuous appraisal by all parties concerned is necessary in order to assure yearly budgetary improvements.

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INVESTMENTS

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

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

Political subdivisions such as the District are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

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

State law requires the District's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

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TABLE 10 – CURRENT INVESTMENTS (AS OF JUNE 30, 2025)

Investments	Market Value	% of Total
LoneStar Investment Pool	\$ 14,779,130	100.00%
Total	\$ 14,779,130	100.00%

LEGAL MATTERS

The District will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code of 1986, subject to the matters described under “TAX MATTERS” herein. The form of Bond Counsel’s opinion is attached hereto as APPENDIX C.

The delivery of the Bonds is subject to the approval of the Attorney General of Texas 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 limitation as to rate or amount, upon all taxable property in the District and the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes. See “TAX MATTERS” herein for a description of the opinions of Bond Counsel. The Form of Bond Counsel’s Opinion are attached hereto as APPENDIX C. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. 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 in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions “THE BONDS” (except for “Book-Entry-Only System,” “Bondholders’ Remedies” and “Sources and Uses of Proceeds”), “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM,” “TAX INFORMATION – Tax Rate Limitations,” “LEGAL MATTERS,” “TAX MATTERS,” “OTHER INFORMATION – Registration and Qualification of Bonds for Sale,” “OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas,” and “CONTINUING DISCLOSURE OF INFORMATION” (except under subcaption “Compliance with Prior Undertakings”) and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

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 that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel’s opinion appears in APPENDIX C hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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

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

ANCILLARY TAX CONSEQUENCES . . . Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

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

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

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

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

TAX ACCOUNTING TREATMENT OF PREMIUM BONDS . . . The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the “Premium Bonds”). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE 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 while it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”). This information will be available to securities brokers and others who subscribe to receive the information from the MSRB. See “APPENDIX D – 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 specified material events related to the guarantee to the MSRB.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables numbered 1 through 4 and 6 through 10 and in APPENDIX B. The District will update and provide this information within 6 months after the end of each fiscal year ending in and after 2025. The District will provide the updated information to the Municipal Securities Rulemaking Board (the “MSRB”). The MSRB makes the information available to the public without charge through an internet portal as part of an expansion of its Electronic Municipal Market Access (“EMMA”) system. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

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

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

NOTICE OF CERTAIN EVENTS . . . The District will also provide timely notice (not in excess of ten (10) business days after the occurrence of the event) of any of the following events with respect to the Bonds: (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, an 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 right of holder 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; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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 trustee or change in the name of the 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 of its continuing disclosure undertakings. (Neither the Bonds nor the Order make any provision for debt service reserves, liquidity enhancement or credit enhancement other than the Permanent School Fund Guarantee described herein.)

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

In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.” The District will provide each notice in this paragraph to the MSRB.

AVAILABILITY OF INFORMATION FROM MSRB . . . The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds through the EMMA system.

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

If the District 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 . . . In the last five years the District has complied with its previous continuing disclosure agreements.

OTHER INFORMATION

RATING . . . The Bonds have been rated “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds and the underlying rating of the District have been rated “Aa3” by Moody’s without regard to credit enhancement (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by either of such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . The District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition 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 no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts contesting or attacking the Bonds; restraining or enjoining the execution or delivery of the Bonds; affecting provisions made for the payment and security of the Bonds or in any other manner questioning the authority or proceedings for the issuance, sale or delivery of said Bonds or affecting the validity of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for 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 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 provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act, Chapter 1201, Texas Government Code, provides that the Bonds are negotiable instruments 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. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Rating” 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 capital of one million dollars or more, 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. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at a price equal to the initial offering prices to the public, as shown on the inside cover page of this Official Statement, less an underwriting discount of \$200,018.12. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

SAMCO Capital Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, SAMCO Capital Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, SAMCO Capital Markets Inc. will compensate Fidelity for its selling efforts.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

The Underwriters have provided the following sentence for inclusion in the 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 does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . 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. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included 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 will prove to be accurate.

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or 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, Rule 15c2-12.

The Order approved the form and content of this Official Statement, and any addenda, supplemental or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters. This Official Statement has been approved by the Board of the District for distribution in accordance with the provisions of Rule 15c2-12.

/s/ Larry Kuebel
President, Board of Trustees
Blanco Independent School District

ATTEST:

/s/ Chad Meyer
Secretary, Board of Trustees
Blanco Independent School District

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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THE DISTRICT

The District encompasses approximately 379 square miles located principally in Blanco County and also extends into Hays and Kendall Counties. Blanco is a ranching area which is located on U.S. Highway 281 and serves the principal commercial center of Blanco County.

CIVILIAN LABOR FORCE ESTIMATES

	Blanco County	
	June 2025	June 2024
Total Civilian Labor Force	6,646	6,492
Total Employment	6,426	6,253
Total Unemployment	220	239
Percent Unemployed	3.3%	3.7%
	State of Texas	
	June 2025	June 2024
Total Civilian Labor Force	15,844,159	15,637,330
Total Employment	15,199,591	14,941,356
Total Unemployment	644,568	695,974
Percent Unemployed	4.1%	4.5%

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APPENDIX B

EXCERPTS FROM THE
BLANCO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2024

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

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Blanco Independent School District
814 11th Street
Blanco, Texas 78606

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanco Independent School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Blanco Independent School 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 Blanco Independent School District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Blanco Independent School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Blanco Independent School 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 Responsibility 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 Blanco Independent School 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 Blanco Independent School 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 required supplementary information (consisting of management's discussion and analysis and the required supplementary information section as listed in the table of contents) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blanco Independent School District's basic financial statements. The supplementary information (as listed in the table of contents) and schedule of expenditures of federal awards (SEFA) as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, including the SEFA, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 SEFA are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

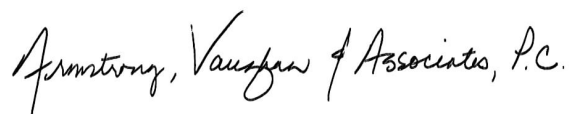
Other Information

Management is responsible for the other information included in the annual report. The other information (as listed in the table of contents) 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 September 30, 2024 on our consideration of Blanco Independent School 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 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 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 Blanco Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

September 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Blanco Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal period ended June 30, 2024. Please read it in conjunction with the Independent Auditor's Report, which precedes this Analysis and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$2.3 million as a result of this year's operations.
- Total cost of all of the District's programs decreased 5.5% this year to \$19.3. The decrease is primarily due to decreased costs associated with Chapter 49 recapture payments.
- The expenditures for the fiscal year were \$945 thousand less than budgeted in the General Fund.
- The District's unassigned fund balance at year end was \$5.8 million or 40.2% of operating General Fund expenditures (excluding debt and capital outlay).
- The District continued to spend funds associated with Revenue Bond Series 2022 bonds but did not issue any new bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information and other information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

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

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

- Viewed over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the Governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*—All of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* – Student activity funds are held by the district for the benefit of the various student groups. The custodial fund segregates those funds from the rest of the District's operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$19.0 million at June 30, 2024 (See Table A-1). Of this amount, \$14.3 is invested in capital assets and \$2.1 million is restricted, leaving unrestricted net position of \$2.6 million.

Changes in Net Position

The District's total revenues were \$21.5 million. A significant portion of the District's revenue came from local taxes of \$14.6 million or 67.6%; \$6.4 million or 30.0% came from Federal, State, and Local aid – formula grants, while another \$526 thousand or 2.4% related to charges for services.

The total cost of all programs and services was \$19.3 million; instruction, instruction related, and student service costs were \$13.4 million or 69.4%. Other important services are general administration, facilities operation and maintenance, and data processing services.

Table A-2 presents the cost of each of the District's functions with a comparison to the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$21.6 million, a decrease of 4.9% over the preceding year revenue of \$22.7 million. Total decrease was due to decreases in Local and federal program revenues. Total governmental fund expenditures of \$39.1 million increased 51.1% which was primarily due to current year capital outlay.

BUDGETARY HIGHLIGHTS

The General Fund's expenditures were \$945 thousand less than the final budgeted expenditures, primarily in contracted instructional services. Combined with revenues that fell short of the budget by \$180 thousand and other financing sources of \$156 thousand, the General Fund ended the fiscal year \$921 thousand more than the budget anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the District had invested \$54.2 million in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-3). Additions for the 2024 school year included the continuation of various district improvements as well as the completion of the High School Stadium Turf Project. After depreciation, the book value of these assets at June 30, 2024 was \$40.5 million.

Long Term Debt

S&P Global rates the District's bonds in 2024 as AAA.

At year-end the District owed \$42.4 million in principal for outstanding bonds and lease liability. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND TAX RATES

The District continues to maintain a healthy fund balance as of June 30, 2024. The District had an anticipated decrease in general operating fund balance of \$1,089,738 due to one-time capital project costs for the completion of the football field turf project. The funds allocated for those projects were funded out of the assigned fund balance of \$3,204,769 that was designated for capital projects and are outside of the District's bond funds. The District did not have to use any fund balance to maintain any normal operational or payroll needs.

The District continued to utilize federal Cares Act funding to continue funding positions. Those funds will continue to be utilized for payroll through July of 2024 for the upcoming school year and will be 100% expended by the grants deadline of September 2024.

For the 2024-2025 fiscal year, the District's Board of Trustees has approved a General Fund budget of \$16,878,144 with projected revenues of \$16,017,007. To address the budget shortfall, the District plans to utilize its fund balance and pursue a Voter-Approval Tax Rate Election (VATRE) in November to add two additional pennies to the tax rate. The goal is to maximize the remaining "golden" pennies, which are not subject to recapture, to generate approximately \$432,000 in additional revenue, helping offset inflationary pressures and insufficient state funding.

The legislative sessions this year has continued to give the District little to no new funding along with unfunded mandates for school safety security personnel and other costs for raises, inflation increases, increases for insurance, and more. As of this report, the legislators have not passed any financial bills for public school funding to support pay raises or other operational inflationary costs. As part of the comprehensive effort to retain and maintain competitive compensation for teachers and all staff, the District provided all employees a 2% midpoint raise. The District was able to fully staff all open positions for the 24-25 school year. The District continues to plan conservatively in order to assure continued financial stability.

The District passed a no tax impact bond back in May of 2022 for \$40 million that will continue into the next year for major additions and renovations which include: a new gymnasium, classroom and kitchen renovations, and general site improvements at Blanco Elementary; renovations to the gymnasium, kitchen, and classrooms, along with general site improvements at Blanco Middle School; and a new field house, a new gymnasium, a new educational center for the arts, select renovations to the existing building, and general site improvements with parking at Blanco High School; softball and baseball field renovation; HVAC and HVAC controls, access controls, security projects and site improvements District wide. The bond projects are expected to be completed by May 2025.

Revenue projections for the 2024-2025 fiscal year are based on tax compression measures implemented by the state in 2019. If the VATRE is approved, the rate will increase slightly to \$0.6969, representing a two-cent increase over the 2024-2025 compressed rate. If the VATRE is not approved, the rate will decrease slightly from \$0.06792 to \$0.6769 per \$100 of property valuation. The Interest and Sinking (I&S) tax rate will remain steady at \$0.115, with the final overall tax rate dependent on the VATRE outcome in November 2024.

Since 2016, the District's taxable values have increased by approximately 151%. Even with the tax compression, Blanco ISD will generate local revenue that exceeds its entitlement under Chapter 49 (formerly Chapter 41) by an estimated \$1,482,006 for the 2024-2025 year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, we invite you to contact the District's Finance Office, 814 11th Street, Blanco, Texas 78606.

Table A-1
Blanco Independent School District's Net Position

	Governmental Activities		Percentage
	2024	2023	Change
Current and Other Assets	\$ 37,538,458	\$ 55,325,868	-32.2%
Capital Assets	40,501,724	20,917,019	93.6%
<i>Total Assets</i>	<u>78,040,182</u>	<u>76,242,887</u>	2.4%
<i>Deferred Outflows of Resources</i>	<u>3,093,975</u>	<u>2,255,367</u>	37.2%
Current Liabilities	6,263,678	5,720,561	9.5%
Long-Term Liabilities	51,605,366	51,299,100	0.6%
<i>Total Liabilities</i>	<u>57,869,044</u>	<u>57,019,661</u>	1.5%
<i>Deferred Inflows of Resources</i>	<u>4,304,245</u>	<u>4,791,883</u>	-10.2%
Net Investment in Capital Assets	14,256,227	11,883,085	20.0%
Restricted	2,093,018	2,222,266	-5.8%
Unrestricted	2,611,623	2,581,359	1.2%
<i>Total Net Position</i>	<u>\$ 18,960,868</u>	<u>\$ 16,686,710</u>	13.6%

Table A-2
Changes in Blanco Independent School District's Net Position

	Governmental Activities		Percentage
	2024	2023	Change
<i>Program Revenues:</i>			
Charges for Services	\$ 525,571	\$ 584,198	-10.0%
Operating Grants & Contributions	2,381,199	2,533,210	-6.0%
<i>General Revenues:</i>			
Property Taxes	14,556,630	16,101,215	-9.6%
State Aid - Formula Grants	1,401,626	1,367,356	2.5%
Investment Earnings	2,455,348	1,949,406	26.0%
Miscellaneous	208,151	197,902	5.2%
<i>Total Revenues</i>	<u>21,528,525</u>	<u>22,733,287</u>	-5.3%
<i>Expenses:</i>			
Instruction	8,366,611	7,560,511	10.7%
Instructional Resources and Media Services	166,318	169,114	-1.7%
Curriculum and Staff Development	538,557	525,612	2.5%
Instructional Leadership	364,383	346,783	5.1%
School Leadership	863,644	828,699	4.2%
Guidance, Counseling, & Evaluation Services	461,263	458,331	0.6%
Social Work Services	19,407	14,957	29.8%
Health Services	133,847	130,485	2.6%
Student (Pupil) Transportation	678,195	628,318	7.9%
Food Services	689,332	657,446	4.8%
Extracurricular Activities	1,088,723	1,209,355	-10.0%
General Administration	807,949	861,812	-6.2%
Facilities Maintenance and Operations	1,706,229	1,625,495	5.0%
Security and Monitoring Services	329,355	112,986	191.5%
Data Processing Services	518,523	432,839	19.8%
Community Services	24,540	21,851	12.3%
Debt Service - Interest on Long-Term Debt	1,574,760	1,693,608	-7.0%
Facilities Acquisition and Construction	54,283	8,511	537.8%
Contracted Instructional Services	538,067	2,806,559	-80.8%
Other Intergovernmental Charges	330,381	272,295	21.3%
<i>Total Expenses</i>	<u>19,254,367</u>	<u>20,365,567</u>	-5.5%
<i>Increase (Decrease) in Net Position</i>	2,274,158	2,367,720	-4.0%
<i>Beginning Net Position</i>	<u>16,686,710</u>	<u>14,318,990</u>	
<i>Ending Net Position</i>	<u>\$ 18,960,868</u>	<u>\$ 16,686,710</u>	

Table A-3
Changes in Blanco Independent School District's Capital Assets

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 656,364	\$ -	\$ -	\$ 656,364
Construction in Progress	3,980,156	20,093,401	(1,924,734)	22,148,823
Buildings and Improvements	25,919,687	39,444	1,887,312	27,846,443
Vehicles, Furniture, and Equipment	3,400,762	219,197	(215,162)	3,404,797
Right of Use Assets	-	156,314	-	156,314
Less: Accumulated Depreciation	(13,039,950)	(923,651)	252,584	(13,711,017)
Total Capital Assets	<u>\$ 20,917,019</u>	<u>\$ 19,584,705</u>	<u>\$ -</u>	<u>\$ 40,501,724</u>

Land and Construction in Progress are not depreciated.



BASIC FINANCIAL STATEMENTS

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

Data Control Codes	1	Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 35,822,237
1225	Property Taxes Receivable, Net	642,223
1240	Due from Other Governments	995,952
1290	Other Receivables	60,581
1300	Inventories	17,465
	<i>Capital Assets:</i>	
1510	Land and Improvements	656,364
1520	Buildings and Improvements, Net	16,611,949
1530	Furniture and Equipment, Net	970,905
1559	Right of Use Assets, Net	113,683
1580	Construction in Progress	22,148,823
1000	<i>Total Assets</i>	<u>78,040,182</u>
	DEFERRED OUTFLOW OF RESOURCES:	
1705	Deferred Pension Related Outflows	2,088,269
1706	Deferred OPEB Related Outflows	1,005,706
	<i>Total Deferred Outflows</i>	<u>3,093,975</u>
	LIABILITIES:	
2110	Accounts Payable	3,752,586
2140	Interest Payable	552,565
2160	Accrued Wages Payable	1,190,510
2180	Due to Other Governments	768,017
	<i>Noncurrent Liabilities:</i>	
2501	Due Within One Year	927,656
2502	Due in More Than One Year	43,740,641
2540	Net Pension Liability	4,701,431
2545	Net OPEB Liability	2,235,638
2000	<i>Total Liabilities</i>	<u>57,869,044</u>
	DEFERRED INFLOW OF RESOURCES:	
2605	Deferred Pension Related Inflows	334,400
2606	Deferred OPEB Related Inflows	3,969,845
	<i>Total Deferred Inflows</i>	<u>4,304,245</u>
	NET POSITION:	
3200	Net Investment in Capital Assets	14,256,227
	Restricted For:	
3820	Federal and State Programs	274,832
3850	Debt Service	1,559,351
3890	Other Restrictions	258,835
3900	Unrestricted	2,611,623
3000	<i>Total Net Position</i>	<u>\$ 18,960,868</u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Data Control Codes	Functions/Programs	1	3	4	6
		Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Governmental Activities
	Primary Government				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 8,366,611	\$ 10,400	\$ 648,857	\$ (7,707,354)
12	Instructional Resources and Media Services	166,318	-	1,034	(165,284)
13	Curriculum and Staff Development	538,557	-	201,760	(336,797)
21	Instructional Leadership	364,383	-	106,716	(257,667)
23	School Leadership	863,644	-	5,758	(857,886)
31	Guidance, Counseling, & Evaluation Services	461,263	-	56,492	(404,771)
32	Social Work Services	19,407	-	11,797	(7,610)
33	Health Services	133,847	-	512	(133,335)
34	Student (Pupil) Transportation	678,195	-	4,213	(673,982)
35	Food Services	689,332	232,415	823,746	366,829
36	Extracurricular Activities	1,088,723	274,306	155,665	(658,752)
41	General Administration	807,949	-	2,522	(805,427)
51	Facilities Maintenance and Operations	1,706,229	8,450	6,459	(1,691,320)
52	Security and Monitoring Services	329,355	-	151,770	(177,585)
53	Data Processing Services	518,523	-	2,312	(516,211)
61	Community Services	24,540	-	15,504	(9,036)
72	Debt Service - Interest on Long-Term Debt	1,574,760	-	169,283	(1,405,477)
81	Facilities Acquisition and Construction	54,283	-	16,800	(37,483)
91	Contracted Instructional Services	538,067	-	-	(538,067)
99	Other Intergovernmental Charges	330,381	-	-	(330,381)
TG	Total Governmental Activities	<u>19,254,367</u>	<u>525,571</u>	<u>2,381,199</u>	<u>(16,347,597)</u>
TP	Total Primary Government	<u>\$ 19,254,367</u>	<u>\$ 525,571</u>	<u>\$ 2,381,199</u>	<u>(16,347,597)</u>
 <i>General Revenues:</i>					
MT	Property Taxes, Levied for General Purposes				12,450,523
DT	Property Taxes, Levied for Debt Service				2,106,107
SF	State Aid - Formula Grants				1,401,626
IE	Investment Earnings				2,455,348
MI	Miscellaneous Local and Intermediate Revenue				208,151
TR	Total General Revenues				<u>18,621,755</u>
CN	Change in Net Position				2,274,158
NB	Net Position - Beginning				16,686,710
NE	Net Position - Ending				<u>\$ 18,960,868</u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2024

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Nonmajor Governmental Funds	98 Total Governmental Funds
ASSETS:						
1110	Cash and Cash Equivalents	\$ 8,702,016	\$ 1,911,344	\$ 24,273,363	\$ 566,264	\$ 35,452,987
1225	Taxes Receivable, Net	554,438	87,785	-	-	642,223
1240	Receivables from Other Governments	536,891	112,787	-	346,274	995,952
1260	Due from Other Funds	346,172	-	-	140	346,312
1290	Other Receivables	60,581	-	-	-	60,581
1300	Inventories	3,548	-	-	13,917	17,465
1000	<i>Total Assets</i>	<u>\$ 10,203,646</u>	<u>\$ 2,111,916</u>	<u>\$ 24,273,363</u>	<u>\$ 926,595</u>	<u>\$ 37,515,520</u>
LIABILITIES:						
2110	Accounts Payable	\$ 222,034	\$ -	\$ 2,623,628	\$ 7,130	\$ 2,852,792
2160	Accrued Wages Payable	1,150,884	-	-	39,626	1,190,510
2170	Due to Other Funds	140	-	-	346,172	346,312
2180	Due to Other Governments	768,017	-	-	-	768,017
2000	<i>Total Liabilities</i>	<u>2,141,075</u>	<u>-</u>	<u>2,623,628</u>	<u>392,928</u>	<u>5,157,631</u>
DEFERRED INFLOWS OF RESOURCES:						
2600	Unavailable Revenue - Property Taxes	413,738	64,748	-	-	478,486
	<i>Total Deferred Inflows of Resources</i>	<u>413,738</u>	<u>64,748</u>	<u>-</u>	<u>-</u>	<u>478,486</u>
FUND BALANCES:						
<i>Nonspendable Fund Balance:</i>						
3410	Inventories	3,548	-	-	13,917	17,465
<i>Restricted Fund Balances:</i>						
3450	Federal/State Funds Grant					
	Restrictions	-	-	-	260,915	260,915
3470	Capital Acquisitions	-	-	21,649,735	-	21,649,735
3480	Retirement of Long-Term Debt	-	2,047,168	-	-	2,047,168
3490	Other Restricted Fund Balance	-	-	-	258,835	258,835
<i>Assigned Fund Balances:</i>						
3590	Other Assigned Fund Balance	1,825,805	-	-	-	1,825,805
3600	<i>Unassigned</i>	<u>5,819,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,819,480</u>
3000	<i>Total Fund Balances</i>	<u>7,648,833</u>	<u>2,047,168</u>	<u>21,649,735</u>	<u>533,667</u>	<u>31,879,403</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 10,203,646</u>	<u>\$ 2,111,916</u>	<u>\$ 24,273,363</u>	<u>\$ 926,595</u>	<u>\$ 37,515,520</u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2024

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS **\$ 31,879,403**

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, 40,501,724
are not reported in the funds.

Internal service funds are used by management to charge costs related to employee unemployment costs. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. 351,641

Other long-term assets are not available to pay for current-period expenditures and therefore, 478,486
are deferred in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported in the funds.

Bonds Payable	(44,551,644)	
Lease Liability	<u>(116,653)</u>	(44,668,297)

Retainage on construction contracts is not due and payable at the financial statement date and thus is not recognized on the fund financial statements. (882,185)

Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.

Net Pension Liability	4,701,431	
Pension Related Deferred Inflows	334,400	
Pension Related Deferred Outflows	<u>(2,088,269)</u>	(2,947,562)

Net OPEB liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.

Net OPEB Liability	2,235,638	
OPEB Related Deferred Inflows	3,969,845	
OPEB Related Deferred Outflows	<u>(1,005,706)</u>	(5,199,777)

Accrued interest payable on long-term bonds is not due and payable in the current period, (552,565)
and therefore, not reported in the funds.

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 18,960,868**

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Nonmajor Governmental Funds	98 Total Governmental Funds
REVENUES:						
5700	Total Local and Intermediate Sources	\$ 13,201,922	\$ 2,190,150	\$ 1,847,994	\$ 539,100	\$ 17,779,166
5800	State Program Revenues	1,379,682	169,283	-	333,528	1,882,493
5900	Federal Program Revenues	65,961	-	-	1,835,910	1,901,871
5020	<i>Total Revenues</i>	<u>14,647,565</u>	<u>2,359,433</u>	<u>1,847,994</u>	<u>2,708,538</u>	<u>21,563,530</u>
EXPENDITURES:						
<i>Current:</i>						
0011	Instruction	7,191,501	-	-	965,582	8,157,083
0012	Instructional Resources and Media Services	159,848	-	-	1,539	161,387
0013	Curriculum and Instructional Staff Development	255,578	-	-	300,244	555,822
0021	Instructional Leadership	179,956	-	-	158,807	338,763
0023	School Leadership	863,807	-	-	8,568	872,375
0031	Guidance, Counseling, & Evaluation Services	370,224	-	-	84,068	454,292
0032	Social Work Services	1,851	-	-	17,556	19,407
0033	Health Services	90,233	-	-	762	90,995
0034	Student (Pupil) Transportation	648,122	-	-	6,269	654,391
0035	Food Service	25,165	-	-	624,860	650,025
0036	Extracurricular Activities	846,376	-	-	231,650	1,078,026
0041	General Administration	713,325	-	-	3,753	717,078
0051	Facilities Maintenance and Operations	1,618,500	-	170,839	9,612	1,798,951
0052	Security and Monitoring Services	125,539	-	-	225,853	351,392
0053	Data Processing Services	512,351	-	-	3,440	515,791
0061	Community Services	-	-	-	23,072	23,072
<i>Debt Service:</i>						
0071	Principal on Long-Term Debt	39,661	840,000	-	-	879,661
0072	Interest on Long-Term Debt	4,168	1,673,273	-	-	1,677,441
0073	Bond Issuance Costs and Fees	-	750	-	-	750
<i>Capital Outlay:</i>						
0081	Facilities Acquisition and Construction	1,378,964	-	17,861,533	25,000	19,265,497
<i>Intergovernmental:</i>						
0091	Contracted Instructional Services Between Public Schools	538,067	-	-	-	538,067
0099	Other Intergovernmental Charges	330,381	-	-	-	330,381
6030	<i>Total Expenditures</i>	<u>15,893,617</u>	<u>2,514,023</u>	<u>18,032,372</u>	<u>2,690,635</u>	<u>39,130,647</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,246,052)</u>	<u>(154,590)</u>	<u>(16,184,378)</u>	<u>17,903</u>	<u>(17,567,117)</u>
Other Financing Sources and (Uses)						
7913	Proceeds from Right to Use Leased Assets	156,314	-	-	-	156,314
7080	Total Other Financing Sources and (Uses)	<u>156,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,314</u>
1200	Net Change in Fund Balances	(1,089,738)	(154,590)	(16,184,378)	17,903	(17,410,803)
0100	Fund Balances - Beginning	<u>8,738,571</u>	<u>2,201,758</u>	<u>37,834,113</u>	<u>515,764</u>	<u>49,290,206</u>
3000	Fund Balances - Ending	<u>\$ 7,648,833</u>	<u>\$ 2,047,168</u>	<u>\$ 21,649,735</u>	<u>\$ 533,667</u>	<u>\$ 31,879,403</u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (17,410,803)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay. 18,702,520

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. This is the net decrease in those revenues over the year. (52,627)

The issuance of long-term debt (e.g. bonds & notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Proceeds of New Debt	(156,314)	
Principal Payments	879,661	
Amortization of Bond Premiums	97,463	
Accrued Interest	5,969	
	826,779	826,779

Governmental funds report required contributions to employee pensions as expenditures. However in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that the actuarially determined pension expense exceeded contributions. (433,251)

Governmental funds report required contributions to employee other post employment benefits as expenditures. However in the Statement of Activities the cost of the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined OPEB expense. 632,419

Internal service funds are used by management to charge the costs related to employee unemployment and workers compensation costs to individual funds. The net revenue (loss) is reported with governmental activities. 9,121

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 2,274,158**

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Governmental Activities
	<u>Total</u>
	Internal Service Funds
	<u></u>
<i>ASSETS:</i>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 369,250
<i>Total Assets</i>	<u>\$ 369,250</u>
<i>LIABILITIES:</i>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 17,609
<i>Total Liabilities</i>	<u>17,609</u>
<i>NET POSITION:</i>	
Unrestricted	351,641
<i>Total Net Position</i>	<u><u>\$ 351,641</u></u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Governmental Activities
	Total
	Internal Service Funds
<i>OPERATING REVENUES:</i>	
Local and Intermediate Sources	\$ 64,423
<i>Total Operating Revenues</i>	<u>64,423</u>
<i>OPERATING EXPENSES:</i>	
Other Operating Costs	75,089
<i>Total Operating Expenses</i>	<u>75,089</u>
<i>Operating Income (Loss)</i>	<u>(10,666)</u>
<i>NON-OPERATING REVENUES (EXPENSES)</i>	
Earnings from Temporary Deposits & Investments	19,787
<i>Total Non-Operating Revenues (Expenses)</i>	<u>19,787</u>
Change in Net Position	9,121
Total Net Position - July 1 Beginning	342,520
Total Net Position - June 30 Ending	<u><u>\$ 351,641</u></u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Governmental Activities
	Total
	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Assessments - Other Funds	\$ 64,423
Cash Payments for Insurance Claims	(77,726)
Net Cash Provided (Used) by Operating Activities	(13,303)
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Other Funds	-
Net Cash Used in Non-Capital Financing Activities	-
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	19,787
Net Cash Provided (Used) by Investing Activities	19,787
Net Increase (Decrease) in Cash and Cash Equivalents	6,484
Cash and Cash Equivalents at Beginning of Year	362,766
Cash and Cash Equivalents at End of Year	\$ 369,250
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities	
Operating Income (Loss)	\$ (10,666)
Change in Assets and Liabilities:	
Increase (Decrease) in Other Accounts Payable	(2,637)
Net Cash Provided (Used) by Operating Activities	\$ (13,303)

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2024

	Custodial Fund Student Activity Fund
<i>ASSETS:</i>	
Cash and Cash Equivalents	\$ 81,784
<i>Total Assets</i>	<u>\$ 81,784</u>
<i>LIABILITIES:</i>	
<i>Current Liabilities</i>	
Accounts Payable	\$ 2,109
<i>Total Liabilities</i>	<u>2,109</u>
<i>NET POSITION</i>	
<i>Total Net Position</i>	<u>\$ 79,675</u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Custodial Fund
	Student Activity Fund
Additions:	
Contributions	\$ 78,227
Total Additions	<u>78,227</u>
Deductions:	
Supplies	55,638
Other Operating Costs	4,000
Total Deductions	<u>59,638</u>
Changes in Net Position	18,589
Net Position - Beginning of Year	61,086
Net Position - End of Year	<u><u>\$ 79,675</u></u>

The accompanying notes are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

A. Summary of Significant Accounting Policies

The basic financial statements of Blanco Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board") has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. 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 nonmajor funds.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

a. Basis of Presentation (Continued)

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: Is used to account for all funds collected and disbursed for the retirement of governmental debt.

Capital Projects Fund: The District reports transfers from the General Fund and proceeds from bond issuances related to capital acquisition and construction in this fund.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for revenues and expenditures related to specific federal, state, or local programs.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. The funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, these fund types are included in the "Governmental Activities" column of the government-wide financial statements.

Fiduciary Funds: These funds hold resources for others for which the District is a custodian. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and use the economic resources measurement focus. The government-wide expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

b. Measurement Focus, Basis of Accounting (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Investments

The District reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

c. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

c. Property Taxes (Continued)

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Taxes Receivable in the governmental funds are stated net of allowance for uncollectible tax receivables in the amount of \$21,807 and \$2,947 for the General and Debt Service Funds, respectively.

d. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. 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.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (Years)
Buildings and Improvements	20 - 50
Vehicles, Furniture, and Equipment	5 - 10

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net assets.

h. Deferred Inflows and Outflows of Resources

A deferred outflow of resources is a consumption of net position by the district that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in a separate section following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

i. Pensions

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

j. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS'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.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

k. Leases and Subscription Based IT Arrangements

At the commencement of a lease or arrangement, the District initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The right of use asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life. The District recognizes lease liabilities with an initial, individual value of \$100,000 or more.

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

l. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

m. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of 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.

n. Net Position – Government-wide Statement of Net Position

Net position is classified as follows:

Restricted - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Net Investment in Capital Assets – represents the balances of capital assets and unspent bond proceeds less the outstanding balances of debt related to the acquisition of the capital assets. This amount is separated from unrestricted net position so that the unrestricted classification represents net position more readily available to operations.

Unrestricted – represents the residual net position that is not restricted or capital in nature.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

o. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Currently, the Superintendent and Business Manager have been delegated the authority to assign balances. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund, conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

B. Deposits and Investments

1. Cash Deposits:

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

At June 30, 2024, the District's cash deposits were entirely covered by FDIC insurance and pledged securities by the agent bank. Therefore, the District was not exposed to custodial credit risk.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act except that investment officer training expired. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at June 30, 2024 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Reported Value</u>	<u>Method</u>
<i>Reported as Cash Equivalents</i>				
Lone Star Investment Pool	Demand	AAAm	\$ 35,758,650	Net Asset Value
Total Investments			<u>\$ 35,758,650</u>	

The debt securities are reported at fair value based on Level 2 inputs.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

B. Deposits and Investments

2. Investments (Continued):

The District participates in the First Public Local Government Pool ("Lone Star"), an external investment pool. A Board of Trustees composed of participants of Lone Star is responsible for the overall management of the pool. The funds are managed by two separate advisors – American Beacon and BNY Mellon. The funds within Lone Star are not registered mutual funds under the Investment Company Act of 1940 and are not available to individual investors. The pool seeks to maintain a net asset value of \$1.00.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

C. Capital Assets

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

	Beginning Balances	Increases/ Adjustments	Decreases/ Adjustments	Ending Balances
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 656,364	\$ -	\$ -	\$ 656,364
Construction in Progress	3,980,156	20,093,401	(1,924,734)	22,148,823
<i>Total Capital Assets Not Being Depreciated</i>	<u>4,636,520</u>	<u>20,093,401</u>	<u>(1,924,734)</u>	<u>22,805,187</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	25,919,687	39,444	1,887,312	27,846,443
Vehicles, Furniture, and Equipment	3,400,762	219,197	(215,162)	3,404,797
Right of Use Assets	-	156,314	-	156,314
<i>Total Capital Assets Being Depreciated</i>	<u>29,320,449</u>	<u>414,955</u>	<u>1,672,150</u>	<u>31,407,554</u>
<i>Less Accumulated Depreciation For:</i>				
Buildings and Improvements	(10,542,537)	(691,957)	-	(11,234,494)
Vehicles, Furniture and Equipment	(2,497,413)	(189,063)	252,584	(2,433,892)
Right of Use Assets	-	(42,631)	-	(42,631)
<i>Total Accumulated Depreciation</i>	<u>(13,039,950)</u>	<u>(923,651)</u>	<u>252,584</u>	<u>(13,711,017)</u>
Total Capital Assets Being Depreciated, Net	<u>16,280,499</u>	<u>(508,696)</u>	<u>1,924,734</u>	<u>17,696,537</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 20,917,019</u>	<u>\$ 19,584,705</u>	<u>\$ -</u>	<u>\$ 40,501,724</u>

Depreciation was charged to functions as follows:

11 Instruction	\$ 513,302
12 Instructional Resources and Media Services	15,497
13 Curriculum and Instructional Staff Development	2,860
21 Instructional Leadership	43,448
23 School Leadership	39,386
31 Guidance, Counseling, & Evaluation Services	20,637
33 Health Services	42,853
34 Student (Pupil) Transportation	23,804
35 Food Services	48,737
36 Cocurricular/Extracurricular Activities	40,395
41 General Administration	36,907
51 Plant Maintenance and Operations	85,341
52 Security and Monitoring Services	533
53 Data Processing Services	8,483
61 Community Services	1,468
	<u>\$ 923,651</u>

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

D. Interfund Balances and Activities

Balances due to and due from other funds at June 30, 2024, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Nonmajor Funds	\$ 346,172	Short-term pooled cash loans
Other Nonmajor Funds	General Fund	140	Short-term pooled cash loans
	Total	<u>\$ 346,312</u>	

E. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. Bonded indebtedness of the District is reflected in the Statement of Net Position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

Changes in long-term obligations for the year ended June 30, 2024, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
<i>Public Offering</i>					
Unlimited Tax School					
Refunding Bonds, Series 2020	\$ 5,625,000	\$ -	\$ (575,000)	\$ 5,050,000	\$ 590,000
Refunding Bonds, Series 2022	37,525,000	-	(265,000)	37,260,000	295,000
Unamortized Premiums	2,339,107	-	(97,463)	2,241,644	-
Lease Liability	-	156,314	(39,661)	116,653	42,656
Net Pension Liability	3,599,196	1,102,235	-	4,701,431	-
Net OPEB Liability	2,210,797	24,841	-	2,235,638	-
<i>Total Governmental Activities</i>	<u>\$ 51,299,100</u>	<u>\$ 1,283,390</u>	<u>\$ (977,124)</u>	<u>\$ 51,605,366</u>	<u>\$ 927,656</u>

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The District issued \$6,515,000 Unlimited Tax Refunding Bonds, Series 2020 for the purpose of providing funds to refund the outstanding Unlimited Tax Refunding Bonds, Series 2011. The 2020 bonds mature on August 15, in each year of the years 2022 through 2032, bearing interest at rates from 2.5% to 3.5%. The economic gain on these refunding bonds was \$752,514.

During the year ended June 30, 2024, the District issued revenue bonds, Series 2022 in the amount of \$37,980,000 to provide resources for various district improvements. The 2022 bonds mature on August 15, in each year of the years 2023 through 2047, bearing interest at rates from 4.0% to 5.0%.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

E. Long-Term Obligations (Continued)

Debt Service requirements on long-term debt at June 30, 2024, are as follows:

Year Ending June 30,	Public Offerings		
	Principal	Interest	Total
2025	\$ 885,000	\$ 1,655,010	\$ 2,540,010
2026	910,000	1,634,546	2,544,546
2027	935,000	1,612,600	2,547,600
2028	1,010,000	1,589,184	2,599,184
2029	1,040,000	1,562,088	2,602,088
2030-2034	6,940,000	7,263,443	14,203,443
2035-2039	9,935,000	5,413,900	15,348,900
2040-2044	12,140,000	3,198,200	15,338,200
2045-2047	8,515,000	690,000	9,205,000
Totals	<u>\$ 42,310,000</u>	<u>\$ 24,618,971</u>	<u>\$ 66,928,971</u>

Lease Liability

During the year ended June 30, 2024, the District entered into a lease agreement for new copiers totaling \$156,314 for 44 months. The District has elected to treat non-lease components (maintenance) as part of the lease. The future cash flows were discounted at a rate of 3.0% and are expected to complete in February 2027.

Future minimum lease payments under the agreement as of June 30, 2024 were as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 42,656	\$ 3,214	\$ 45,870
2026	43,954	1,916	45,870
2027	30,043	538	30,581
Totals	<u>\$ 116,653</u>	<u>\$ 5,668</u>	<u>\$ 122,321</u>

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2024, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

G. Pension Plan

1. 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.

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

G. Pension Plan (Continued)

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	Contribution Rates	
	Plan fiscal year	
	2023	2024
Member (Employee)	8.00%	8.25%
Non-employer Contributing Entity (State)	8.00%	8.25%
Employer	8.00%	8.25%

	Contributions Required and Made
Member (Employee)	\$ 731,184
Non-employer contributing agency (State)	492,772
District	367,212
	<u>\$ 1,591,168</u>

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

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

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

G. Pension Plan (Continued)

4. Contributions (Continued)

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

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2019	3.13% Fidelity 20-Year AA Municipal
Last Year in Projection Period	2122
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

6. Discount Rate

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

G. Pension Plan (Continued)

6. Discount Rate (Continued)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2023 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return	Expected Contribution to Portfolio Return
Global Equity			
U.S.	18%	4.0%	1.00%
Non-U.S. Developed	13%	4.5%	0.90%
Emerging Markets	9%	4.8%	0.70%
Private Equity	14%	7.0%	1.50%
Stable Value			
Government Bonds	16%	2.5%	0.50%
Absolute Return	0%	3.6%	0.00%
Stable Value Hedge Funds	5%	4.1%	0.20%
Real Return			
Real Estate	15%	4.9%	1.10%
Energy and Natural Resources	6%	4.8%	0.40%
Commodities	0%	4.5%	0.00%
Risk Parity			
Risk Parity	8%	4.5%	0.40%
Asset Allocation Leverage			
Cash	2%	3.7%	0.00%
Asset Allocation Leverage	-6%	4.4%	-0.10%
Inflation Expectation			2.30%
Volatility Drag			-0.90%
Total	100%		8.00%

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

G. Pension Plan (Continued)

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's Proportionate Share of Net Pension Liability	\$ 7,028,899	\$ 4,701,431	\$ 2,766,139

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

At June 30, 2024, the District reported a liability of \$4,701,431 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District Proportionate Share	\$ 4,701,431
State's Proportionate Share	6,585,037
	<u>\$ 11,286,468</u>

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

At August 31, 2023 the employer's proportion of the collective net pension liability was 0.0068443829% which was an increase of 0.0007818064% from its proportion measured as of August 31, 2022.

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

For the year ended June 30, 2024, the District recognized pension expense of \$1,805,453, including \$994,284 in support provided by the State.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

G. Pension Plan (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 167,514	\$ 56,929
Changes in actuarial assumptions	444,663	108,819
Difference between projected and actual investment earnings	684,172	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	470,011	168,652
Contributions paid to TRS subsequent to the measurement date	321,909	-
	<u>\$ 2,088,269</u>	<u>\$ 334,400</u>

The \$321,909 in deferred outflows of resources related to pensions from District contributions after the measurement date will be recognized as a reduction of the net pension liability in the plan year ended August 31, 2024. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ending June 30:	Pension Expense Amount
2025	\$ 258,787
2026	193,493
2027	663,254
2028	256,850
2029	59,576
Thereafter	-
	<u>\$ 1,431,960</u>

H. Other Post-Employment Benefits

1. 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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature. The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

H. Other Post-Employment Benefits (Continued)

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly for Retirees			
	Medicare		Non-Medicare
Retiree*	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree* and Children		468	408
Retiree and Family		1,020	999

* or surviving spouse

4. 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 made 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.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

H. Other Post-Employment Benefits (Continued)

4. Contributions (Continued)

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	Plan fiscal year	
	2023	2024
Member (Employee)	0.65%	0.65%
Non-employer Contributing Entity (State)	1.25%	1.25%
Employer	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

	Contributions Required and Made
Member (Employee)	\$ 57,895
Non-employer contributing agency (State)	105,705
District	92,422
	<u>\$ 256,022</u>

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

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

H. Other Post-Employment Benefits (Continued)

5. Actuarial Assumptions

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

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	4.13%
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

Rates of Mortality	General Inflation	Rates of Retirement
Wage Inflation	Rates of Termination	Rates of Disability

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 2021 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2021.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

H. Other Post-Employment Benefits (Continued)

6. Discount Rate

A single discount rate of 4.13% was used to measure the total OPEB liability. This was an increase of 0.22 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2023 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District's Proportionate Share of Net OPEB Liability	\$ 2,633,116	\$ 2,235,638	\$ 1,911,287

8. Healthcare Cost Trend Sensitivity Analysis

The following presents the net OPEB liability of the plan 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% point lower or 1% point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of Net OPEB Liability	\$ 1,840,936	\$ 2,235,638	\$ 2,743,424

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

H. Other Post-Employment Benefits (Continued)

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

At June 30, 2024, the District reported a liability of \$2,235,638 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District Proportionate Share	\$ 2,235,638
State's Proportionate Share	2,697,641
	<u>\$ 4,933,279</u>

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

At August 31, 2023, the employer's proportion of the collective net OPEB liability was 0.0100985072%, which was an increase of 0.0008653122% from its proportionate share measured as of August 31, 2022.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected the measurement of the total OPEB liability since the prior measurement period:

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$(1,116,696) including \$(576,699) in savings recognized by the State.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

H. Other Post-Employment Benefits (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 101,146	\$ 1,880,866
Changes in actuarial assumptions	305,148	1,368,941
Difference between projected and actual investment earnings	966	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	520,597	720,038
Contributions paid to TRS subsequent to the measurement date	77,849	-
	<u>\$ 1,005,706</u>	<u>\$ 3,969,845</u>

The \$77,849 in deferred outflows of resources related to OPEB from District contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the plan year ended August 31, 2024. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal Year ending June 30:	OPEB Expense Amount
2025	\$ (726,078)
2026	(623,540)
2027	(484,721)
2028	(415,583)
2029	(359,274)
Thereafter	(432,792)
	<u>\$ (3,041,988)</u>

I. Medicare Part D Coverage

The Medicare Prescription, Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2024, 2023, and 2022, the subsidy payments received by TRS-Care on behalf of the District were \$50,918, \$48,851, and \$34,172, respectively.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

J. State Unemployment Coverage

The District utilizes TRS-Active Care, the statewide health coverage program for public education employees established by the 77th Texas Legislature in 2002. Of the more than one thousand school districts/entities eligible to participate in TRS-Active Care, over 90 percent do so. The District employees are eligible to participate in one of three PPO plan options administered by Aetna, WellSystems, and Caremark.

TRS-Active Care is a self-funded program, not an insured plan. Rates and benefits are not determined by the vendors administering the program but are established by the TRS Trustees based on the claims experience of the plan.

K. Internal Service Funds

1. Workers Compensation

During the period ended June 30, 2024, the District met its statutory workers' compensation obligations through a modified self-funded program. The District (through a third-party administrator) pays all workers' compensation claims up to a maximum stop-loss amount. The stop-loss amount for the period ending June 30, 2024 was \$26,871. Actual incurred claims (including management fees) were as follows:

	06/30/24	06/30/23	06/30/22
Unpaid claims, beginning of year	\$ 20,246	\$ 26,336	\$ 17,276
Incurred claims (including IBNR's)	20,009	-	9,060
Claim payments	(22,646)	(6,090)	-
Unpaid claims, end of year	<u>\$ 17,609</u>	<u>\$ 20,246</u>	<u>\$ 26,336</u>

2. Employee Dental Program

The District's dental program is self-funded through an Internal Service Fund as a voluntary program funded by employer and employee (for family, child, or spouse) contributions. Cost containment features include a graded benefit schedule to deter adverse selection into the plan, maximum annual benefit of \$1,000, and deductibles/coinsurance. The District and third-party administrator determine the projected claim costs and administrative fees. A liability for a claim is established if information indicates that it is probable that a liability has been incurred to date of the financial statements and the amount of the loss is reasonably estimable.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

L. Commitments and Contingencies

1. Commitments

The District has entered into construction contracts for the following projects. Estimated future commitments associated with these contracts as of June 30, 2024 are as follows:

	Total Commitment	Incurred to Date	Estimated Future Commitment
Natural Grass Project	\$ 1,529,114	\$ 1,452,658	\$ 76,456
ISD Improvement - Contractors	38,502,053	17,643,691	20,858,362
ISD Improvement - Engineering	2,151,893	1,884,283	267,610
	<u>\$ 42,183,060</u>	<u>\$ 20,980,632</u>	<u>\$ 21,202,428</u>

2. Litigation

The District is subject to various claims through its normal course of business and employment practices. Management and legal counsel are not aware of any pending or threatened litigation against the District that would have a material financial impact on the District.

3. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.



REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

BLANCO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

Data Control Codes		1 Budgeted Amounts Original	2 Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and Intermediate Sources	\$ 16,072,814	\$ 13,288,009	\$ 13,201,922	\$ (86,087)
5800	State Program Revenues	1,379,226	1,499,504	1,379,682	(119,822)
5900	Federal Program Revenues	25,000	40,000	65,961	25,961
5020	Total Revenues	<u>17,477,040</u>	<u>14,827,513</u>	<u>14,647,565</u>	<u>(179,948)</u>
	EXPENDITURES				
	<i>Current:</i>				
0011	Instruction	7,354,589	7,292,706	7,191,501	101,205
0012	Instructional Resources and Media Services	154,209	164,209	159,848	4,361
0013	Curriculum and Instructional Staff Development	292,517	324,790	255,578	69,212
0021	Instructional Leadership	183,200	189,400	179,956	9,444
0023	School Leadership	844,558	883,098	863,807	19,291
0031	Guidance, Counseling and Evaluation Services	363,624	373,624	370,224	3,400
0032	Social Work Services	11,873	2,002	1,851	151
0033	Health Services	94,185	97,185	90,233	6,952
0034	Student (Pupil) Transportation	650,032	679,032	648,122	30,910
0035	Food Service	1,100	26,100	25,165	935
0036	Extracurricular Activities	893,818	888,301	846,376	41,925
0041	General Administration	804,245	787,613	713,325	74,288
0051	Facilities Maintenance and Operations	1,653,973	1,666,002	1,618,500	47,502
0052	Security and Monitoring Services	104,950	174,921	125,539	49,382
0053	Data Processing Services	468,897	520,461	512,351	8,110
0071	Debt Service	-	55,000	43,829	11,171
0081	Facilities Acquisition and Construction	1,445,000	1,397,506	1,378,964	18,542
0091	Contracted Instructional Services	3,659,482	980,579	538,067	442,512
0099	Other Intergovernmental Charges	321,000	336,000	330,381	5,619
6030	Total Expenditures	<u>19,301,252</u>	<u>16,838,529</u>	<u>15,893,617</u>	<u>944,912</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,824,212)</u>	<u>(2,011,016)</u>	<u>(1,246,052)</u>	<u>764,964</u>
	Other Financing Sources and (Uses)				
7913	Proceeds from Right to Use Leased Assets	-	-	156,314	156,314
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>156,314</u>	<u>156,314</u>
1200	Net Change in Fund Balance	(1,824,212)	(2,011,016)	(1,089,738)	921,278
0100	Fund Balance - Beginning	<u>8,738,571</u>	<u>8,738,571</u>	<u>8,738,571</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 6,914,359</u>	<u>\$ 6,727,555</u>	<u>\$ 7,648,833</u>	<u>\$ 921,278</u>

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

Budgetary Information - The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and as such is a good management control device. The following funds have legally adopted annual budgets: General Fund, National School Breakfast and Lunch Program (Special Revenue), and Debt Service Fund.

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year-end. During the year, several amendments were necessary.

Budgetary preparation and control is exercised at the function level. Actual expenditures may not legally exceed appropriations at the fund level.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

EXHIBIT G-2

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2024

Measurement Period Ending August 31,	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportion of Net Pension Liability	Total Net Pension Liability	District's Covered Payroll for the Measurement Period	District's Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiducary Net Position As a % of Total Pension Liability
2023	0.0068444%	\$ 4,701,431	\$ 6,585,037	\$ 11,286,468	\$ 8,786,336	53.51%	73.15%
2022	0.0060626%	\$ 3,599,196	\$ 5,890,825	\$ 9,490,021	\$ 8,160,015	44.11%	75.62%
2021	0.0057185%	\$ 1,456,287	\$ 2,740,689	\$ 4,196,976	\$ 7,414,649	19.64%	88.79%
2020	0.0053981%	\$ 2,891,124	\$ 5,781,126	\$ 8,672,250	\$ 7,383,177	39.16%	75.54%
2019	0.0062730%	\$ 3,260,908	\$ 5,275,560	\$ 8,536,468	\$ 7,058,772	46.20%	75.24%
2018	0.0062751%	\$ 3,453,947	\$ 5,806,335	\$ 9,260,282	\$ 6,951,416	49.69%	73.74%
2017	0.0071266%	\$ 2,278,699	\$ 3,859,512	\$ 6,138,211	\$ 7,623,284	29.89%	82.17%
2016	0.0070143%	\$ 2,650,611	\$ 4,761,034	\$ 7,411,645	\$ 7,660,750	34.60%	78.00%
2015	0.0076285%	\$ 2,696,573	\$ 4,632,279	\$ 7,328,852	\$ 7,501,326	35.95%	78.43%
2014	0.0049506%	\$ 1,322,374	\$ 4,027,065	\$ 5,349,439	\$ 7,571,097	17.47%	83.25%

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year.

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS –
TEACHER RETIREMENT SYSTEM
JUNE 30, 2024

Fiscal Year Ending	Contractually Required Contribution	Contributions Made	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percent Covered Payroll
6/30/2024	\$ 367,212	\$ 367,212	\$ -	\$ 8,862,839	4.14%
6/30/2023	\$ 342,131	\$ 342,131	\$ -	\$ 8,760,889	3.91%
6/30/2022	\$ 274,189	\$ 274,189	\$ -	\$ 7,996,836	3.43%
6/30/2021	\$ 238,816	\$ 238,816	\$ -	\$ 7,639,640	3.13%
6/30/2020	\$ 222,441	\$ 222,441	\$ -	\$ 7,335,926	3.03%
6/30/2019	\$ 218,091	\$ 218,091	\$ -	\$ 7,010,588	3.11%
6/30/2018*	\$ 179,458	\$ 179,458	\$ -	\$ 5,792,729	3.10%
8/31/2017	\$ 233,568	\$ 233,568	\$ -	\$ 7,623,284	3.06%
8/31/2016	\$ 219,837	\$ 219,837	\$ -	\$ 7,660,750	2.87%
8/31/2015	\$ 218,218	\$ 218,218	\$ -	\$ 7,501,326	2.91%

*2018 was a short year of 10 months.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSIONS
JUNE 30, 2024

The following actuarial assumptions were applied for the most recent valuation:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2019	3.13% Fidelity 20-Year AA Municipal
Last Year in Projection Period	2122
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The following were changes to the actuarial assumptions or other inputs that affected the measurement of the pension liability during the years ending August 31:

2022	Expected rate of return reduced from 7.25% to 7.00%
	Municipal bond rate increased from 1.95% to 3.91%
2021	Municipal bond rate reduced from 2.3% to 1.95%
2020	Municipal bond rate reduced from 2.6% to 2.3%
2019	Municipal bond rate reduced from 3.7% to 2.6%
2018	Inflation rate reduced from 2.5% to 2.3%
	Expected rate of return reduced from 8% to 7.25%
	Salary increases reduced from 3.5-9.5% to 3.05-9.05%
2017	None
2016	None

There have been no changes in benefit terms impacting the schedule.

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2024

Measurement Period Ending August 31,	District's Proportion Of Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	State's Proportion Of Net OPEB Liability	Total Net OPEB Liability	District's Covered Payroll for the Measurement Period	District's Proportionate Share of the Net OPEB Liability as a % of Payroll	Plan Fiducary Net Position As a % of Total OPEB Liability
2023	0.0092332%	\$ 2,235,638	\$ 2,697,641	\$ 4,933,279	\$ 8,786,336	25.44%	14.94%
2022	0.0092332%	\$ 2,210,797	\$ 2,696,825	\$ 4,907,622	\$ 8,160,015	27.09%	11.52%
2021	0.0097564%	\$ 3,763,497	\$ 5,042,247	\$ 8,805,744	\$ 7,414,649	50.76%	6.18%
2020	0.0096366%	\$ 3,663,312	\$ 4,922,613	\$ 8,585,925	\$ 7,383,177	49.62%	4.99%
2019	0.0099822%	\$ 4,720,702	\$ 6,272,762	\$ 10,993,464	\$ 7,058,772	66.88%	2.66%
2018	0.0098270%	\$ 4,906,693	\$ 5,871,134	\$ 10,777,827	\$ 6,951,416	70.59%	1.57%
2017	0.0115378%	\$ 5,017,344	\$ 5,871,134	\$ 10,888,478	\$ 7,623,284	65.82%	0.91%

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year. Information is being compiled prospectively until ten years is presented.

BLANCO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICTS OPEB CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
 JUNE 30, 2024

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions Made</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percent Covered Payroll</u>
6/30/2024	\$ 92,422	\$ 92,422	\$ -	\$8,862,839	1.04%
6/30/2023	\$ 86,402	\$ 86,402	\$ -	\$8,760,889	0.99%
6/30/2022	\$ 73,620	\$ 73,620	\$ -	\$7,996,836	0.92%
6/30/2021	\$ 75,436	\$ 75,436	\$ -	\$7,639,640	0.99%
6/30/2020	\$ 74,021	\$ 74,021	\$ -	\$7,335,926	1.01%
6/30/2019	\$ 70,861	\$ 70,861	\$ -	\$7,010,588	1.01%
6/30/2018*	\$ 56,417	\$ 56,417	\$ -	\$5,792,729	0.97%

**2018 was a short year of 10 months.*

Note: Information is being compiled prospectively until ten years is presented.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON OPEBS
JUNE 30, 2024

The following actuarial assumptions were applied for the most recent valuation:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	4.13%
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

The following were changes to the actuarial assumptions or other inputs that affected the measurement of the OPEB liability during the years ending August 31:

2023	Discount rate increased from 3.91% to 4.13%
2022	Discount rate increased from 1.95% to 3.91%
2021	Discount rate decreased from 2.63% to 1.95%
2020	Discount rate decreased from 2.63% to 2.33%
	Participation rate for post-65 retirees lowered from 50% to 40%
	Health care trend rate lowered from 4.5% to 4.25%
2019	Discount rate decreased from 3.69% to 2.63%
	Election rates reduced from 70% to 65%
2018	Inflation rate reduced from 2.5% to 2.3%
	Discount rate increased from 3.42% to 3.69%
	Salary increases reduced from 3.5-9.5% to 3.05-9.05%

There have been no changes in benefit terms impacting the schedule.



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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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August 19, 2025



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FINAL

IN REGARD to the authorization and issuance of the “Blanco Independent School District Unlimited Tax School Building Bonds, Series 2025” (the *Bonds*), dated August 19, 2025, in the aggregate original principal amount of \$32,105,000 we have reviewed the legality and validity of the issuance thereof by the Blanco Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 15, 2026, February 15 in each of the years 2029 through 2045, and February 15, 2050, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. 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 Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Issuer in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “BLANCO INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025”

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

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

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

APPENDIX D

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.

The regular session of the 89th Texas Legislature (the “Legislature”) convened on January 14, 2025, and is scheduled to conclude on June 2, 2025. As of the date of this disclosure, the regular session is underway. The Texas Governor may call one or more special sessions at the conclusion of the regular session. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the State Board of Education (the “SBOE”), the Permanent School Fund Corporation (the “PSF Corporation”), the Act, and Texas school finance generally. No representation is made regarding any actions the Legislature has taken or may take, but the TEA, SBOE, and PSF Corporation monitor and analyze legislation for any developments applicable thereto.

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

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation's Annual Comprehensive Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Texas School Land Board's (the "SLB") land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message From the Chief Executive Officer of the PSF Corporation (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2024, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2024, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2024, and for a description of the financial results of the PSF for the year ended August 31, 2024, the most recent year for which audited financial information regarding the Fund is available. The 2024 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2024 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the PSF Corporation's web site at <https://texaspsf.org> and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation's web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

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

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

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

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

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

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

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

For each biennium, beginning with the 2024-2025 State biennium, the PSF Corporation is required to submit a legislative appropriations request (“LAR”) to the LBB and the Office of the Governor that details a request for appropriation of funds to enable the PSF Corporation to carry out its responsibilities for the investment management of the Fund. The requested funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2026 and 2027. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

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

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

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

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

ANNUAL DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND⁽¹⁾

Fiscal Year Ending	2015	2016	2017	2018	2019	2020	2021	2022	2023⁽²⁾	2024
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156
PSF(SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	-	-	-	-	300	600	600 ⁽³⁾	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	332	440	430

(1) In millions of dollars. Source: Annual Report for year ended August 31, 2024.

(2) Reflects the first fiscal year in which distributions were made by the PSF Corporation.

(3) In September 2020, the SBOE approved a special, one-time transfer of \$300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

In November 2024, the SBOE approved a \$3.6 billion distribution to the ASF for State fiscal biennium 2026-2027. In making its determination of the 2026-2027 Distribution Rate, the SBOE took into account the planned distribution to the ASF by the PSF Corporation of \$1.2 billion for the biennium.

Efforts to achieve the intergenerational equity objective, as described above, result in changes in the Distribution Rate for each biennial period. The following table sets forth the Distribution Rates announced by the SBOE in the fall of each even-numbered year to be applicable for the following biennium.

<u>State Fiscal Biennium</u>	<u>2010-11</u>	<u>2012-13</u>	<u>2014-15</u>	<u>2016-17</u>	<u>2018-19</u>	<u>2020-21</u>	<u>2022-23</u>	<u>2024-25</u>	<u>2026-27</u>
<u>SBOE Distribution Rate⁽¹⁾</u>	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

(1) Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the PSF Corp approved transfers of \$600 million per year directly to the ASF for fiscal biennium 2026-27.

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

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

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

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

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2023 and 2024, as set forth in the Annual Report for the 2024 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF(SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

COMPARATIVE INVESTMENT SCHEDULE – PSF(CORP)

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

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

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

Investment Schedule – PSF(SLB)⁽¹⁾

	<u>Fair Value (in millions) August 31, 2024</u>
	As of <u>8-31-</u> <u>24</u>
Investment Type Investments in Real Assets	
Sovereign Lands	\$ 277.47
Discretionary Internal Investments	457.01
Other Lands	153.15
Minerals ⁽²⁾⁽³⁾	4,540.61 ⁽⁶⁾
Total Investments ⁽⁴⁾	5,428.23
Cash in State Treasury ⁽⁵⁾	0
Total Investments & Cash in State Treasury	\$5,428.23

- (1) Unaudited figures from Table 5 in the FY 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.
- (2) Historical Cost of investments at August 31, 2024 was: Sovereign Lands \$838,730.24; Discretionary Internal Investments \$318,902,420.97; Other Lands \$37,290,818.76; and Minerals \$13,437,063.73.
- (3) Includes an estimated 1,000,000.00 acres in freshwater rivers.
- (4) Includes an estimated 1,747,600.00 in excess acreage.
- (5) Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.
- (6) Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

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

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

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

If a school district fails to pay principal or interest on a bond as it is stated to mature, other amounts not due and payable are not accelerated and do not become due and payable by virtue of the district's default. The School District Bond Guarantee Program

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

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

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

THE CHARTER DISTRICT BOND GUARANTEE PROGRAM . . . The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the “CDBGP Rules”). The CDBGP Rules are codified at 19 TAC section 33.7 and are available at <https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>.

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2025 fiscal year, the ratio is 7.86%. At February 27, 2025, there were 188 active open-enrollment charter schools in the State and there were 1,222 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see “Capacity Limits for the Guarantee Program.” The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

In the event of default, holders of guaranteed charter district bonds will receive all payments as and when they become due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district’s paying agent an amount necessary to pay the maturing or matured principal or interest, as applicable. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education

Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest, as applicable. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The CDBG 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 CDBG 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 CDBG 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 "CDBG 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 CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG 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 SDBG 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 SDBG 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.

<u>Changes in SBOE-determined multiplier for State Capacity Limit</u>	
<u>Date</u>	<u>Multiplier</u>
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

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

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

As of January 31, 2025, the estimated State Capacity Limit is \$169,961,518,160, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

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

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

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

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

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.86% in February 2025. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2025, the Charter District Reserve Fund contained \$120,355,020, which represented approximately 2.44% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

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

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

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

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

RATINGS OF BONDS GUARANTEED UNDER THE GUARANTEE PROGRAM . . . Moody's Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for

multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district's underlying rating and the enhanced rating applied to a given series of bonds.

VALUATION OF THE PSF AND GUARANTEED BONDS

Permanent School Fund Valuations

Fiscal Year Ending 8/31	Book Value ⁽¹⁾	Market Value ⁽¹⁾
2020	\$ 36,642,000,738	\$ 46,764,059,745
2021	38,699,895,545	55,582,252,097
2022	42,511,350,050	56,754,515,757
2023	43,915,792,841	59,020,536,667
2024 ⁽²⁾	46,276,260,013	56,937,188,265

- (1) SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.
- (2) At August 31, 2024, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.2 million, and \$318.9 million, respectively, and market values of approximately \$4,540.6 million, \$277.4 million, \$153.1 million, and \$457.0 million, respectively.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount ⁽¹⁾
2020	\$ 90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603 ⁽²⁾

- (1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.
- (2) At August 31, 2024 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$196,294,405,488, of which \$70,478,423,885 represents interest to be paid. As shown in the table above, at August 31, 2024, there were \$125,815,981,603 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$169,961,518,160 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of January 31, 2025, 7.69% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

School District Bonds			Charter District Bonds			Totals
FYE 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2020	3,296	\$ 87,800,478,245	64	\$2,536,202,000	3,360	\$ 90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682
2024 ⁽²⁾	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603

- (1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.
- (2) At January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues, aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

DISCUSSION AND ANALYSIS PERTAINING TO FISCAL YEAR ENDED AUGUST 31, 2024 . . . The following discussion is derived from the Annual Report for the year ended August 31, 2024, including the Message from the Chief Executive Officer of the Fund, the Management’s Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the PSF Corporation are referred to throughout this MD&A as the PSF(CORP). The Fund’s non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

At the end of fiscal year 2024, the PSF(CORP) net position was \$57.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(CORP) is invested in global markets and liquid and illiquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2024, net of fees, were 10.12%, 7.31%, and 6.32%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund’s investments). See “Comparative Investment Schedule – PSF(CORP)” for the PSF(CORP) holdings as of August 31, 2024.

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

PSF Returns Fiscal Year Ended 8-31-2024⁽¹⁾

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

(1) Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2024.

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

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2024, \$2.2 billion was distributed to the ASF, \$600 million of which was distributed by the PSF(CORP) on behalf of the SLB.

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

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

As of August 31, 2024, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents. On March 31, 2025, the TEA and the PSF Corporation became aware that the 2022 operating data was not timely filed with EMMA due to an administrative oversight. TEA and PSF Corporation took corrective action and filed a notice of late filing with EMMA on April 4, 2025. The annual operating data was previously posted to EMMA on March 31, 2023.

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

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