OFFICIAL STATEMENT
DATED OCTOBER 9, 2024

Ratings (PSF): Moody's:.................... "Aaa"
S&P: ...."AAA"
PSF: ... Conditionally Approved
(See "OTHER INFORMATION – Ratings" and "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

NEW ISSUE - Book-Entry Only

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

$185,255,000
ALDINE INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024B

Interest Accrual Date: Date of Delivery (defined below) **Due: February 15, as shown on page i**

This Official Statement is provided to furnish information in connection with the offering by the Aldine Independent School District (the "District") of its $185,255,000 Unlimited Tax School Building and Refunding Bonds, Series 2024B (the "Bonds").

The Bonds will mature as shown on page i hereof. Interest on the Bonds will accrue from the Date of Delivery (as defined below) and will be payable on February 15 and August 15 of each year commencing February 15, 2025, 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 New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **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 "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. See "THE BONDS – Paying Agent/Registrar."

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State") including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, an election held within the District on November 7, 2023, and an amended and restated order approved by the Board of Trustees (the "Board") of the District on August 20, 2024, authorizing the issuance of one or more series of bonds, including the Bonds (the "Bond Order"). The Bond Order authorized certain District officers to complete the sale of the Bonds through the execution of a pricing certificate, which was approved and executed as of the date hereof (the "Pricing Certificate" and, together with the Bond Order, the "Order"). The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limit as to maximum rate or amount, on all taxable property located within the District, as provided in the Order. See "THE BONDS – Authority for Issuance." **The District has received preliminary approval for 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 E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."**

Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; (ii) refunding a portion of the District's outstanding debt, as more particularly described in SCHEDULE I – SCHEDULE OF REFUNDED BONDS (the "Refunded Bonds") in order to lower the overall debt service requirements of the District; and (iii) the payment of costs of issuing the Bonds. See "PLAN OF FINANCING" herein.

SEE MATURITY SCHEDULE ON PAGE i

The District reserves the right, at its option, to redeem the Bonds having stated maturities on or after February 15, 2035 in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption" herein. The Term Bonds (as defined herein) are additionally subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Sinking Fund Redemption" herein.

The Bonds are offered for delivery when, as and if issued and received by the underwriters listed below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel. See Appendix C, "FORM OF BOND COUNSEL OPINION." Certain legal matters will be passed upon for the District by Bracewell LLP, Houston, Texas, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Cantu Harden Montoya LLP, Houston, Texas, and West & Associates, L.L.P., Houston, Texas, Co-Counsel to the Underwriters. It is expected that the Bonds will be available for delivery through DTC on or about November 19, 2024 (the "Date of Delivery"). See "THE BONDS - Date of Delivery" herein.

CABRERA CAPITAL MARKETS LLC **ESTRADA HINOJOSA**
JEFFERIES **MESIROW FINANCIAL, INC.**
RAYMOND JAMES **STEPHENS INC.**

MATURITY SCHEDULE

$185,255,000
ALDINE INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024B

$166,120,000 Serial Bonds

Maturity (2/15) (1)	Principal Amount	Interest Rate	Initial Reoffering Yield (2)	CUSIP No. (3)
2026	$11,225,000	5.000%	2.750%	014393 A69
2027	11,775,000	5.000%	2.540%	014393 A77
2028	12,325,000	5.000%	2.540%	014393 A85
2029	12,900,000	5.000%	2.600%	014393 A93
2030	11,310,000	5.000%	2.650%	014393 B27
2031	11,850,000	5.000%	2.740%	014393 B35
2032	12,495,000	5.000%	2.850%	014393 B43
2033	11,085,000	5.000%	2.920%	014393 B50
2034	9,155,000	5.000%	2.990%	014393 B68
2035	9,610,000	5.000%	3.070%(4)	014393 B76
2036	10,090,000	5.000%	3.140%(4)	014393 B84
2037	1,080,000	5.000%	3.170%(4)	014393 B92
2038	1,135,000	5.000%	3.220%(4)	014393 C26
2039	11,340,000	5.000%	3.300%(4)	014393 C34
2040	11,905,000	5.000%	3.380%(4)	014393 C42
2041	12,500,000	5.000%	3.470%(4)	014393 C59
2042	1,375,000	5.000%	3.540%(4)	014393 C67
2043	1,445,000	5.000%	3.600%(4)	014393 C75
2044	1,520,000	5.000%	3.640%(4)	014393 C83

(Interest accrues from Date of Delivery)

$19,135,000 Term Bonds

$8,635,000 Term Bond due February 15, 2049 (1)(5) Interest Rate 4.000% Initial Reoffering Yield 4.120% (2)
CUSIP No. (3) 014393 C91

$10,500,000 Term Bond due February 15, 2054 (1)(5) Interest Rate 4.000% Initial Reoffering Yield 4.150% (2)
CUSIP No. (3) 014393 D25

(Interest accrues from Date of Delivery)

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(1) The Bonds maturing on or after February 15, 2035, are subject to optional redemption, in whole or in part, on February 15, 2034, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption" herein.

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

(3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association and CUSIP numbers are included solely for convenience of the registered owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither of the District, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(4) Initial yields calculated to the first optional redemption date of February 15, 2034.

(5) The Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Mandatory Sinking Fund Redemption" herein.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

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

The 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 (hereafter defined) or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.

None of the District, the Underwriters, or the Financial Advisor 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 in "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," as such information has been provided by DTC and TEA, respectively.

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

THE 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 THESE SECURITIES HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INVESTMENT DECISION.

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

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 any purpose.

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The cover page hereof, maturity schedule, this page and 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 (which includes the schedules and appendices hereto). 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 (which includes the schedule and appendices hereto) or to otherwise use it without the entire Official Statement.

The District	The Aldine Independent School District (the "District") is a political subdivision located in Harris County, Texas. The District is approximately 111 square miles in area. See "INTRODUCTION – Description of District."
The Bonds	The District is issuing its $185,255,000 Unlimited Tax School Building and Refunding Bonds, Series 2024B (the "Bonds"). The Bonds mature on February 15 in the years and in the amounts indicated on page i of this Official Statement. See "THE BONDS – Description of the Bonds."
Payment of Interest	Interest on the Bonds will accrue from the Date of Delivery (as defined on the cover page) and will be payable semiannually on February 15 and August 15 of each year, commencing February 15, 2025, until maturity or prior redemption. See "THE BONDS – Description of the Bonds."
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, an election held within the District on November 7, 2023, and an amended and restated order approved by the Board of Trustees of the District on August 20, 2024, authorizing the issuance of one or more series of bonds, including the Bonds (the "Bond Order"). The Bond Order authorized certain District officers to complete the sale of the Bonds through the execution of a pricing certificate, which was approved and executed as of the date hereof (the "Pricing Certificate" and, together with the Bond Order, the "Order"). See "THE BONDS – Authority for Issuance."
Security for the Bonds	The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limit as to maximum rate or amount, on all taxable property located within the District, as provided in the Order. See "THE BONDS – Security and Source of Payment." Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."
Redemption	The District reserves the right, at its option, to redeem the Bonds having stated maturities on or after February 15, 2035 in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption." The Term Bonds (defined herein) are additionally subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Sinking Fund Redemption."
Tax Matters	In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.
Use of Proceeds	Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and for the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; (ii) refunding a portion of the District's outstanding debt, as more particularly described in SCHEDULE I – SCHEDULE OF REFUNDED BONDS (the "Refunded Bonds") in order to lower the overall debt service requirements of the District; and (iii) the payment of costs of issuing the Bonds. See "PLAN OF FINANCING."

Ratings	The Bonds are rated "Aaa" by Moody's Ratings ("Moody's") and "AAA" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. See "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The presently outstanding unenhanced tax-supported debt of the District is rated "Aa2" by Moody's and "AA-" by S&P. An explanation of the significance of such ratings may be obtained from Moody's and S&P. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by either of them, may have an adverse effect on the market price of the Bonds. See "OTHER INFORMATION – Ratings."
Paying Agent/Registrar	The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. See "THE BONDS – Paying Agent/Registrar."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of the Bonds at maturity or on a prior redemption date 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 "BOOK-ENTRY-ONLY SYSTEM."
Payment Record	The District has never defaulted in payment of its bonded indebtedness.
Concurrent Transaction	The District sold its $114,160,000 Unlimited Tax Refunding Bonds, Series 2024A (the "Series 2024A Bonds") on September 26, 2024, which are expected to be delivered on October 16, 2024. Proceeds of the Series 2024A Bonds will be used to purchase a portion of the District's outstanding Unlimited Tax School Building and Refunding Bonds, Series 2017A and Unlimited Tax School Building Bonds, Series 2018 (collectively, the "Purchased Bonds"). The Bonds and the Series 2024A Bonds are separate and distinct securities offerings being issued and sold independently, and the Purchased Bonds are not a part of the plan of finance for the Bonds.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 6/30	Estimated Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2020	306,493	$22,072,213,689	$72,015	$1,024,820,000	4.64%	$3,344
2021	307,303	24,591,403,625	80,023	995,125,000	4.05%	3,238
2022	294,311	24,367,353,462	82,795	970,855,000	3.98%	3,299
2023	279,120	27,141,257,270	97,239	934,570,000	3.44%	3,348
2024	271,209	29,735,295,809	109,640	1,235,855,000	4.16%	4,557
2025	271,595	31,678,687,128	116,639	1,218,970,000 (3)	3.85% (3)	4,488 (3)

(1) Source: Municipal Advisory Council of Texas
(2) Established by Harris Central Appraisal District; subject to change during the ensuing year. Net of exemptions.
(3) Projected debt outstanding as of June 30, 2025. Includes the Bonds and excludes the Refunded Bonds. Also includes the Series 2024A Bonds and excludes the Purchased Bonds, which are scheduled for delivery and redemption, respectively, on October 16, 2024.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Beginning General Fund Balance	$ 390,218,261	$ 308,829,381	$ 253,039,798	$ 211,496,140	$ 152,593,613
Plus: Total Revenues	657,694,834	649,905,509	668,315,821	656,025,543	621,662,175
Less: Total Expenditures	(577,688,458)	(558,815,155)	(605,317,033)	(614,934,050)	(562,070,998)
Other Sources (Uses) and Special Items	(7,909,742)	(9,701,474)	(7,209,205)	452,165	(688,650)
Ending General Fund Balance [1]	$ 462,314,895	$ 390,218,261	$ 308,829,381	$ 253,039,798	$ 211,496,140

Source: The District's audited financial statements. See "TABLE 12 – GENERAL FUND REVENUE AND EXPENDITURE HISTORY" in Appendix A attached hereto.

(1) The estimated Ending General Fund Balance for the fiscal year ending June 30, 2024, is approximately $382 million, as provided by the District. This projection is unaudited and therefore preliminary and subject to change.

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Board of Trustees

Name	Title	Term Expires November
Dr. Kimberly Booker	President	2027
Mr. Paul Shanklin	Vice President	2027
Ms. Conception Esparza	Secretary	2025
Ms. Rose Avalos	Assistant Secretary	2025
Mr. Randy Bates, Jr.	Member	2027
Mr. Steve Mead	Member	2025
Dr. Viola Garcia	Member	2027

Select Administrative Staff

Name	Position	Length of Service Within District
Dr. LaTonya Goffney	Superintendent of Schools	5 Years
Mr. Stan Osborne	Chief Financial Officer	2 Years
Ms. Alexia Rogers	Assistant Superintendent of Business & Finance	9 Years
Ms. Pamela Widmier	Director of Budget	<1 Year

Consultants and Advisors

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

Bond Counsel and Disclosure Counsel .... Bracewell LLP
Houston, Texas

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

For additional information regarding the District, please contact:

Mr. Stan Osborne
Chief Financial Officer
Aldine Independent School District
2520 W.W. Thorne Blvd.
Houston, Texas 77073
(281) 985-6222

or

Mr. Terrell Palmer
President
Post Oak Municipal Advisors LLC
820 Gessner Road, Suite 1350
Houston, Texas 77024
(713) 328-0990

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OFFICIAL STATEMENT RELATING TO

$185,255,000
ALDINE INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024B

INTRODUCTION

This Official Statement, which includes the schedules and appendices hereto, provides certain information regarding the issuance by Aldine Independent School District (the "District") of its $185,255,000 Unlimited Tax School Building and Refunding Bonds, Series 2024B (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the amended and restated order of the District adopted by the Board of Trustees (the "Board") of the District on August 20, 2024 (the "Bond Order"), and the pricing certificate authorizing the final terms of the Bonds executed as of the date hereof by an authorized official of the District pursuant thereto (the "Pricing Certificate," and together with the Bond Order, the "Order"), except as otherwise indicated herein.

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

Included in this Official Statement are descriptions of the Bonds, the Order, and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Aldine Independent School District, 2520 W.W. Thorne Boulevard, Houston, Texas 77073, and, during the offering period, from the District's Financial Advisor, Post Oak Municipal Advisors LLC, 820 Gessner Road, Suite 1350, Houston Texas 77024, upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the final Official Statement pertaining to the Bonds will be filed with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA"). 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 Harris County, Texas. The District is governed by a seven-member Board who serve staggered four-year terms with elections being held in November of every other year. Policymaking 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 111 square miles in Harris County. See "CYBERSECURITY," "WEATHER EVENTS" and "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT."

Concurrent Transaction

The District sold its $114,160,000 Unlimited Tax Refunding Bonds, Series 2024A (the "Series 2024A Bonds") on September 26, 2024, which are expected to be delivered on October 16, 2024. Proceeds of the Series 2024A Bonds will be used to purchase a portion of the District's outstanding Unlimited Tax School Building and Refunding Bonds, Series 2017A and Unlimited Tax School Building Bonds, Series 2018 (collectively, the "Purchased Bonds"). The Bonds and the Series 2024A Bonds are separate and distinct securities offerings being issued and sold independently, and the Purchased Bonds are not a part of the plan of finance for the Bonds.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; (ii) refunding a portion of the District's outstanding debt, as more particularly described in SCHEDULE I – SCHEDULE OF REFUNDED BONDS (the "Refunded Bonds") in order to lower the overall debt service requirements of the District; and (iii) the payment of costs of issuing the Bonds.

Refunded Bonds

The Refunded Bonds and the interest due thereon are to be paid on the scheduled redemption or maturity date, as applicable, from funds to be deposited with The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent") pursuant to an Escrow Agreement (the "Escrow Agreement") between the District and the Escrow Agent.

The Order provides that from a portion of the proceeds of the sale of the Bonds to the underwriters shown on the cover page of this Official Statement (the "Underwriters"), the District will deposit with the Escrow Agent an amount, together with other lawfully available funds, which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and used to purchase noncallable direct obligations of the United States of America and/or other investments permitted by Chapter 1207, Texas Government Code, as amended ("Chapter 1207") (the "Escrow Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

Public Finance Partners LLC (the "Verification Agent") will verify at the time of delivery of the Bonds to the Underwriters that the Escrow Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on their scheduled redemption or maturity dates, as applicable. Such maturing principal of and interest on the Escrow Securities will not be available to pay the debt service on the Bonds. See "OTHER INFORMATION – Verification of Arithmetical Computations" herein.

By the deposit of the Escrow Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, and the respective orders authorizing the issuance of the Refunded Bonds. The opinion of Bond Counsel will note that, as a result of such deposit and in reliance upon the report of the Verification Agent, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed to be fully paid and no longer outstanding, except for the purpose of being paid from funds provided therefor, in the Escrow Agreement.

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

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with other available funds, will be applied approximately as follows:

Sources of Funds:	
Par Amount of the Bonds	$185,255,000.00
Net Original Issue Premium	18,704,436.65
Transfer from Interest and Sinking Fund	2,113,313.89
Total	$ 206,072,750.54
Uses of Funds:	
Deposit to Construction Fund	$ 40,000,000.00
Deposit to Escrow Fund	164,624,404.12
Underwriters' Discount	818,030.29
Costs of Issuance [(1)]	630,316.13
Total	$ 206,072,750.54

(1) Includes the fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Paying Agent/Registrar, the Escrow Agent, the Verification Agent, the rating agencies, and other costs related to the issuance of the Bonds.

THE BONDS

Description of the Bonds

The Bonds are dated November 15, 2024, and mature on February 15 as shown on page i hereof. Interest will accrue from the Date of Delivery (as defined on the cover page) of the Bonds to the Underwriters and be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2025, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity for each series and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. **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 Bank of New York Mellon Trust Company, N.A., the initial paying agent/registrar (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Date of Delivery

The Bonds are scheduled for delivery through DTC on or about November 19, 2024 (the "Date of Delivery"). The Date of Delivery is scheduled for forty-one days from the date of sale of the Bonds. This forty-one day period allows for the Refunded Bonds to be called within the 90 day current refunding period at the first optional redemption call date of February 15, 2025.

Authority for Issuance

The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Chapter 45, Texas Education Code, as amended, an election held within the District on November 7, 2023, and the Order.

Security and Source of Payment

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

Permanent School Fund Guarantee

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

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund of the State of Texas. See "THE BONDS - Defeasance" herein.

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds having stated maturities on or after February 15, 2035 in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034 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 shall determine the maturities and the principal amounts (or mandatory sinking fund redemption payments in the case of Term Bonds (defined below)) thereof to be redeemed and direct the Paying Agent/Registrar to call by lot or other customary random selection method such Bonds for redemption. If a Bond (or any portion of the principal sum 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.

Mandatory Sinking Fund Redemption

The Bonds having a stated maturity of February 15 in each of the years 2049 and 2054 (collectively, the "Term Bonds") are subject to mandatory redemption prior to stated maturity on February 15 in each of the years and respective principal amounts set forth below at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption:

Term Bond due February 15, 2049		Term Bond due February 15, 2054	
Redemption Date (February 15)	Principal Amount	Redemption Date (February 15)	Principal Amount
2045	$1,595,000	2050	$1,940,000
2046	1,655,000	2051	2,015,000
2047	1,725,000	2052	2,095,000
2048	1,795,000	2053	2,180,000
2049*	1,865,000	2054*	2,270,000

* Stated maturity

The Paying Agent/Registrar will select by lot or by any other customary method that results in a random selection the specific Term Bonds (or with respect to Term Bonds having a denomination in excess of $5,000, each $5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions of the Order and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the Paying Agent/Registrar, at the direction of the District, shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Business Day (as defined in the Order) next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND THE DEPOSIT OF THE FUNDS NECESSARY TO REDEEM SUCH BONDS, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH BONDS OR PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH BONDS ARE SURRENDERED FOR PAYMENT.

The District reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bond subject to conditional redemption and such redemption has been rescinded shall remain outstanding.

Defeasance

The District reserves the right to defease the Bonds in any manner now or hereafter permitted by law. The Permanent School Fund guarantee of the Bonds will be released upon the defeasance of the Bonds.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times 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 effective date of the change and the name and the mailing address of the new Paying Agent/Registrar.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption, as applicable, upon presentation and surrender of such Bonds at the principal office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "THE BONDS – Record Date for Interest Payment" herein), or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal amount or interest on the Bonds shall be a day that is not a Business Day (as defined in the Order), then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

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 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. 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 "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the last day of the month next preceding each interest payment date (the "Record Date").

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Replacement Bonds

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

Bondholders' Remedies

The Order does not provide for the appointment of a trustee to represent the interests of the registered owners upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient, within the limits prescribed by law, to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Chapter 1371, which forms part of the authority for the issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. However, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Legislature has effectively waived the District's sovereign immunity from a suit for money damages beyond Chapter 1371, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. In addition, the enforcement of a claim for the payment of a Bond would be subject to the applicable provisions of federal bankruptcy laws and any other statutes affecting the rights of creditors of political subdivisions and may be limited by general principles of equity.

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

Initially, the only registered owner of the Bonds will be DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

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

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

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

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed 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."

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer and Student Fairness Coalition,* 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 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 Finance System as it is currently structured. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

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

2023 Legislative Sessions

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

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

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

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

Local Funding for School Districts

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

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

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

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

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

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

State Funding for School Districts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Local Revenue Level in Excess of Entitlement

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

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

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

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

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

For the State fiscal year ending in 2025 (the 2024-2025 school year), the SCP was set at $0.6855 and the MCR for the District is $0.6169 per $100 of taxable value. For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State funding for School Districts" herein.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

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

State Mandated Freeze on School District Taxes

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

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

Personal Property

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

Freeport and Goods-in-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport

Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Tax Increment Reinvestment Zones

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

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

The District participates in one TIRZ created by the City of Houston. The District's participation in such TIRZ will expire in 2028. For additional information on payments to the tax increment fund by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" and "TABLE 12 – GENERAL FUND REVENUE AND EXPENDITURE HISTORY" in Appendix A attached hereto.

Tax Limitation Agreements

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

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

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as the other taxing units in the area. The Appraisal District is governed by a board of ten directors, members of which are both appointed by the governing bodies of various political subdivisions that participate in the Appraisal District and elected by voters within Harris County, Texas. The District's taxes are collected by the Aldine I.S.D. Tax Assessor-Collector.

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

The District grants a state mandated $10,000 residence homestead exemption for persons 65 years of age or older or the disabled.

The District grants a state-mandated residence homestead exemption for disabled veterans of $10,000. The District has not granted a local option, additional exemption for disabled veterans above the amount of the state-mandated exemption.

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

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

The District does not tax nonbusiness personal property.

The District has granted the freeport property tax exemption.

The District taxes "goods-in-transit."

The District has not entered into tax abatement agreements.

The District is a participant in the Tax Increment Reinvestment Zone Number 11 City of Houston, Texas (the "Zone"). In fiscal year 2024, the District contributed $11,119,425.66 to the Zone, which may be used for projects including school facilities, per the terms of an interlocal agreement between the Zone and the District. The District does not elect to set aside funds into an instructional facilities account.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on March 7, 1959 in accordance with the provisions of Article 2784g, 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 of Payment" herein.

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

Public Hearing and Voter-Approval Tax Rate

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

A school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60th) day after the date the certified appraisal roll is received by the taxing unit, except that a tax rate that exceeds the Voter-Approval

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

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

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

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

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

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

COVID-19 FUNDING

The outbreak of COVID-19, characterized as a pandemic by the World Health Organization for over three years (the "Pandemic"), negatively affected travel, commerce, the global supply chain, and financial markets globally.

In 2020 and 2021, Congress passed three stimulus bills, the Elementary and Secondary Emergency Education Relief Fund ("ESSER I"), the Elementary and Secondary School Emergency Relief Fund ("ESSER II") and the American Rescue Plan Elementary and Secondary School Emergency Relief Fund ("ESSER III"), that provided funding focused on school districts reopening and operating safely, as well as, addressing the impact of the Pandemic on students. The District was allocated ESSER I funding in the amount of $24,380,064, ESSER II funding in the amount of $105,000,820, and ESSER III funding in the amount of $235,893,107. The District continues to incur expenditures related to the provision of services to address learning loss and other impacts from the Pandemic.

While the District experienced growth in its taxable assessed valuation during the Pandemic, the economic impact of a future event like the Pandemic could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and if the District were to experience a future reduction in property values it may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of M&O expenses payable from ad valorem taxes. With recent legislative changes to the Finance System, school funding received from the State is increasingly tied to ADA. As a result, student enrollment and attendance will be important factors for M&O funding for the District going forward. Many districts have experienced reductions in attendance rates following the Pandemic compared to historic attendance rates (see "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT").

For a discussion of the impact of the Pandemic on the PSF, see "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Infectious Disease Outbreak."

EXPOSURE TO OIL AND GAS INDUSTRY

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

CYBERSECURITY

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

WEATHER EVENTS

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

In July 2024, the Houston, Texas area where the District is located, experienced severe rainstorms and high wind speeds as a result of Hurricane Beryl. Various District buildings and facilities sustained wind and water damage. The

District is in the process of determining the cost of the damage to District property, which is currently estimated to be approximately $1,400,000. The District plans to apply for reimbursement of these losses through its insurance carrier and FEMA.

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Pension Funds

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits.

The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ended June 30, 2023, the State contributed $21,322,983 to TRS on behalf of the District, District employees paid $40,393,293 and other contributions into the plan made from federal and private grants and the District for salaries above the statutory minimum were $25,889,405. For more detailed information concerning the Plan, see Note 11 to the District's audited financial statements for the fiscal year ended June 30, 2023 attached hereto as Appendix D.

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

Other Post-Employment Benefits

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit post-employment health care plan. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with TRS-Care, see Note 12 to the District's audited financial statements for the fiscal year ended June 30, 2023 attached hereto as Appendix D.

In June 2015, Government Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions – which supersedes GASB Statement No. 45) was issued to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions ("OPEB"). GASB Statement No.75 requires reporting entities, such as the District, to recognize their proportionate share of the net OPEB liability in the TRS-Care Plan and a deferred outflow for the contributions made by the District subsequent to the measurement date in the Statement of Net Position, a government-wide financial statement. The changes related to OPEB in the Statement of Net Position to implement GASB 75 are reflected in the Statement of Activities, a government-wide financial statement. The changes related to the OPEB affect only the government-wide financial statements and do not affect the General Fund balance. The calculation of OPEB contributions is unaffected by the change. Such reporting began with the District's fiscal year ended June 30, 2018. To date, the District has met all funding requirements of the TRS-Care Plan.

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

FINANCIAL POLICIES

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

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

Special Revenue Funds – The District uses these funds to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance often is accounted for in a Special Revenue Fund ("SRF"). In many

SRFs, unused balances are returned to the grantor at the close of specified project periods. The District budgets SRFs and uses project accounting for them in order to maintain integrity for the various sources of funds.

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

Budgetary Procedures – The District's fiscal year begins on September 1 and ends on August 31. The Board of Trustees approves the final budget in August at a duly advertised public meeting. The budget is properly amended by the Board of Trustees as needed throughout the year.

INVESTMENTS

The District invests its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the District or obligations under a lease, installment sale, or other agreement of the District) in investments authorized by State law in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change. See Table 13 in Appendix A for a description of the District's investments as of June 30, 2024.

Legal Investments

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

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

Investment Policies

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

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

Additional Provisions

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

TAX MATTERS

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

Tax Exemption

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

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

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

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

Additional Federal Income Tax Considerations

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

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

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

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of Rule 15c2-12. 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 MSRB. This information will be available free of charge from the MSRB via EMMA system at www.emma.msrb.org. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State of Texas.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in Appendix A to this Official Statement under Tables numbered 1 through 6 and 8 through 13, and in Appendix D. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available within 12 months after any such fiscal year end, the District will provide unaudited financial statements within such 12-month period 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 D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information included in the above-referenced tables by the last day of December in each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if audited financial statements are not yet available) by June 30 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 (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

Event Notices

The District will provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice 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, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (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 or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement, or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information and operating data in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to the MSRB.

For these purposes, (A) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, (B) as used in clauses (15) and (16) in the immediately preceding paragraph, "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12, and (C) the District intends the words used in clauses (15) and (16) and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to Rule 15c2-12 effected by the 2018 Release.

Limitations and Amendments

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

The continuing disclosure agreement may be amended by the District 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, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such amendment as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of the 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 and the District also may amend the provisions of the continuing disclosure agreement in its discretion in any other manner or circumstance, 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, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of Rule 15c2-12. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

OTHER INFORMATION

Ratings

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

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

Litigation

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

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the SEC 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 registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration and qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

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 "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at 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.

Legal Matters

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 direct annual ad valorem tax levied, without legal limit as to maximum rate or amount, upon all taxable property in the District and the approving legal opinion of Bond Counsel, in substantially the form attached hereto as APPENDIX C.

Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions "PLAN OF FINANCING" (except for the information under the sub-caption "– Sources and Uses of Funds," as to which no opinion is expressed), "THE BONDS" (except for the information under the sub-captions "–

Permanent School Fund Guarantee" and "– Bondholders' Remedies," as to which no opinion is expressed) and "CONTINUING DISCLOSURE OF INFORMATION," and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only), "TAX MATTERS," "OTHER INFORMATION – Registration and Qualification of Bonds for Sale," "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER INFORMATION – Legal Matters" (except for the last two sentences of the second paragraph), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately describe the laws and legal issues addressed therein. Certain legal matters will be passed upon for the District by Bracewell LLP, Houston, Texas, as Disclosure Counsel. The legal fees to be paid to Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by Cantu Harden Montoya LLP, Houston, Texas, and West & Associates, L.L.P., Houston, Texas. The legal fees of such firms are contingent upon the sale and delivery of the Bonds.

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

Authenticity of Financial Data and Other Information

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

Financial Advisor

In its role as Financial Advisor, Post Oak Municipal Advisors LLC has relied on the District for certain information concerning the District and the Bonds. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at a price of $203,141,406.36 (representing the principal amount of the Bonds, plus a net original premium of $18,704,436.65, less an underwriting discount of $818,030.29). The Underwriters' obligations are subject to certain conditions precedent and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds 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 Underwriters.

Additionally, the Underwriters may receive additional compensation from the District for additional services rendered including but not limited to the provision of certain investment services either directly or through a subsidiary.

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

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

The Underwriters and their respective affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

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

Verification of Arithmetical Computations

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

The verification performed by Public Finance Partners LLC will be solely based upon data, information and documents provided to Public Finance Partners LLC by Post Oak Municipal Advisors LLC, on behalf of the District. Public Finance Partners LLC has restricted its procedures to recalculating the computations provided by Post Oak Municipal Advisors LLC on behalf of the District and has not evaluated or examined the assumptions or information used in the computations.

Forward Looking Statements

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

Audited Financial Statements

Weaver and Tidwell, L.L.P., the District's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The excerpts from the report of Weaver and Tidwell, L.L.P. relating to the District's financial statements for the fiscal year ended June 30, 2023 are included in this Official Statement in Appendix D; however, Weaver and Tidwell, L.L.P. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

Miscellaneous

The financial data and other information contained herein have been obtained from the District's records, audited financial statements, and other sources that 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.

Concluding Statement

The Order delegated to certain authorized officials of the District the authority to approve the form and content of this Official Statement and any addenda, supplements or amendments thereto and the use of this Official Statement in the offering of the Bonds by the Underwriters.

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Unlimited Tax School Building Bonds, Series 2015

Original Maturity	Interest Rate	Principal Outstanding	Principal Refunded	Redemption Date	Redemption Price
2/15/2026	5.000%	$1,930,000	$1,930,000	2/15/2025	100.00%
2/15/2027	5.000%	1,985,000	1,985,000	2/15/2025	100.00%
2/15/2028	5.000%	2,045,000	2,045,000	2/15/2025	100.00%
2/15/2029	5.000%	2,105,000	2,105,000	2/15/2025	100.00%
***	***	***	***	***	***
2/15/2033	4.000%	2,395,000	2,395,000	2/15/2025	100.00%
		$10,460,000	$10,460,000		

Unlimited Tax School Building and Refunding Bonds, Series 2016

Original Maturity	Interest Rate	Principal Outstanding	Principal Refunded	Redemption Date	Redemption Price
2/15/2026	5.000%	$9,600,000	$9,600,000	2/15/2025	100.00%
2/15/2027	5.000%	10,105,000	10,105,000	2/15/2025	100.00%
2/15/2028	5.000%	10,615,000	10,615,000	2/15/2025	100.00%
2/15/2029	5.000%	11,145,000	11,145,000	2/15/2025	100.00%
2/15/2030	4.000%	11,680,000	11,680,000	2/15/2025	100.00%
2/15/2031	4.000%	12,120,000	12,120,000	2/15/2025	100.00%
2/15/2032	4.000%	12,660,000	12,660,000	2/15/2025	100.00%
2/15/2033	5.000%	8,740,000	8,740,000	2/15/2025	100.00%
2/15/2034	5.000%	9,180,000	9,180,000	2/15/2025	100.00%
2/15/2035	5.000%	9,635,000	9,635,000	2/15/2025	100.00%
2/15/2036	5.000%	10,120,000	10,120,000	2/15/2025	100.00%
2/15/2037	4.000%	1,000,000	1,000,000	2/15/2025	100.00%
***	***	***	***	***	***
2/15/2039	5.000%	11,295,000	11,295,000	2/15/2025	100.00%
2/15/2040	5.000%	11,860,000	11,860,000	2/15/2025	100.00%
2/15/2041	5.000%	12,455,000	12,455,000	2/15/2025	100.00%
		$152,210,000	$152,210,000		

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 – VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

2024/25 Appraised Valuation Established by Harris Central Appraisal District		$43,215,508,727	
Less Exemptions/Reductions at 100% Market Value:			
Disability	($27,704,663)		
Freeport	(2,600,158,206)		
Foreign Trade Zone	(291,483,870)		
Interstate or Foreign Commerce	(5,281,674)		
Over 65 Exemption	(187,847,772)		
Homestead Exemption	(3,467,794,294)		
Pollution Control	(30,418,441)		
Prorated	(1,635,670)		
Personal Use Vehicle (Lease)	(38,849,037)		
Surviving Spouse Exemption	(18,761,353)		
Disabled Veterans Exemption	(57,662,957)		
Totally Exempt Property	(4,788,862,126)		
Miscellaneous Exempt	(20,361,536)	($11,536,821,599)	
2024/25 Taxable Assessed Valuation Established by the Harris Central Appraisal District		$31,678,687,128	(1)
Debt Payable from Ad Valorem Taxes:			
Outstanding Unlimited Tax Bonds (as of August 31, 2024)		$1,235,855,000	
Less: The Refunded Bonds		(162,670,000)	
Plus: The Bonds		185,255,000	
Less: The Purchased Bonds		(120,000,000)	(2)
Plus: The Series 2024A Bonds		114,160,000	(2)
Total Debt Payable from Ad Valorem Taxes		1,252,600,000	
Less: Interest and Sinking Fund Balance *(unaudited as of June 30, 2024)*		(47,942,754)	(3)
Net Debt Payable from Ad Valorem Taxes		$1,204,657,246	
Ratio of Tax Supported Debt to Taxable Assessed Valuation		3.95%	
2024/25 Estimated Population		271,595	(4)
Per Capita Taxable Assessed Valuation		$116,639	
Per Capita Tax Supported Debt		$4,612	

(1) Certified values established by the Harris Central Appraisal District ("HCAD") are subject to change during the ensuing year. Includes the application of a $100,000 state mandated general homestead exemption. Includes $4,533,197,123 of taxable assessed valuation that is being contested and under review by HCAD.

(2) Delivery of the Series 2024A Bonds and redemption of the Purchased Bonds is scheduled for October 16, 2024. See "INTRODUCTION - Concurrent Transaction."

(3) Source: The District. Unaudited.

(4) Source: The Municipal Advisory Council of Texas.

TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended June 30,					
	2025 (1)(2)		2024 (1)		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$11,837,028,188	27.39%	$11,233,714,029	27.70%	$9,672,717,688	27.45%
Real, Residential, Multi-Family	1,985,033,564	4.59%	2,072,113,923	5.11%	1,693,065,861	4.80%
Real, Vacant Lots/Tracts	993,438,329	2.30%	963,300,930	2.38%	174,858,291	0.50%
Real, Acreage (Land Only)	126,293,024	0.29%	153,581,328	0.38%	629,678,726	1.79%
Real, Farm & Ranch Improvements	2,163,182	0.01%	2,068,108	0.01%	151,207,801	0.43%
Real, Commercial & Industrial	12,126,911,083	28.06%	11,621,308,812	28.65%	10,120,047,231	28.72%
Real, Oil, Gas & Other Mineral Reserves	9,614,581	0.02%	4,951,373	0.01%	3,694,572	0.01%
Real & Tangible Personal Utilities	529,159,214	1.22%	456,251,432	1.12%	423,075,031	1.20%
Tangible Personal, Commercial & Industrial	10,601,630,133	24.53%	9,183,482,601	22.64%	8,037,663,689	22.81%
Tangible Personal, Other	108,091,696	0.25%	105,025,420	0.26%	83,364,132	0.24%
Real Property Inventory	121,887,252	0.28%	130,094,223	0.32%	91,947,285	0.26%
Exempt	4,774,258,481	11.05%	4,633,111,102	11.42%	4,157,633,190	11.80%
Total Appraised Value Before Exemptions	$43,215,508,727	100.00%	$40,559,003,281	100.00%	$35,238,953,497	100.00%
Less: Total Exemptions/Reductions	(11,536,821,599)		(10,823,707,472)		(8,097,696,227)	
Taxable Assessed Value	$31,678,687,128		$29,735,295,809		$27,141,257,270	

	Taxable Appraised Value for Fiscal Year Ended June 30,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$8,342,579,352	26.55%	$7,714,643,681	24.09%
Real, Residential, Multi-Family	1,514,141,425	4.82%	1,352,468,625	4.22%
Real, Vacant Lots/Tracts	719,512,866	2.29%	672,680,949	2.10%
Real, Acreage (Land Only)	153,504,293	0.49%	154,035,332	0.48%
Real, Farm & Ranch Improvements	2,072,104	0.01%	1,869,104	0.01%
Real, Commercial & Industrial	8,929,629,779	28.42%	8,476,350,631	26.47%
Real, Oil, Gas & Other Mineral Reserves	3,055,127	0.01%	2,984,578	0.01%
Real & Tangible Personal Utilities	396,584,152	1.26%	379,122,522	1.18%
Tangible Personal, Commercial & Industrial	7,275,923,281	23.16%	9,037,476,427	28.22%
Tangible Personal, Other	79,642,852	0.25%	74,921,248	0.23%
Real Property Inventory	77,205,031	0.25%	74,390,777	0.23%
Exempt	3,927,417,618	12.50%	4,083,187,213	12.75%
Total Appraised Value Before Exemptions	$31,421,267,880	100.00%	$32,024,131,087	100.00%
Less: Total Exemptions/Reductions	(7,053,914,418)		(7,432,727,462)	
Taxable Assessed Value	$24,367,353,462		$24,591,403,625	

(1) Includes the application of a $100,000 state mandated general homestead exemption.

(2) Includes $4,533,197,123 of taxable assessed valuation that is being contested and under review by HCAD.

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

TABLE 3 – VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 6/30	Estimated Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2020	306,493	$22,072,213,689	$72,015	$1,024,820,000	4.64%	$3,344
2021	307,303	24,591,403,625	80,023	995,125,000	4.05%	3,238
2022	294,311	24,367,353,462	82,795	970,855,000	3.98%	3,299
2023	279,120	27,141,257,270	97,239	934,570,000	3.44%	3,348
2024	271,209	29,735,295,809	109,640	1,235,855,000	4.16%	4,557
2025	271,595	31,678,687,128	116,639	1,218,970,000 (3)	3.85% (3)	4,488 (3)

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

(2) Established by the Harris Central Appraisal District and subject to change during ensuing year.

(3) Projected debt outstanding as of June 30, 2025. Includes the Bonds and excludes the Refunded Bonds. Also includes the Series 2024A Bonds and excludes the Purchased Bonds, which are scheduled for delivery and redemption, respectively, on October 16, 2024. See "INTRODUCTION - Concurrent Transaction."

TABLE 4 – TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 6/30	Tax Rate	General Fund [1]	Interest & Sinking Fund	Tax Levy [2]	% Current Tax Collections to Tax Levy	% Total Tax Collections to Tax Levy [1]
2020	$1.34712	$1.04462	$0.30250	$282,279,941	97.51%	98.71%
2021	1.27440	0.97190	0.30250	294,259,841	98.52%	98.54%
2022	1.26690	0.96440	0.30250	299,258,852	98.40%	97.94%
2023	1.22170	0.91920	0.30250	331,584,740	96.61%	96.61%
2024	1.03630	0.73380	0.30250	298,967,921	96.31%	96.31%
2025	1.03400	0.73150	0.30250	(3)	(3)	(3)

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

(2) Source: The District's internal records. Reflects ongoing adjustments.

(3) In process of levy and collection.

TABLE 5 – TEN LARGEST TAXPAYERS [1]

Name of Taxpayer	Nature of Property	2023/24 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
United Airlines Inc.	Airlines	$318,318,628	1.00%
Eastgroup Properties LP	Commercial Real Estate	301,625,460	0.95%
Amazon.com Services Inc.	Wholesale Supplier / Distribution	281,408,142	0.89%
Coca-Cola Southwest Beverages LLC	Beverage Manufacturing Plant	267,716,484	0.85%
Liberty Property	Commercial Real Estate	245,893,783	0.78%
CenterPoint Energy Inc.	Electric Utility / Power Plant	240,860,013	0.76%
MAPS 10550 Ella Blvd Houston LP	Storage Units/Warehouses	170,047,866	0.54%
Teachers Insurance	Financial / Banking	162,175,466	0.51%
Energy Property Partners LLC	Oil and Gas	150,852,585	0.48%
EAN Holdings LLC	Automobile Rental / Leasing	149,565,974	0.47%
		$2,288,464,401	7.22%

(1) Source: Harris Central Appraisal District. Represents taxpayers in the District with the ten largest taxable assessed valuations of property. Due to various exemptions, these taxpayers may not represent the greatest sources of tax revenue to the District.

TABLE 6 – TAX ADEQUACY

2024/25 Principal and Interest Requirements	$90,783,064 [1]
$0.3017 Tax Rate on 2024/25 Taxable Assessed Valuation at 95% Collection Produces	90,795,869
Maximum Principal and Interest Requirements (2028/29)	$93,426,075 [1]
$0.3105 Tax Rate on 2024/25 Taxable Assessed Valuation at 95% Collection Produces	93,444,207
Average Principal and Interest Requirements (2024/25-2053/54)	$67,408,486 [1]
$0.2240 Tax Rate on 2024/25 Taxable Assessed Valuation at 95% Collection Produces	67,412,246

(1) Includes the Bonds and excludes the Refunded Bonds. Also includes the Series 2024A Bonds and excludes the Purchased Bonds, which are scheduled for delivery and redemption, respectively, on October 16, 2024. See "INTRODUCTION - Concurrent Transaction."

TABLE 7 – 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

	Gross Debt	Overlapping Debt	
Taxing Entity	Principal Amount	Estimated % Overlapping	Amount Overlapping
Fallbrook UD	$7,490,000	100.00%	$7,490,000
Forest Hills MUD	11,470,000	100.00%	11,470,000
Greens Parkway MUD	18,310,000	100.00%	18,310,000
Harris Co	1,994,511,319	4.03%	80,378,806
Harris Co Dept of Ed	28,960,000	4.03%	1,167,088
Harris Co Flood Control Dist	991,095,000	4.03%	39,941,129
Harris Co Hosp Dist	65,285,000	4.03%	2,630,986
Harris Co MUD # 5	29,620,000	47.96%	14,205,752
Harris Co MUD # 11	13,185,000	100.00%	13,185,000
Harris Co MUD # 26	31,705,000	100.00%	31,705,000
Harris Co MUD # 33	10,990,000	100.00%	10,990,000
Harris Co MUD # 96	18,590,000	0.24%	44,616
Harris Co MUD # 118	8,905,000	32.61%	2,903,921
Harris Co MUD # 119	3,674,999	34.63%	1,272,652
Harris Co MUD # 154	7,980,000	21.85%	1,743,630
Harris Co MUD # 182	770,000	100.00%	770,000
Harris Co MUD # 220	6,415,000	5.68%	364,372
Harris Co MUD # 221	160,000	17.60%	28,160
Harris Co MUD # 321	54,610,000	100.00%	54,610,000
Harris Co MUD # 393	8,340,000	0.96%	80,064
Harris Co MUD # 406	70,365,000	100.00%	70,365,000
Harris Co MUD # 461	16,745,000	100.00%	16,745,000
Harris Co UD # 15	3,555,000	100.00%	3,555,000
Harris Co UD # 16	25,180,000	73.01%	18,383,918
Harris Co WC&ID # 74	7,600,975	100.00%	7,600,975
Houston, City of	3,660,980,000	3.59%	131,429,182
Hunter's Glen MUD	52,080,000	100.00%	52,080,000
Intercontinental Crossing MUD	15,495,000	100.00%	15,495,000
Inverness Forest ID	7,575,000	94.71%	7,174,283
Lone Star College Sys	512,185,000	9.50%	48,657,575
Memorial Hills UD	10,045,000	100.00%	10,045,000
Mount Houston Road MUD	29,825,000	100.00%	29,825,000
North Belt UD	7,920,000	100.00%	7,920,000
North Park PUD	2,045,000	11.27%	230,472
NW Park MUD	23,430,000	58.17%	13,629,231
Northwood MUD # 1	2,655,000	100.00%	2,655,000
Pine Village PUD	6,300,000	79.32%	4,997,160
Pt of Houston Auth	426,134,397	4.03%	17,173,216
Richey Rd MUD	1,710,000	100.00%	1,710,000
Sequoia Imp Dist	840,000	100.00%	840,000
Southeast Regional Mgmt District	49,450,000	1.73%	855,485
Timber Lane UD	90,655,000	19.73%	17,886,232
Woodcreek MUD	5,400,000	100.00%	5,400,000
Total Overlapping Debt:			$777,943,903
Aldine ISD			1,252,600,000 [1]
Total Direct and Overlapping Tax Debt			$2,030,543,903 [1]

Ratio of Direct and Overlapping Debt to 2024/25 Taxable Assessed Valuation	6.41% [1]
2024/25 Estimated Population	271,595 [2]
Total Direct and Overlapping Debt Per Capita	$7,476 [1]

Source: Municipal Advisory Council of Texas. Reflects data available as of July 31, 2024.

[1] Includes the Bonds and excludes the Refunded Bonds. Also includes the Series 2024A Bonds and excludes the Purchased Bonds, which are scheduled for delivery and redemption, respectively, on October 16, 2024. See "INTRODUCTION - Concurrent Transaction."

[2] Source: The Municipal Advisory Council of Texas.

TABLE 8 – TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 6/30	Outstanding Debt Service Requirements	Less: Refunded Bonds	Plus: The Bonds Principal	Plus: The Bonds Interest	Plus: The Bonds Total	Less: Purchased Bonds[1]	Plus: The Series 2024A Bonds[1]	Total Debt Service Requirements [2]
2025	$89,155,775	($3,867,475)	-	$6,702,757	$6,702,757	($3,000,000)	$1,792,008	$90,783,064
2026	91,627,250	(19,264,950)	$11,225,000	8,790,775	20,015,775	(6,000,000)	5,421,200	91,799,275
2027	92,659,000	(19,248,450)	11,775,000	8,215,775	19,990,775	(6,000,000)	5,421,200	92,822,525
2028	92,641,000	(19,213,950)	12,325,000	7,613,275	19,938,275	(6,000,000)	5,421,200	92,786,525
2029	93,233,500	(19,170,950)	12,900,000	6,982,650	19,882,650	(6,000,000)	5,421,200	93,366,400
2030	93,228,800	(16,938,450)	11,310,000	6,377,400	17,687,400	(6,000,000)	5,421,200	93,398,950
2031	93,226,750	(16,911,250)	11,850,000	5,798,400	17,648,400	(8,495,000)	7,451,200	92,920,100
2032	93,225,350	(16,966,450)	12,495,000	5,189,775	17,684,775	(5,875,250)	5,319,700	93,388,125
2033	93,231,400	(14,935,050)	11,085,000	4,600,275	15,685,275	(5,875,250)	5,319,700	93,426,075
2034	93,221,600	(12,447,250)	9,155,000	4,094,275	13,249,275	(8,440,250)	7,399,700	92,983,075
2035	93,218,331	(12,443,250)	9,610,000	3,625,150	13,235,150	(13,822,000)	12,780,700	92,968,931
2036	93,207,944	(12,446,500)	10,090,000	3,132,650	13,222,650	(13,383,250)	12,337,450	92,938,294
2037	76,720,856	(2,820,500)	1,080,000	2,853,400	3,933,400	(22,601,250)	21,557,450	76,789,956
2038	76,763,444	(1,780,500)	1,135,000	2,798,025	3,933,025	(22,573,250)	21,527,700	77,870,419
2039	76,809,363	(13,075,500)	11,340,000	2,486,150	13,826,150	(22,767,500)	21,726,700	76,519,213
2040	76,851,431	(13,075,750)	11,905,000	1,905,025	13,810,025	(15,780,750)	14,735,950	76,540,906
2041	73,617,950	(13,077,750)	12,500,000	1,294,900	13,794,900	(15,794,250)	14,752,200	73,293,050
2042	73,643,200	-	1,375,000	948,025	2,323,025	(15,813,000)	14,770,200	74,923,425
2043	73,675,200	-	1,445,000	877,525	2,322,525	-	-	75,997,725
2044	73,702,950	-	1,520,000	803,400	2,323,400	-	-	76,026,350
2045	59,030,700	-	1,595,000	733,500	2,328,500	-	-	61,359,200
2046	31,197,800	-	1,655,000	668,500	2,323,500	-	-	33,521,300
2047	31,193,600	-	1,725,000	600,900	2,325,900	-	-	33,519,500
2048	31,191,400	-	1,795,000	530,500	2,325,500	-	-	33,516,900
2049	20,814,600	-	1,865,000	457,300	2,322,300	-	-	23,136,900
2050	20,816,600	-	1,940,000	381,200	2,321,200	-	-	23,137,800
2051	20,812,200	-	2,015,000	302,100	2,317,100	-	-	23,129,300
2052	20,815,600	-	2,095,000	219,900	2,314,900	-	-	23,130,500
2053	20,815,400	-	2,180,000	134,400	2,314,400	-	-	23,129,800
2054	20,815,600	-	2,270,000	45,400	2,315,400	-	-	23,131,000
	$1,991,164,594	($227,683,975)	$185,255,000	$89,163,307	$274,418,307	($204,221,000)	$188,576,658	$2,022,254,583

[1] Delivery of the Series 2024A Bonds and redemption of the Purchased Bonds are scheduled for October 16, 2024. See "INTRODUCTION - Concurrent Transaction."

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

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Interest and Sinking Fund Balance as of June 30, 2024 (unaudited)	$ 47,942,754 [1]
Plus: 2024/25 Budgeted Interest and Sinking Fund Tax Levy	84,048,387 [2]
Plus: 2024/25 Budgeted Delinquent Taxes, Penalties & Interest	900,000 [2]
Plus: 2024/25 Budgeted Earnings on Investments	1,200,000 [2]
Less: Estimated Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2025	(90,783,064)
Estimated Interest and Sinking Fund Balance as of June 30, 2025	$ 43,308,077

[1] Source: The District.

[2] Source: The District's 2024/25 Interest and Sinking Fund budget. Unaudited.

TABLE 10 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Proposition	Date Authorized	Amount Authorized	Authorization Used to Date	Authorization Used This Issue	Unused Authorization
School Building & Security	A	11/7/2023	$1,622,325,676	$ 338,901,712	$ 40,000,000 [1]	$1,582,325,676
Technology	B	11/7/2023	67,547,500	11,098,288	-	67,547,500
Performing Arts	C	11/7/2023	122,282,967	10,000,000	-	122,282,967
			$1,812,156,143	$ 360,000,000	$ 40,000,000	$1,772,156,143

[1] Includes premium charged against voted authorization.

TABLE 11 – OTHER OBLIGATIONS

Leases Payable – The District has entered into multiple lease agreements for copiers. As of June 30, 2023, the future principal and interest lease payments were as follows:

Fiscal Year Ended (6/30)	Principal	Interest	Total Requirements
2024	$ 1,348,860	$ 16,462	$ 1,365,322
2025	37,119	260	37,379
2026	4,313	25	4,338
	$ 1,390,292	$ 16,747	$ 1,407,039

Source: The District's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

Subscription Liabilities – The District has entered into multiple subscription-based information technology arrangements ("SBITA") for software subscriptions. As of June 30, 2023, the future principal and interest SBITA payments were as follows:

Fiscal Year Ended (6/30)	Principal	Interest	Total Requirements
2024	$ 866,926	$ 66,250	$ 933,176
2025	1,030,301	76,963	1,107,264
2026	657,732	51,804	709,536
2027	594,568	33,683	628,251
2028	583,227	16,774	600,001
	$ 3,732,754	$ 245,474	$ 3,978,228

Source: The District's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. See Note 1-D, regarding the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* .

TABLE 12 – GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Revenues:					
Local, Intermediate and Out-of-State	$ 264,052,025	$ 234,471,568	$ 239,208,133	$ 224,923,726	$ 233,327,440
State Program Revenues	368,045,106	392,156,742	416,666,740	420,727,974	375,723,633
Federal Program Revenues	25,597,703	23,277,199	12,440,948	10,373,843	12,611,102
Total Revenues	$ 657,694,834	$ 649,905,509	$ 668,315,821	$ 656,025,543	$ 621,662,175
Expenditures:					
Instruction & Instructional Related Services	$ 289,968,065	$ 292,762,523	$ 366,077,090	$ 370,516,996	$ 331,935,293
Curriculum and Staff Development	13,711,792	12,611,142	4,885,809	3,879,980	2,295,935
Instructional and School Leadership	59,827,817	56,676,088	54,746,264	53,281,806	50,318,367
Guidance, Counseling and Evaluation Services	24,270,794	30,165,248	18,532,542	27,946,017	25,311,576
Social Work Services	2,604,279	2,025,793	1,484,619	1,015,535	789,202
Health Services	2,682,537	6,659,845	6,513,889	6,273,531	5,524,863
Student (Pupil) Transportation	39,035,283	33,552,004	29,238,064	34,970,359	34,970,088
Cocurricular/Extracurricular activities	10,402,804	8,952,998	7,862,838	7,872,641	8,127,200
General Administration	19,437,411	17,048,394	16,364,359	15,095,870	14,678,783
Facilities Maintenance and Operations	69,647,057	65,078,621	63,889,452	61,227,367	59,442,359
Security and Monitoring Services	10,290,420	9,937,549	8,841,920	7,963,225	7,796,601
Data Processing Services	11,014,450	10,180,683	13,377,639	11,054,342	10,935,429
Community Services	172,704	326,662	275,161	122,660	479,649
Debt Service	1,545,335	981,528	-	-	-
Facilities Acquisition and Construction	11,185,126	1,735,757	3,591,047	5,159,606	1,823,112
Payments to Tax Increment Fund	9,586,280	7,969,848	7,497,879	6,455,344	5,579,815
Intergovernmental Charges	2,306,304	2,150,472	2,138,461	2,098,771	2,062,726
Total Expenditures	$ 577,688,458	$ 558,815,155	$ 605,317,033	$ 614,934,050	$ 562,070,998
Excess (Deficiency) of Revenues Over Expenditures	$ 80,006,376	$ 91,090,354	$ 62,998,788	$ 41,091,493	$ 59,591,177
Other Financing Sources (Uses):					
Other Resources	$ 449,026	$ 282,242	$ 1,308,983	$ 871,295	$ 113,335
Other (Uses)	(8,358,768) [1]	(9,983,716) [2]	(8,518,188) [3]	(419,130)	(801,985)
Other Resources (Uses)	-	-	-	-	-
Total Other Financing Sources (Uses)	$ (7,909,742)	$ (9,701,474)	$ (7,209,205)	$ 452,165	$ (688,650)
Net Change in Fund Balance	$ 72,096,634	$ 81,388,880	$ 55,789,583	$ 41,543,658	$ 58,902,527
Beginning General Fund Balance	390,218,261	308,829,381	253,039,798	211,496,140	152,593,613
Ending General Fund Balance [4]	$ 462,314,895	$ 390,218,261	$ 308,829,381	$ 253,039,798	$ 211,496,140

Source: The District's audited financial statements.

[1] Interfund transfers in the amount of $8,000,000 were made from the general fund to the self-insurance internal service fund to cover deficits as a result of increased claims. Interfund transfers in the amount of $358,768 were made from the general fund to a nonmajor government fund to cover catering costs. See "Note 6 – Interfund Receivables, Payables, and Transfers" in the District's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

[2] Interfund transfers in the amount of $9,700,000 were made from the general fund to a nonmajor proprietary fund to cover deficits as a result of increased claims expense. Interfund transfers in the amount of $283,716 were made from the general fund to a nonmajor government fund to cover catering costs. See "Note 5 – Interfund Receivables, Payables, and Transfers" in the District's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

[3] Interfund transfers in the amount of $3,218,188 were made from the general fund to a nonmajor governmental fund to cover child nutrition negative balances and catering services losses. Interfund transfers in the amount of $5,300,000 were made from the general fund to a nonmajor proprietary fund to cover deficits as a result of increased claims expense. See "Note 5 – Interfund Receivables, Payables, and Transfers" in the District's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

[4] During fiscal years 2023 and 2024, the District used a total of approximately $65.6 million of the general fund balance to pay for capital improvements to W. W. Thorne Stadium. These improvements were completed in August 2024. Based on budgeted revenues and expenditures, the estimated Ending General Fund Balance for the fiscal year ending June 30, 2024, is approximately $382 million, as provided by the District. This projection is unaudited and therefore preliminary and subject to change.

TABLE 13 – CURRENT INVESTMENTS [1]

As of June 30, 2024, the District's investable funds were invested in the following categories:

Description	Book Value	Market Value	Percent of Total Market Value
Local Government Investment Pools	$238,608,786	$238,608,786	30.79%
U.S. Treasury and Agency Securities	416,880,377	414,965,897	53.55%
Commercial Paper	94,979,743	94,979,743	12.26%
Municipal Bonds	18,967,017	18,903,019	2.44%
Money Market Funds	7,489,593	7,489,593	0.97%
	$776,925,516	$774,947,038	100.00%

[1] Unaudited.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

THE DISTRICT

The District is located approximately 15 miles north of downtown Houston and covers 111 square miles of north Harris County, encompassing Bush Intercontinental Airport and Greenspoint Mall. The District includes a variety of communities including rural, suburban, commercial and industrial.

The District is the 11th largest school district in the State of Texas and is home to 82 academic campuses. The District's total enrollment for the 2024-25 school year is approximately 56,000 students.

FACILITIES

School Classification	Number of Facilities	Current Student Capacity
Traditional High Schools	8	15,108
Early College High Schools	2	645
Ninth Grade Centers	5	4,012
Middle Schools	13	16,222
Elementary Schools	40	31,650
Early Childhood / Pre-K Centers	12	8,459
Special Program Facilities	2	736
Total	82	76,832

ENROLLMENT

School Year	Weighted Average Daily Attendance	Number of Students	Change from Prior Year
2013-14	84,855	67,381	2.58%
2014-15	88,080	69,716	3.47%
2015-16	88,190	70,418	1.01%
2016-17	87,764	69,768	-0.92%
2017-18	88,167	67,331	-3.49%
2018-19	86,199	66,854	-0.71%
2019-20	85,062	67,259	0.61%
2020-21	84,552	63,302	-5.88%
2021-22	81,054	61,633	-2.64%
2022-23	79,020	60,074	-2.53%
2023-24	78,431	57,996	-3.51%

Source: The District.

LOCAL ECONOMY

The District is largely urban in character and is overlapped in its southern portion by the City of Houston (the "City"). Approximately 60% of accounts on the District's tax roll are single family residences, which account for 33% of the District's tax levy. The average single-family home in the District has a taxable value of approximately $126,000. Approximately 40% of the District's tax accounts are commercial and business properties and constitute 67% of the local taxable value within the District. Recent building activity within the District has been primarily commercial, light industrial, and multi-family residential. The location of Bush Intercontinental Airport within the District has encouraged residential and commercial development. Oil exploration and production contributes to the District's economy. See "EXPOSURE TO OIL AND GAS INDUSTRY."

COUNTY CHARACTERISTICS

Harris County (the "County") is located in southeastern Texas and is a major component of the Houston Primary Metropolitan Statistical Area. The economy is based on petroleum refining, chemicals, shipping, manufacturing, medicine and education. The County is a major center for energy, space and medical research. The Texas Almanac designates cattle, rice and forest production as the principal sources of agricultural income.

POPULATION

	2020 Official Census	2010 Official Census
City of Houston	2,304,580	2,100,263
Harris County	4,731,145	4,092,459

LABOR STATISTICS

City of Houston

Calendar Year	Labor Force	Total Employment	Unemployment	Unemployment Rate
2020	1,023,330	1,123,901	100,571	8.9%
2021	1,060,984	1,132,244	71,260	6.3%
2022	1,107,816	1,156,517	48,701	4.2%
2023	1,142,836	1,198,036	55,200	4.6%
2024[(1)]	1,162,753	1,214,834	52,081	4.3%

Harris County

Calendar Year	Labor Force	Total Employment	Unemployment	Unemployment Rate
2020	2,070,430	2,274,838	204,408	9.0%
2021	2,146,642	2,292,623	145,981	6.4%
2022	2,241,382	2,341,765	100,383	4.3%
2023	2,312,228	2,414,902	102,674	4.3%
2024[(1)]	2,352,527	2,459,174	106,647	4.3%

Source: Texas Workforce Commission Texas Local Area Unemployment Statistics Report.
[(1)] Through June 30, 2024.

APPENDIX C

FORM OF BOND COUNSEL OPINION

BRACEWELL

[CLOSING DATE]

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

> ALDINE INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2024B in the aggregate principal amount of $185,255,000, dated November 15, 2024 (the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the Order adopted by the Board of Trustees of the District authorizing their issuance (the "Bond Order") and the pricing certificate executed pursuant thereto (the "Pricing Certificate," and together with the Bond Order, the "Order").

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

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

The transcript contains certified copies of certain proceedings of the District; an Escrow Agreement between the District and The Bank of New York Mellon Trust Company, N.A. as Escrow Agent; a report (the "Report") of Public Finance Partners LLC, verifying the sufficiency of the deposits made with the Escrow Agent for the Refunded Bonds; customary certificates of officers, agents and representatives of the District, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding of the Refunded Bonds. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. I-1.

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

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

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

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

(3) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Order, the Escrow Agreement and the Report, and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement; and

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

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

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

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

APPENDIX D

EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT

The information contained in this Appendix consists of excerpts from the Aldine Independent School District Annual Comprehensive Financial Report for the Year Ended June 30, 2023 (the "Report"), 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.

The District has not requested Weaver and Tidwell, L.L.P. to reissue its audited financial statements and Weaver and Tidwell, L.L.P. has not performed any procedures in connection with the Official Statement.

Independent Auditor's Report

To the Board of Trustees of
Aldine Independent School District
Houston, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aldine Independent School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended June 30, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Beginning net position has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

The Board of Trustees of
Aldine Independent School District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Information Included in the Annual Comprehensive Financial Report

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
November 10, 2023

ALDINE®
Independent School District

Management's Discussion and Analysis

As management of the Aldine Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by $261,678,941 (net position).
- The District's total net position increased by $132,864,443 from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of $562,309,764, an increase of $72,575,878 as compared to the preceding year.
- At the end of the year, unassigned fund balance of the general fund was $460,394,969 or 79.7 percent of the year's total general fund expenditures.
- The District's total bonded debt decreased by $44,665,017 (4 percent) during the year.

Overview of the Financial Statements

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

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

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

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

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

The business-type activities include activities of the District's catering and daycare operations.

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

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

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

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

The District maintained thirty-three individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, CRRSA ESSER II fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other twenty-nine governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds.*

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

The basic governmental fund financial statements are noted in the table of contents of this report.

Proprietary Fund. The District maintains two types of proprietary funds. An internal service fund is a type of proprietary fund that uses an accounting process which accumulates and allocates costs internally among the District's various funds and functions. The District uses the internal service fund to account for its self-funded health insurance program. Because this service predominantly benefits governmental operations, their financial activities have been included within *governmental activities* in the government-wide financial statements. Enterprise funds are used to report activities for which fees are charged to external users for goods or services (business-type activities). The function of the District's enterprise fund is for concessions and a child day care program. A fee is charged for these services. The Enterprise fund is included within *business-type activities* in the government-wide financial statements.

Proprietary funds provide essentially the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements are provided with the basic financial statements and provide information for the self-funded Health Insurance Fund.

The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students and employees. 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 and activities. A statement of fiduciary net position and a statement of changes in fiduciary net position are presented for fiduciary funds, as noted in the table of contents of this report.

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

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

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $261,678,941.

Aldine Independent School District's Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Current and other assets	$ 712,998,940	$ 642,478,323	$ 296,026	$ 477,808	$ 713,294,966	$ 642,956,131
Capital assets, net of depreciation/amortization	1,224,026,141	1,224,167,967	41,528	54,372	1,224,067,669	1,224,222,339
Total assets	1,937,025,081	1,866,646,290	337,554	532,180	1,937,362,635	1,867,178,470
Total deferred outflows of resources	211,792,611	112,362,252	-	-	211,792,611	112,362,252
Long-term liabilities outstanding	1,479,702,484	1,408,267,028	-	-	1,479,702,484	1,408,267,028
Other liabilities	126,411,085	131,184,540	61,137	36,868	126,472,222	131,221,408
Total liabilities	1,606,113,569	1,539,451,568	61,137	36,868	1,606,174,706	1,539,488,436
Total deferred inflows of resources	281,301,599	311,253,496	-	-	281,301,599	311,253,496
Net position:						
Net investment in capital assets	188,363,263	129,667,776	41,528	54,372	188,404,791	129,722,148
Restricted	60,210,476	51,308,293	-	-	60,210,476	51,308,293
Unrestricted	12,828,785	(52,672,591)	234,889	440,940	13,063,674	(52,231,651)
Total net position	$ 261,402,524	$ 128,303,478	$ 276,417	$ 495,312	$ 261,678,941	$ 128,798,790

The largest portion of the District's net position of $188,404,791 reflects net investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, right-to-use leased assets, right-to-use subscription assets, and construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The related debt is adjusted for capital project funds that were expended, but not capitalized. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of $60,210,476 is restricted for grants related to state, federal, and local grant programs and debt service.

The remaining balance of net position, unrestricted $13,063,674, may be used to meet the District's ongoing obligations to students and creditors.

Governmental Activities. Governmental activities increased the District's net position by $133,083,338 from current operations. Key elements of this change are as follows:

Aldine Independent School District's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues						
Program revenues:						
Charges for services	$ 5,318,547	$ 7,463,735	$ 309,650	$ 247,112	$ 5,628,197	$ 7,710,847
Operating grants and contributions	322,441,972	227,052,693	-	-	322,441,972	227,052,693
General revenues:						
Property taxes, levied for general purposes	242,223,616	229,596,151	-	-	242,223,616	229,596,151
Property taxes, levied for debt service	77,634,600	70,794,991	-	-	77,634,600	70,794,991
Grants and contributions not restricted to specific programs	348,668,664	364,747,478	-	-	348,668,664	364,747,478
Investment earnings	20,609,660	1,096,052	-	-	20,609,660	1,096,052
Miscellaneous	4,767,528	1,728,948	-	-	4,767,528	1,728,948
Total revenues	1,021,664,587	902,480,048	309,650	247,112	1,021,974,237	902,727,160
Expenses						
Instruction	476,851,161	401,346,467	-	-	476,851,161	401,346,467
Instructional resources and media services	1,702,481	1,668,425	-	-	1,702,481	1,668,425
Curriculum and instructional staff development	30,942,545	25,483,972	-	-	30,942,545	25,483,972
Instructional leadership	16,815,485	12,554,045	-	-	16,815,485	12,554,045
School leadership	46,040,519	44,618,903	-	-	46,040,519	44,618,903
Guidance, counseling, and evaluation services	35,138,679	32,893,168	-	-	35,138,679	32,893,168
Social work services	4,141,544	2,990,027	-	-	4,141,544	2,990,027
Health services	7,254,411	10,448,113	-	-	7,254,411	10,448,113
Student transportation	40,048,180	35,711,702	-	-	40,048,180	35,711,702
Food services	45,905,197	37,257,900	-	-	45,905,197	37,257,900
Extracurricular activities	11,866,557	11,133,061	-	-	11,866,557	11,133,061
General administration	19,986,444	17,493,192	-	-	19,986,444	17,493,192
Plant maintenance and operations	71,197,261	68,601,784	-	-	71,197,261	68,601,784
Security and monitoring services	11,098,308	10,239,107	-	-	11,098,308	10,239,107
Data processing services	15,119,044	14,469,766	-	-	15,119,044	14,469,766
Community services	3,090,658	2,330,198	-	-	3,090,658	2,330,198
Interest on long-term debt	35,422,005	38,975,662	-	-	35,422,005	38,975,662
Issuance costs and fees	10,500	-	-	-	10,500	-
Facilities repair and maintenance	4,057,686	2,121,001	-	-	4,057,686	2,121,001
Payments to tax increment fund	9,586,280	7,969,848	-	-	9,586,280	7,969,848
Other intergovernmental charges	2,306,304	2,150,472	-	-	2,306,304	2,150,472
Other enterprise activities	-	-	528,545	353,927	528,545	353,927
Total expenses	888,581,249	780,456,813	528,545	353,927	889,109,794	780,810,740
Change in net position	133,083,338	122,023,235	(218,895)	(106,815)	132,864,443	121,916,420
Net position - beginning	128,303,478	6,280,243	495,312	602,127	128,798,790	6,882,370
Cumulative effect of adoption of GASB 96	15,708	-	-	-	15,708	-
Net position - beginning, as restated	128,319,186	6,280,243	495,312	602,127	128,814,498	6,882,370
Net position - ending	$ 261,402,524	$ 128,303,478	$ 276,417	$ 495,312	$ 261,678,941	$ 128,798,790

Revenues, aggregating $1,021,664,587 were generated primarily from two sources. Property taxes of $319,858,216 represent 31.3 percent of total revenues while grants and contributions, including those not restricted for specific program use as well as for general operations, total $671,110,636 and represent 65.7 percent of total revenues. The increase in grants and contributions is the result of an increase in ESSER grant revenue. The remaining 3.0 percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expenses of the District are *Instruction* $476,851,161, which represents 53.7 percent of total expenses, *food service* $45,905,197, which represents 5.2 percent of total expenses, and p*lant maintenance and operations* $71,197,261, which represents 8.0 percent of total expenses. All remaining expense categories are individually less than 5 percent of total expenses. The major increase in the current year occurred in instruction which was due to an increase in payroll expenditures and ESSER and Emergency Connectivity Fund grant purchases.

Business-type activities. Business-type activities decreased net position by $218,895. The decrease in business-type activities from the prior year is due to the increase in payroll expenses.

Financial Analysis of the Government's Funds

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

Governmental Funds. At the end of the fiscal year, the District's governmental funds had a combined ending fund balance of $562,309,764, an increase of $72,575,878 from the preceding year. Analysis of each individual major fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was $460,394,969, while total fund balance was $462,314,895. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 79.7 percent of total general fund expenditures, while total fund balance represents 80.0 percent of that same total. The fund balance of the general fund increased $72,096,634 during the year, primarily due to the increase in property taxes due to an increase in taxable values.

The CRRSA ESSER II fund ended the year with a total fund balance of $0. The CRRSA ESSER II revenues equaled expenditures of $79,187,303.

The debt service fund ended the year with a total fund balance of $40,868,234, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased $1,085,135 during the year, primarily because of a property tax revenue increase due to an increase in taxable values.

The capital projects fund ended the year with a total fund balance of $27,727,819, all of which is restricted for capital acquisitions and contractual obligations. The net decrease in fund balance during the current year in the capital projects fund was $7,868,460 due to capital outlay for facilities acquisitions and construction that was funded with bond proceeds received in the previous years.

Governmental funds financial statements may be found by referring to the table of contents.

Proprietary Funds. The District's proprietary fund financial statements, reflect the District's internal service fund created for its self-funded health insurance program and the District's enterprise fund for concessions and a child day care program. The net change in assets of the internal service fund is eliminated and allocated to the governmental expenses in the government-wide financial statements.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

Aldine Independent School District's General Fund Budgetary Highlights

	Budget	
	Original Amount	Final Amount
Total revenues	$ 612,773,692	$ 612,773,692
Total expenditures	638,656,978	638,656,978
Net change in fund balance	$ (25,883,286)	$ (25,883,286)

The District amends the budget as needed throughout the year. There were no amendments made to total revenue and expenditures between the original adopted budget and the final amended budget of the general fund.

At year end, actual revenues were less than final budgeted amounts by $58,105,103 primarily due to lower than expected budgeted state funding. Operating expenditures were $60,968,520 less than final budgeted amounts due to the district was able to leverage the use of ESSER funds to help offset some expenditures. In addition, supply chain issues prevented the district from purchasing certain items such as buses and vehicles that were included in the budget.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023, was $1,224,026,141 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, furniture and equipment, right-to-use leased assets, right-to-use subscription assets, and construction in progress. The decrease in investment in capital assets for the current fiscal year was $1,578,372.

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

	Governmental Activities					
	June 30, 2023		June 30, 2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	$ 134,357,962	11	$ 133,665,860	11	$ 692,102	1
Buildings and improvements	1,004,584,245	83	1,029,478,259	85	(24,894,014)	(2)
Furniture and equipment	53,591,201	4	38,740,976	3	14,850,225	38
Right-to-use leased assets (net)	2,599,692	-	3,928,479	-	(1,328,787)	(34)
Right-to-use subscription assets (net)*	4,099,479	-	1,436,546	-	2,662,933	185
Construction in progress	24,793,562	2	18,354,393	1	6,439,169	35
Totals	$ 1,224,026,141	100	$ 1,225,604,513	100	$ (1,578,372)	

* Right-to-use subscription assets have been adjusted to reflect a beginning balance upon adoption of GASB 96.

Commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled $20,117,484.

Additional information on the District's capital assets can be found in Note 5 of the notes to the financial statements.

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

Aldine Independent School District's Long-term Liabilities Outstanding

	Governmental Activities					
	June 30, 2023		June 30, 2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	$ 1,049,195,201	71	$ 1,093,860,218	78	$ (44,665,017)	(4)
Compensated absences payable	8,318,174	1	7,853,432	1	464,742	6
Leases payable	1,390,292	-	3,627,910	-	(2,237,618)	(62)
Subscription liabilities*	3,732,754	-	1,420,838	-	2,311,916	163
Self-insured health claims	4,127,000	-	4,137,000	-	(10,000)	-
Net pension liability	274,454,118	19	100,160,353	7	174,293,765	174
Net OPEB liability	138,484,945	9	198,628,115	14	(60,143,170)	(30)
Totals	$ 1,479,702,484	100	$ 1,409,687,866	100	$ 70,014,618	

* Subscription liabilities have been adjusted to reflect a beginning balance upon adoption of GASB 96.

The District's general obligation bonds decreased by $44,665,017 (4 percent) during the current fiscal year, which resulted from regularly scheduled debt payments.

Additional information on the District's long-term debt, net pension liability, and OPEB liability can be found in Note 8, Note 11 and Note 12, respectively in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

Economic factors have a significant impact on the District's finances. While the Covid-19 pandemic had a negative impact on the Texas economy, there have been improvements over the past year that show the economy has been recovering. According to the Texas Workforce Commission, unemployment in Harris County has decreased from 8.3% to 5.0% from FY21 to FY23. In addition to this positive news, property values have increased dramatically in the state of Texas. Specifically, in Aldine ISD, taxable values have increased by 16.8% from Tax Year 2022 to Tax Year 2023. Enrollment has continued to be a challenge for the district however, we are committed to providing the best choices and opportunities for students with the goal of attracting and keeping students in Aldine.

We believe the District's tax base will continue to grow along with the recovery of the broader economy. District taxable assessed property values have increased by approximately 34.7% over the past three years.

As part of the budget development process the District has taken into consideration the primary factors that drive school district budgets: student enrollment, average daily attendance, current state funding formulas, property values, facility needs and the local economy. With the receipt of Federal ESSER grant funds, the district has been able to add over $178 million into the fund balance of the General Fund from FY20 through FY22. This has been intentional and has allowed us to use the funds to support the district for one-time necessary projects as well as provide support as the District balances meeting student needs and right sizing staff appropriately for enrollment. General Fund expenditures in 2023-24 are budgeted to increase by 26.9% from the 2022-23 adopted budget. Budgeted expenditures in FY24 include a $50 million appropriation to replace an existing stadium which will benefit students and staff in the district. The 2023-24 Debt Services budget is $69.6 million and the Child Nutrition Services expenditures for 2023-24 are budgeted to increase by $3.5 million from the 2022-23 final budget. The total Aldine Independent School District adopted budget for 2023-2024 is $938,567,094, which represents the General Fund, the Debt Service Fund and the Child Nutrition Fund.

The 88th Texas Legislature in 2023 provided for some additional funding for public education with the increase in the guaranteed yield as well as funding school safety grants through TEA. A special session has been called and there is hope that additional funding for public education will be appropriated. The District's officials and Board of Trustees considered many factors when setting the 2023-24 fiscal year combined property tax rate of $1.0363 per $100 of assessed value. The maintenance and operations tax rate will decrease by $0.1854 to $0.7338, while the interest and sinking tax rate remains at $0.3025.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent of Finance, Aldine Independent School District, 2520 W.W. Thorne Blvd., Houston, Texas 77073.

BASIC FINANCIAL STATEMENTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

ALDINE
Independent School District

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Aldine Independent School District — Exhibit A-1

Statement of Net Position
June 30, 2023

Data Control Codes		1 Primary Government: Governmental Activities	2 Primary Government: Business-type Activities	3 Primary Government: Total
	ASSETS			
1110	Cash and cash equivalents	$ 42,112,054	$ 296,026	$ 42,408,080
1120	Investments	494,311,089	-	494,311,089
1220	Property taxes receivables	68,158,568	-	68,158,568
1230	Allowance for uncollectable taxes	(33,573,006)	-	(33,573,006)
1240	Due from other governments	137,831,714	-	137,831,714
1290	Other receivables	858,651	-	858,651
1300	Inventories	3,294,202	-	3,294,202
1410	Prepaid items	5,668	-	5,668
	Capital assets not being depreciated/amortized			
1510	Land	134,357,962	-	134,357,962
1580	Construction in progress	24,793,562	-	24,793,562
	Capital assets net of depreciation/amortization			
1520	Buildings and improvements	1,004,584,245	-	1,004,584,245
1530	Furniture and equipment	53,591,201	41,528	53,632,729
1551	Right-to-use leased assets	2,599,692	-	2,599,692
1553	Right-to-use subscription assets	4,099,479	-	4,099,479
1000	Total assets	1,937,025,081	337,554	1,937,362,635
	DEFERRED OUTFLOWS OF RESOURCES			
1705	Deferred outflows - pension	141,540,113	-	141,540,113
1706	Deferred outflows - OPEB	67,483,779	-	67,483,779
1710	Deferred charge on refunding	2,768,719	-	2,768,719
1700	Total deferred outflows of resources	211,792,611	-	211,792,611
	LIABILITIES			
2110	Accounts payable	22,857,843	11	22,857,854
2140	Interest payable	15,808,269	-	15,808,269
2150	Payroll deductions and withholdings	11,691,569	99	11,691,668
2160	Accrued wages payable	68,327,682	60,851	68,388,533
2180	Due to other governments	301,916	-	301,916
2200	Accrued expenses	1,399,977	176	1,400,153
2300	Unearned revenue	6,023,829	-	6,023,829
	Noncurrent liabilities:			
2501	Due within one year	29,510,786	-	29,510,786
2502	Due in more than one year	1,037,252,635	-	1,037,252,635
2540	Net pension liability	274,454,118	-	274,454,118
2545	Net OPEB liability	138,484,945	-	138,484,945
2000	Total liabilities	1,606,113,569	61,137	1,606,174,706
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflows - pension	42,977,833	-	42,977,833
2606	Deferred inflows - OPEB	238,323,766	-	238,323,766
2600	Total deferred inflows of resources	281,301,599	-	281,301,599
	NET POSITION			
3200	Net investment in capital assets	188,363,263	41,528	188,404,791
3820	Restricted for grants and state mandated programs	27,639,405	-	27,639,405
3850	Restricted for debt service	32,571,071	-	32,571,071
3900	Unrestricted	12,828,785	234,889	13,063,674
3000	**TOTAL NET POSITION**	$ 261,402,524	$ 276,417	$ 261,678,941

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

Aldine Independent School District

Statement of Activities

For the Fiscal Year Ended June 30, 2023

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues Charges for Services	4 Program Revenues Operating Grants and Contributions
	PRIMARY GOVERNMENT			
	Governmental activities:			
0011	Instruction	$ 476,851,161	$ 39,159	$ 175,276,007
0012	Instructional resources and media services	1,702,481	-	134,772
0013	Curriculum and instructional staff development	30,942,545	-	18,136,679
0021	Instructional leadership	16,815,485	-	2,767,342
0023	School leadership	46,040,519	-	4,142,756
0031	Guidance, counseling, and evaluation services	35,138,679	-	12,887,039
0032	Social work services	4,141,544	-	1,698,879
0033	Health services	7,254,411	-	4,740,632
0034	Student transportation	40,048,180	-	2,029,419
0035	Food services	45,905,197	1,920,743	50,338,097
0036	Extracurricular activities	11,866,557	2,664,732	193,887
0041	General administration	19,986,444	-	17,409,990
0051	Plant maintenance and operations	71,197,261	693,913	2,713,502
0052	Security and monitoring services	11,098,308	-	3,600,174
0053	Data processing services	15,119,044	-	18,725,970
0061	Community services	3,090,658	-	3,042,468
0072	Interest on long-term debt	35,422,005	-	1,297,378
0073	Issuance costs and fees	10,500	-	3,226,373
0081	Facilities repair and maintenance	4,057,686	-	80,608
0097	Payments to tax increment fund	9,586,280	-	-
0099	Other intergovernmental charges	2,306,304	-	-
TG	Total governmental activities	888,581,249	5,318,547	322,441,972
	Business-type activities:			
	Enterprising activities	528,545	309,650	-
TB	Total business-type activities	528,545	309,650	-
TP	**TOTAL PRIMARY GOVERNMENT**	$ 889,109,794	$ 5,628,197	$ 322,441,972

Data Control Codes	
	General revenues:
MT	Property taxes, levied for general purposes
DT	Property taxes, levied for debt service
GC	Grants and contributions not restricted to specific programs
IE	Investment earnings
MI	Miscellaneous
TR	Total general revenues
CN	Change in net position
NB	Net position - beginning
PA	Cumulative effect of adoption of GASB 96
	Net position - beginning, as restated
NE	**NET POSITION - ENDING**

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

6	7	8
Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Business-type Activities	Total
$ (301,535,995)	$ -	$ (301,535,995)
(1,567,709)	-	(1,567,709)
(12,805,866)	-	(12,805,866)
(14,048,143)	-	(14,048,143)
(41,897,763)	-	(41,897,763)
(22,251,640)	-	(22,251,640)
(2,442,665)	-	(2,442,665)
(2,513,779)	-	(2,513,779)
(38,018,761)	-	(38,018,761)
6,353,643	-	6,353,643
(9,007,938)	-	(9,007,938)
(2,576,454)	-	(2,576,454)
(67,789,846)	-	(67,789,846)
(7,498,134)	-	(7,498,134)
3,606,926	-	3,606,926
(48,190)	-	(48,190)
(34,124,627)	-	(34,124,627)
3,215,873	-	3,215,873
(3,977,078)	-	(3,977,078)
(9,586,280)	-	(9,586,280)
(2,306,304)	-	(2,306,304)
(560,820,730)	-	(560,820,730)
-	(218,895)	(218,895)
-	(218,895)	(218,895)
(560,820,730)	(218,895)	(561,039,625)
242,223,616	-	242,223,616
77,634,600	-	77,634,600
348,668,664	-	348,668,664
20,609,660	-	20,609,660
4,767,528	-	4,767,528
693,904,068	-	693,904,068
133,083,338	(218,895)	132,864,443
128,303,478	495,312	128,798,790
15,708	-	15,708
128,319,186	495,312	128,814,498
$ 261,402,524	$ 276,417	$ 261,678,941

Aldine Independent School District
Balance Sheet
Governmental Funds
June 30, 2023

Data Control Codes		199 General Fund	281 CRRSA ESSER II	599 Debt Service Fund
	ASSETS			
1110	Cash and cash equivalents	$ 23,033,610	$ -	$ 969,582
1120	Investments	407,211,671	-	40,154,542
1220	Property taxes receivables	55,451,553	-	12,707,015
1230	Allowance for uncollectable taxes	(28,377,097)	-	(5,195,909)
1240	Due from other governments	43,155,658	45,845,515	-
1260	Due from other funds	64,047,839	-	-
1290	Other receivables	473,320	-	-
1300	Inventories	1,914,258	-	-
1410	Prepaid items	5,668	-	-
1000	Total assets	566,916,480	45,845,515	48,635,230
1000a	**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**	$ 566,916,480	$ 45,845,515	$ 48,635,230
	LIABILITIES			
2110	Accounts payable	$ 5,692,627	$ 12,196,461	$ -
2150	Payroll deduction and withholdings payable	11,005,301	-	-
2160	Accrued wages payable	57,793,817	1,026	-
2170	Due to other funds	-	33,648,028	-
2180	Due to other governments	3,166	-	255,890
2200	Accrued expenditures	367,898	-	-
2300	Unearned revenue	2,664,320	-	-
2000	Total liabilities	77,527,129	45,845,515	255,890
	DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue - property taxes	27,074,456	-	7,511,106
	Total deferred inflows of resources	27,074,456	-	7,511,106
	FUND BALANCES			
	Nonspendable:			
3410	Inventories	1,914,258	-	-
3430	Prepaid items	5,668	-	-
	Restricted for:			
3450	Grants	-	-	-
3470	Capital acquisitions and contractual obligations	-	-	-
3480	Debt service	-	-	40,868,234
	Committed to:			
3545	Other	-	-	-
3600	Unassigned	460,394,969	-	-
3000	Total fund balances	462,314,895	-	40,868,234
4000	**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**	$ 566,916,480	$ 45,845,515	$ 48,635,230

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

Exhibit C-1

699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
$ 1,426,567	$ 11,107,170	$ 36,536,929
28,149,136	18,747,942	494,263,291
-	-	68,158,568
-	-	(33,573,006)
-	48,830,541	137,831,714
-	-	64,047,839
-	385,331	858,651
-	1,379,944	3,294,202
-	-	5,668
29,575,703	80,450,928	771,423,856
$ 29,575,703	$ 80,450,928	$ 771,423,856
$ 1,425,973	$ 3,526,106	$ 22,841,167
37,723	543,096	11,586,120
5,860	10,526,979	68,327,682
-	30,399,811	64,047,839
-	42,860	301,916
378,328	653,751	1,399,977
-	3,359,509	6,023,829
1,847,884	49,052,112	174,528,530
-	-	34,585,562
-	-	34,585,562
-	-	1,914,258
-	-	5,668
-	27,639,405	27,639,405
27,727,819	-	27,727,819
	-	40,868,234
-	3,759,411	3,759,411
-	-	460,394,969
27,727,819	31,398,816	562,309,764
$ 29,575,703	$ 80,450,928	$ 771,423,856

ALDINE®
Independent School District

Aldine Independent School District

Exhibit C-1R

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)		$ 562,309,764
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	$ 1,948,461,908	
Accumulated depreciation and amortization of governmental capital assets	(724,435,767)	1,224,026,141
Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		34,585,562
Long-term liabilities, including bonds, leases and compensated absences payable, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:		
Bonds payable, at original par	$ (934,570,000)	
Premium on bonds payable	(114,625,201)	
Leases payable	(1,390,292)	
Subscription liabilities	(3,732,754)	
Compensated absences payable	(8,318,174)	
Accrued interest on the bonds	(15,808,269)	
Net pension liability	(274,454,118)	
Net OPEB liability	(138,484,945)	(1,491,383,753)
An internal service fund is used by the District to charge the costs of health insurance benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		1,373,798
Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the governmental funds due to it is not a current financial resource available to pay for current expenditures.		2,768,719
Deferred outflows of resources for pension represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		141,540,113
Deferred inflows of resources for pension represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resouces (revenue) until that time.		(42,977,833)
Deferred outflows of resources for OPEB represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		67,483,779
Deferred inflows of resources for OPEB represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resouces (revenue) until that time.		(238,323,766)
TOTAL NET POSITON - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)		$ 261,402,524

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

Aldine Independent School District

Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

Data Control Codes		199 General Fund	281 CRRSA ESSER II	599 Debt Service Fund
	REVENUES			
5700	Local and intermediate sources	$ 264,052,025	$ -	$ 78,399,629
5800	State program revenues	368,045,106	-	3,196,701
5900	Federal program revenues	25,597,703	79,187,303	-
5020	Total revenues	657,694,834	79,187,303	81,596,330
	EXPENDITURES			
	Current:			
0011	Instruction	288,648,813	40,806,588	-
0012	Instructional resources and media services	1,319,252	66,450	-
0013	Curriculum and instructional staff development	13,711,792	740,086	-
0021	Instructional leadership	14,997,587	543,140	-
0023	School leadership	44,830,230	2,144,385	-
0031	Guidance, counseling, and evaluation services	24,270,794	7,406,903	-
0032	Social work services	2,604,279	177,102	-
0033	Health services	2,682,537	4,106,099	-
0034	Student transportation	39,035,283	1,652,436	-
0035	Food services	-	1,643,535	-
0036	Extracurricular activities	10,402,804	65,943	-
0041	General administration	19,437,411	558,802	-
0051	Plant maintenance and operations	69,647,057	2,398,041	-
0052	Security and monitoring services	10,290,420	347,466	-
0053	Data processing services	11,014,450	16,356,671	-
0061	Community services	172,704	118,981	-
	Debt service:			
0071	Principal on long-term debt	1,542,588	-	36,285,000
0072	Interest on long-term debt	2,747	-	44,215,695
0073	Issuance costs and fees	-	-	10,500
	Capital outlay:			
0081	Facilities acquisition and construction	11,185,126	54,675	-
	Intergovernmental:			
0097	Payments to tax increment fund	9,586,280	-	-
0099	Other intergovernmental charges	2,306,304	-	-
6030	Total expenditures	577,688,458	79,187,303	80,511,195
1100	Excess (deficiency) of revenues over expenditures	80,006,376	-	1,085,135
	OTHER FINANCING SOURCES (USES)			
7912	Sale of real and personal property	286,604	-	-
7913	Proceeds from right-to-use subscription assets	162,422	-	-
7915	Transfers in	-	-	-
8911	Transfers out	(8,358,768)	-	-
7080	Total other financing sources (uses)	(7,909,742)	-	-
1200	Net change in fund balances	72,096,634	-	1,085,135
0100	Fund balances - beginning	390,218,261	-	39,783,099
3000	**FUND BALANCES - ENDING**	$ 462,314,895	$ -	$ 40,868,234

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

699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
$ 1,282,009	$ 8,894,987	$ 352,628,650
-	11,286,313	382,528,120
-	204,659,146	309,444,152
1,282,009	224,840,446	1,044,600,922
-	133,902,216	463,357,617
-	345,595	1,731,297
-	17,508,790	31,960,668
-	2,177,275	17,718,002
-	1,823,936	48,798,551
-	5,236,768	36,914,465
-	1,515,215	4,296,596
-	595,724	7,384,360
-	147,766	40,835,485
-	45,002,422	46,645,957
-	1,682,993	12,151,740
-	639,073	20,635,286
-	71,837	72,116,935
887,513	3,335,655	14,861,054
-	2,404,641	29,775,762
-	2,974,890	3,266,575
-	1,339,164	39,166,752
-	30,656	44,249,098
-	-	10,500
8,262,956	10,000	19,512,757
-	-	9,586,280
-	-	2,306,304
9,150,469	220,744,616	967,282,041
(7,868,460)	4,095,830	77,318,881
-	-	286,604
-	2,807,971	2,970,393
-	358,768	358,768
-	-	(8,358,768)
-	3,166,739	(4,743,003)
(7,868,460)	7,262,569	72,575,878
35,596,279	24,136,247	489,733,886
$ 27,727,819	$ 31,398,816	$ 562,309,764

Aldine Independent School District

Exhibit C-3

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)		$ 72,575,878
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation/amortization expense.		
Capital assets *increased*	$ 41,103,060	
Depreciation/amortization expense	(43,176,253)	(2,073,193)
The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.		494,821
Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year.		891,337
Financed subscriptions provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position.		(2,970,392)
Repayment of bond principal and subscription liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		36,943,476
Repayment of leases payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,237,618
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase (decrease) in interest reported in the statement of activities consist of the following:		
Accrued interest on current interest bonds payable (*increased) decreased*	$ 651,951	
Amortization of bond premium	8,380,017	
Amortization of deferred charge on refunding	(219,218)	8,812,750
The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		(464,742)
An internal service fund is used by the District to charge the costs of health insurance benefits to the individual funds. The net activity of the internal service fund was reported in the government-wide statements.		1,184,906
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ 67,527,600	
Deferred inflows (increased) decreased	97,776,506	
Net pension liability (increased) decreased	(174,293,765)	(8,989,659)
The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ 32,121,977	
Deferred inflows (increased) decreased	(67,824,609)	
Net OPEB liability (increased) decreased	60,143,170	24,440,538
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)		$ 133,083,338

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

Aldine Independent School District **Exhibit D-1**

Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-type Activities	Governmental Activities
	Nonmajor Enterprise Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$ 296,026	$ 5,575,125
Investments	-	47,798
Total current assets	296,026	5,622,923
Non-current assets:		
Furniture and equipment	153,741	-
Accumulated depreciation - furniture and equipment	(112,213)	-
Total non-current assets	41,528	-
Total assets	337,554	5,622,923
LIABILITIES		
Current liabilities:		
Accounts payable	11	16,676
Payroll deduction and withholdings payable	99	105,449
Accrued wages payable	60,851	-
Accrued expenditures	176	-
Total current liabilities	61,137	122,125
Noncurrent liabilities:		
Claims payable - due in more than one year	-	4,127,000
Total noncurrent liabilities	-	4,127,000
Total liabilities	61,137	4,249,125
NET POSITION		
Net investment in capital assets	41,528	-
Unrestricted	234,889	1,373,798
TOTAL NET POSITION	$ 276,417	$ 1,373,798

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

Aldine Independent School District **Exhibit D-2**

Statement of Revenues, Expenses, and Changes
in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	Business-type Activities	Governmental Activities
	Nonmajor Enterprise Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	$ 309,650	$ 37,964,833
Total operating revenues	309,650	37,964,833
OPERATING EXPENSES		
Payroll costs	470,847	-
Purchases and contracted services	4,542	1,136,918
Supplies and materials	38,123	-
Claims expense and other operating expenses	2,189	43,644,884
Depreciation	12,844	-
Total operating expenses	528,545	44,781,802
Operating income (loss)	(218,895)	(6,816,969)
NON-OPERATING REVENUES		
Investment earnings	-	1,875
Total non-operating revenues	-	1,875
Income (loss) before transfers	(218,895)	(6,815,094)
Transfers In	-	8,000,000
Change in net position	(218,895)	1,184,906
Net position - beginning	495,312	188,892
NET POSITION - ENDING	$ 276,417	$ 1,373,798

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

Aldine Independent School District

Exhibit D-3

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	Business-type Activities Nonmajor Enterprise Fund	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	$ 309,650	$ 38,166,128
Cash payments for insurance claims	-	(43,654,884)
Cash payments for contracted services and supplies and materials	(44,690)	(647,441)
Cash payments for payroll costs	(446,742)	-
Net cash (used for) operating activities	(181,782)	(6,136,197)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers from other funds	-	8,000,000
Net cash provided by non-capital financing activities	-	8,000,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	-	1,875
Purchase of investments	-	(47,798)
Net cash (used for) investing activities	-	(45,923)
Net increase (decrease) in cash and cash equivalents	(181,782)	1,817,880
Cash and cash equivalents at beginning of year	477,808	3,757,245
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 296,026	$ 5,575,125
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES		
Operating (loss)	$ (218,895)	$ (6,816,969)
Depreciation expense	12,844	-
Change in assets and liabilities:		
(Increase)decrease in due from other funds	-	700,000
(Increase)decrease in other receivables	-	95,846
Increase(decrease) in accounts payable	(12)	(210,523)
Increase(decrease) in claims payable	-	(10,000)
Increase(decrease) in accrued wages payable	24,105	105,449
Increase(decrease) in accrued expenditures	176	-
NET CASH (USED FOR) OPERATING ACTIVITIES	$ (181,782)	$ (6,136,197)

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

Aldine Independent School District **Exhibit E-1**

Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2023

	Custodial Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 469,715
Total assets	469,715
LIABILITIES	
Current liabilities:	
Accounts payable	22,935
Accrued wages payable	71
Accrued expenditures	2,384
Total liabilities	25,390
NET POSITION	
Restricted for:	
Student activities	444,325
TOTAL NET POSITION	$ 444,325

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

Aldine Independent School District **Exhibit E-2**

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2023

	Custodial Fund
ADDITIONS	
Dues and contributions from student activites	$ 601,813
Total additions	601,813
DEDUCTIONS	
Payments for student activities	606,188
Total deductions	606,188
Net change in fiduciary net position	(4,375)
Net position - beginning	448,700
NET POSITION - END OF YEAR	$ 444,325

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

ALDINE®
Independent School District

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Aldine Independent School District (the primary government) and its component unit. Aldine Independent School District Public Facility Corporation was created by the Board of Trustees of the District in December 1997 as a non-profit public corporation. The Corporation's Board of Directors and Officers are comprised of members of the Board of Trustees. The Corporation's stated purpose is to provide for the acquisition, construction, and equipping of schools along with the related financing of such purposes. The Public Facility Corporation does not issue separate financial statements. The financial statements of the Corporation have been included in the financial reporting entity as a blended component unit. The Public Facility Corporation had no activity for the fiscal year ended June 30, 2023.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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

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

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

Interfund activities between governmental funds, and between governmental funds and proprietary funds, appear in the governmental and proprietary fund financial statements. However, all interfund transactions between governmental funds have been eliminated on the government-wide statements. Interfund transactions between governmental funds and internal service funds have not been eliminated to the extent that services have been provided and used. Interfund transactions remain in the government-wide statements for activities between governmental funds and proprietary funds.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days and all other revenues to be available if they are collected within 150 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *CRRSA ESSER II* fund accounts for federal stimulus ESSER II funds granted to the District through the CRSSA Act that supports the District's ability to operate, instruct its students, address learning loss, and improve air quality in school buildings during the COVID-19 pandemic. The CRRSA ESSER II fund does not have a budget legally adopted by the board of trustees.
- The *debt service fund* is used to account for revenues from debt service taxes and earnings on investments which are used for payment of interest and principal on the District's bonded indebtedness.
- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

The District reports the following nonmajor governmental fund types:

- The *special revenue funds* are used to account for resources restricted or designated for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods.

The District reports the following proprietary fund types:

- The *enterprise fund* accounts for the activities of the District's catering and daycare operations.
- The *internal service fund* accounts for health services provided to employees of the District on a cost reimbursement basis.

The District reports the following fiduciary fund types:

- The *custodial fund* is used to account for assets held by the District as a custodian for student organizations. Custodial funds report fiduciary activities that are not held in a trust.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (governmental and the internal service fund) are eliminated so that only the net amount is included as internal balances in the governmental activities' column. Similarly, balances between the funds included in business-type activities (the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities' column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Implementation of New Accounting Standards

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 96 was implemented in the District's 2023 financial statements, resulting in recognition of $1,436,546 in subscription assets, $1,420,838 in subscription liabilities and a cumulative effect adjustment of $15,708 to net position as of July 1, 2022 in the government-wide financial statements.

GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91), provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2020; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 91 to reporting periods beginning after December 15, 2021, with earlier application encouraged. GASB 91 was implemented in the District's fiscal year 2023 financial statements with no impact to amounts previously reported.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 94 was implemented in the District's fiscal year 2023 financial statements with no impact to amounts previously reported.

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

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

The District's local government investment pools are recorded at amortized costs and net asset value (NAV) as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

2. Receivables and Payables

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

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectibles. Allowances for uncollectible taxes receivable are based on the District's historical experience in collecting property taxes. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available if collected within 60 days after the close of the fiscal year. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements.

3. Inventories and Prepaid Items

Inventories consisting of supplies and materials such as maintenance, transportation, office and instructional supplies, are valued at weighted average cost. Inventories consisting of expendable supplies and vehicle repair parts are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased, also known as the consumption method. A portion of fund balance is reported as nonspendable to reflect minimum inventory quantities considered necessary for the District's continuing operations.

Food service commodities are charged to expenditures when distributed to user locations. Food service commodities are recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements and reported as an expense when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), right-to-use leased assets, and right-to-use subscription assets are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost (except for right-to-use leased assets and right-to-use subscription assets, the measurement of which is described in Note 1.E.8. and Note 1.E.9, respectively, below) or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

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

Buildings and improvements, furniture and equipment, right-to-use leased assets, and right-to-use subscription assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Class	Lives
Buildings and improvements	20 - 50
Furniture and equipment	2 - 15
Right-to-use leased assets	2 - 5
Right-to-use subscription assets	2 - 5

5. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

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

6. Compensated Absences

Compensated absences are absences for which employees will be paid, such as sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in long-term liabilities on the statement of net position.

7. Long-term Obligations

The District's long-term obligations consist of bonded indebtedness, compensated absences, leases payable, subscription liabilities, self-insured health claims, net pension liability and net OPEB liability. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

The contributions for pension and OPEB are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and Special Revenue funds. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for compensated absences, leases payable, subscription liabilities, pension liability, and OPEB liability are accounted for in the governmental funds. The requirements for self-insured health claims are accounted for in the internal service fund.

8. Leases

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

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

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

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

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

9. Subscription-Based Information Technology Arrangements

The District has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The District recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of $5,000 or more.

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

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

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the District is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

10. 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 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.

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

12. Net Position Flow Assumptions
Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

13. Fund Balance Flow Assumptions

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

14. Fund Balance Classifications

The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1). However, if the use of the proceeds from the sale of the inventory is restricted, committed, or assigned, then the applicable amounts are included in the appropriate fund balance classification, rather than nonspendable fund balance.

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state, or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Debt Service Fund, Child Nutrition Fund, and certain nonmajor governmental funds are classified as restricted.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority.

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

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Per Policy CE local, assigned fund balance amounts are established by the Superintendent or their designee.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

2. Property Taxes
Property values are determined by the Harris County Central Appraisal District as of January 1 of each year. The amount of net assessed values for fiscal year 2023 (tax year 2022) were $26,405,650,160. Prior to July 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. The District's combined tax rate for fiscal year was $1.2217, which included $0.9192 for maintenance and operations and $0.3025 for debt service. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. The total levy for the 2023 fiscal year was $322,597,828. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year. Delinquent taxes collected are prorated between the general fund and the debt service fund based on rates adopted for the year of the levy. Deferred inflows of resources are recorded in an amount equal to the net taxes receivable.

3. Proprietary funds operating and nonoperating revenues and expenses
Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds and/or employees for self-funded health services. Operating expenses for the internal service fund include the cost of services and administrative expenses. The principal operating revenues of the District's enterprise fund are fees charged for child day care program and concessions. Operating expenses of the enterprise fund include the cost of payroll, contracted services, supplies, and other miscellaneous operating costs to run the program. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. Data Control Codes

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

H. Use of Estimates

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

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is formally approved and adopted by the Board.

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

Note 3. Deposits and Investments

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

Custodial Credit Risk – Deposits
In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. On June 30, 2023, the District's banks' balances, including fiduciary funds, were not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the District's agent in the District's name.

Investments
The District's investment policy is in accordance with the Public Funds Investment Act (PFIA), the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, qualified commercial paper, repurchase agreements, or investment pools.

For the year ended June 30, 2023, the District invested in the Texas Association of School Board's Lone Star Investment Pool (LSIP), TexPool, Texas DAILY and Texas CLASS.

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

LSIP is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, a subsidiary of the Texas Association of School Boards, and managed by Mellon Investments Corporation and American Beacon Advisors. State Street Bank and Trust Company is the custodial bank.

The TexPool and LSIP investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of $1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool and Lone Star have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Texas CLASS was created in accordance with the requirements contained in section 2256.016 of the PFIA. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust, Public Trust Advisors, LLC as Program Administrator, and UMB Bank, N.A. as Custodian.

Texas CLASS is an external investment pool measured at fair value, i.e. net asset value. The investment pool's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short term marketable securities. There are no unfunded commitments related to the investment pool. Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. The Texas CLASS portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; AAA rated money market mutual funds; and commercial paper.

The Texas Range Investment Program "the Pool" was organized as the TexasTERM Local Government Investment Pool in conformity with the State of Texas Interlocal Cooperation Act and is administered by PFM Asset Management, LLC. U.S. Bank serves at the Pool's custodial bank. The Pool operates three separate investment Portfolios, Texas DAILY, Texas DAILY Select, and Texas TERM.

The primary objective of the Texas DAILY portfolio is to produce the highest income consistent with preserving principal and maintaining liquidity. The portfolio will maintain a dollar-weighted average maturity that does not exceed 60 days and seeks to maintain a net asset value of $1.00 per share. Texas DAILY may invest in securities including: obligations of the United States or its agencies and instrumentalities, obligations that are fully guaranteed or insured by the FDIC or the United States, certificates of deposit issued by FDIC insured banks, money-market mutual funds, and repurchase agreements involving obligations of the United States or its agencies and instrumentalities which meet the requirements of the PFIA.

The Texas DAILY portfolio has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

At June 30, 2023, the District's investment balances and the weighted average maturity of such investments are as follows:

Investment Type	June 30, 2023	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost,				
not subject to level reporting:				
Investment pools:				
TexPool	$ 110,692	0%	26	AAAm*
Lone Star Corporate Overnight Fund	180,390,002	36%	26	AAAm*
TexasDAILY	71,844,464	15%	31	AAAmmf*
Investments measured at NAV,				
not subject to level reporting:				
Investment pools:				
Lone Star Corporate Overnight Plus Fund	216,711,438	44%	35	AAAf/S1+*
Texas CLASS	25,254,493	5%	80	AAAm*
Total	$ 494,311,089	100%		
Portfolio weighted average maturity			33	

*Standard & Poor's Rating

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by the PFIA for local government investment pools is AAA or AAAm. During the year ended June 30, 2023, the District was not significantly exposed to credit risk, and its investment pools met the minimum required rating as noted in the preceding table.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 360 days.

At June 30, 2023, the District's exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized below:

		Investment Maturity
	June 30, 2023	Less than 1 year
Investment pools:		
TexPool	$ 110,692	$ 110,692
Lone Star	397,101,440	397,101,440
TexasDAILY	71,844,464	71,844,464
Texas CLASS	25,254,493	25,254,493
	$ 494,311,089	$ 494,311,089

Concentration of Credit Risk
The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District's investments in the investment pools make up 100% of the District's investment portfolio.

The investment pools are reported at amortized cost and NAV. The amount of investment earnings during the year ended June 30, 2023 was $20,609,660.

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

Note 4. Receivables and Unearned Revenues

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

Change in uncollectibles related to general fund property taxes	$ (2,711,140)
Change in uncollectibles related to debt service property taxes	(722,488)
Total change in uncollectibles of the current fiscal year	$ (3,433,628)

Approximately 78% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the fiscal year 2023, the various components of unearned revenues reported in the governmental funds were as follows:

	Unearned Revenue
Unearned state revenue	$ 20,020
Unearned federal revenue	120,605
Unearned local revenue	5,883,204
	$ 6,023,829

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 133,665,860	$ 692,102	$ -	$ 134,357,962
Construction in progress	18,354,393	13,118,802	(6,679,633)	24,793,562
Total capital assets, not being depreciated/amortized	152,020,253	13,810,904	(6,679,633)	159,151,524
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,583,743,276	1,187,491	6,679,633	1,591,610,400
Furniture and equipment	165,375,859	22,619,372	(561,890)	187,433,341
Right-to-use leased assets	5,827,501	-	(482,697)	5,344,804
Right-to-use subscription assets*	1,436,546	3,485,293	-	4,921,839
Total capital assets, being depreciated/amortized	1,756,383,182	27,292,156	5,635,046	1,789,310,384
Less accumulated depreciation/amortization for:				
Buildings and improvements	(554,265,017)	(32,761,138)	-	(587,026,155)
Furniture and equipment	(126,634,883)	(7,347,143)	139,886	(133,842,140)
Right-to-use leased assets	(1,899,022)	(2,245,612)	1,399,522	(2,745,112)
Right-to-use subscription assets	-	(822,360)	-	(822,360)
Total accumulated depreciation/amortization	(682,798,922)	(43,176,253)	1,539,408	(724,435,767)
Total capital assets, being depreciated/amortized, net	1,073,584,260	(15,884,097)	7,174,454	1,064,874,617
Governmental activities capital assets, net	$ 1,225,604,513	$ (2,073,193)	$ 494,821	$ 1,224,026,141

* Right-to-use subscription assets have been adjusted to reflect a beginning balance upon adoption of GASB 96.

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Furniture and equipment	$ 153,741	$ -	$ -	$ 153,741
Total capital assets, being depreciated	153,741	-	-	153,741
Less accumulated depreciation for:				
Furniture and equipment	(99,369)	(12,844)	-	(112,213)
Total accumulated depreciation	(99,369)	(12,844)	-	(112,213)
Total capital assets, being depreciated, net	54,372	(12,844)	-	41,528
Business-type activities capital assets, net	$ 54,372	$ (12,844)	$ -	$ 41,528

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

Governmental activities:	
11 Instruction	$ 34,914,166
12 Instructional resources and media services	9,538
21 Instructional leadership	14,229
23 School leadership	4,467
31 Guidance, counseling, and evaluation services	44,662
32 Social work services	3,661
33 Health services	26,264
34 Student transportation	2,118,263
35 Food services	276,971
36 Extracurricular activities	10,370
41 General administration	132,726
51 Plant maintenance and operations	1,432,233
52 Security and monitoring services	481,547
53 Data processing services	3,589,385
61 Community services	117,771
Total depreciation/amortization expense-governmental activities	$ 43,176,253
Business-type activities:	
61 Community services	$ 12,844
Total depreciation expense-business-type activities	$ 12,844

The District has active construction projects as of June 30, 2023. As of the end of the current fiscal year, the District's commitments with contractors are as follows:

Project	Remaining Commitment
Thorne Stadium Replacement	$ 17,447,909
Nimitz High School Culinary Arts	2,199,402
Middle School Wall Finishes	388,667
Bond repairs at all schools	25,296
Other projects	56,210
Total Governmental Activities	$ 20,117,484

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

Note 6. Interfund Receivables, Payables, and Transfers

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

Funds	Interfund Receivables	Interfund Payables
General fund	$ 64,047,839	$ -
CRRSA ESSER II	-	33,648,028
Nonmajor governmental fund	-	30,399,811
Totals	$ 64,047,839	$ 64,047,839

Transfers
Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The following is a summary of the District's transfers for the fiscal year ended June 30, 2023:

Transfers Out	Transfer In	Amount
General fund	Nonmajor governmental fund	$ 358,768
General fund	Nonmajor proprietary fund	8,000,000
		$ 8,358,768

Interfund transfers in the amount of $8,000,000 were made from the general fund to the self-insurance internal service fund to cover the deficits as a result of increased claims. Interfund transfers in the amount of $358,768 were made from the general fund to cover catering costs.

Note 7. Compensated Absences and Other Retirement/Sick Leave Benefits

District employees who retire under the Teacher Retirement System within ninety (90) days of the termination of their employment with the District and the beneficiaries of employees of the District who die are eligible to be paid for not more than sixty (60) of the unused state personal leave, state sick leave, and local sick leave, combined, which were earned while employed by the District. Payment will be made at the employee's daily rate at the time of retirement or death. Eligible sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have met the District's retirement and State's retirement eligibility requirements:

	Beginning Balance	Net Change	Ending Balance
Compsensated absences payable*	$ 7,853,432	$ 464,742	$ 8,318,174

*The change in the compensated absences payable is presented as a net change.

Note 8. Long-term Liabilities

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas through 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.

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds, par	$ 970,855,000	$ -	$ (36,285,000)	$ 934,570,000	$ 27,295,000
Issuance premiums (CIB's)	123,005,218	-	(8,380,017)	114,625,201	-
Total bonds payable	1,093,860,218	-	(44,665,017)	1,049,195,201	27,295,000
Compensated absences payable**	7,853,432	464,742	-	8,318,174	-
Leases payable	3,627,910	-	(2,237,618)	1,390,292	1,348,860
Subscription liabilities*	1,420,838	2,970,392	(658,476)	3,732,754	866,926
Self-insured health claims	4,137,000	43,634,884	(43,644,884)	4,127,000	-
Net pension liability	100,160,353	195,865,931	(21,572,166)	274,454,118	-
Net OPEB liability	198,628,115	30,131,600	(90,274,770)	138,484,945	-
Governmental activities long-term liabilities	$ 1,409,687,866	$ 273,067,549	$ (203,052,931)	$ 1,479,702,484	$ 29,510,786

*Subscription liabilities have been adjusted to reflect a beginning balance upon adoption of GASB 96.
**The change in the compensated absences payable is presented as a net change.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds and term bonds with various amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

Issue	Original Issue Amount	Interest Rate	Maturity Date	Debt Outstanding
Unlimited Tax School Building Bonds, Series 2014	$ 22,000,000	3.00-5.00%	2039	$ 16,785,000
Unlimited Tax School Building Bonds, Series 2015	50,000,000	3.00-5.00%	2040	40,505,000
Unlimited Tax School Building & Refunding Bonds, Series 2016	266,840,000	3.00-5.00%	2044	231,470,000
Unlimited Tax Refunding Bonds, Series 2017	101,050,000	2.00-5.00%	2033	57,170,000
Unlimited Tax School Building & Refunding Bonds, Series 2017A	381,750,000	4.00-5.00%	2045	367,050,000
Unlimited Tax School Building Bonds, Series 2018	148,000,000	4.00-5.00%	2048	148,000,000
Unlimited Tax Refunding Bonds, Series 2020	73,590,000	3.00-5.00%	2036	73,590,000
Totals				$ 934,570,000

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2024	$ 27,295,000	$ 42,389,581	$ 69,684,581
2025	28,670,000	41,052,956	69,722,956
2026	32,565,000	39,636,156	72,201,156
2027	35,205,000	38,025,206	73,230,206
2028	36,930,000	36,282,756	73,212,756
2029 - 2033	215,490,000	153,543,644	369,033,644
2034 - 2038	230,780,000	105,281,538	336,061,538
2039 - 2043	215,555,000	56,381,144	271,936,144
2044 - 2048	112,080,000	10,167,550	122,247,550
Totals	$ 934,570,000	$ 522,760,531	$ 1,457,330,531

Defeased Debt
Over the years the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, trust account assets and liabilities for the defeased debt are not included in the District's financial statements. At June 30, 2023, there was no defeased debt outstanding.

Federal Arbitrage
The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly, a liability to the District could result. The District did not identify arbitrage liability as of June 30, 2023.

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

Governmental activities	Interest Rates	Liability at Commencement	Lease Term in Years	Ending Balance
Copiers	1.22%	$ 5,827,501	1 - 4	$ 1,390,292
Total governmental activities				$ 1,390,292

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

Year Ending June 30,	Principal	Interest	Total
2024	$ 1,348,860	$ 16,462	$ 1,365,322
2025	37,119	260	37,379
2026	4,313	25	4,338
Total governmental activities	$ 1,390,292	$ 16,747	$ 1,407,039

The value of the right-to-use leased assets as of the end of the current fiscal year was $5,344,804 and had accumulated amortization of $2,745,112.

Subscription Liabilities

The District has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The District is required to make monthly or annual payments at its incremental borrowing rate. The SBITA rate, term and ending subscription liabilities are as follows:

Governmental activities	Interest Rates	Liability at Commencement	SBITA Term in Years	Ending Balance
Software subscriptions	1.58% - 2.88%	$ 4,391,230	1 - 5	$ 3,732,754
Total governmental activities				$ 3,732,754

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

Year Ending June 30,	Principal	Interest	Total
2024	$ 866,926	$ 66,250	$ 933,176
2025	1,030,301	76,963	1,107,264
2026	657,732	51,804	709,536
2027	594,568	33,683	628,251
2028	583,227	16,774	600,001
Total governmental activities	$ 3,732,754	$ 245,474	$ 3,978,228

The value of the right-to-use subscription assets as of the end of the current fiscal year was $4,921,839 and had accumulated amortization of $822,360.

Note 9. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Totals
Property taxes	$ 241,877,497	$ 77,089,382	$ -	$ -	$ 318,966,879
Investment earnings	17,340,012	1,310,247	1,282,009	675,517	20,607,785
Co-curricular student activities	458,050	-	-	3,399,095	3,857,145
Donations	41,924	-	-	2,790,587	2,832,511
Food sales	-	-	-	1,920,743	1,920,743
Other	4,334,542	-	-	109,045	4,443,587
Totals	$ 264,052,025	$ 78,399,629	$ 1,282,009	$ 8,894,987	$ 352,628,650

Note 10. General Fund Federal Source Revenues

Program or Source	Assistance Listing Number	Amount
Medicaid SHARS	N/A	$ 8,992,535
JROTC	N/A	432,479
Indirect Costs	Various	16,172,689
		$ 25,597,703

Note 11. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

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

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

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

Rates for such plan fiscal years are as follows:

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

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

District contributions	$ 25,889,405
Member contributions	40,393,293
NECE on-behalf contributions (State)	21,322,983

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

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

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

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment-after-retirement surcharge.
- Public education employer contribution - all public schools, charter schools and regional education service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2.0% in fiscal year 2025.

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

On June 30, 2023, the District reported a liability of $274,454,118 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the net pension liability	$ 274,454,118
State's proportionate share of the net pension liability associated with the District	277,258,653
Total	$ 551,712,771

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

At the measurement date of August 31, 2022, the District's proportion of the collective net pension liability was 0.46230% which was an increase of 0.06899% from its proportion measured as of August 31, 2021.

For the fiscal year ended June 30, 2023, the District recognized pension expense of $61,381,848 and revenue of $26,502,784 for support provided by the State.

On June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,979,563	$ 5,983,620
Changes of assumptions	51,139,734	12,745,450
Difference between projected and actual earnings on pension plan investments	27,115,189	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	38,046,211	24,248,763
District contributions paid subsequent to the measurement date	21,259,416	-
Totals	$ 141,540,113	$ 42,977,833

$21,259,416 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2024	$ 16,058,445
2025	7,933,186
2026	6,095,771
2027	38,448,913
2028	8,766,549
Total	$ 77,302,864

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

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

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

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

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

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

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

*Absolute return includes credit sensitive investments.
** Target allocations are based on the FY 2022 policy model.
*** Capital market assumptionss come from Aon Hewitt (as of 8/31/2022).
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	$ 426,946,546	$ 274,454,118	$ 150,851,847

Change of Assumptions Since the Prior Measurement Date

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

Change of Benefit Terms Since the Prior Measurement Date

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

Note 12. Defined Other Postemployment Benefit Plan

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

TRS-Care Monthly Plan Premium Rates

	Medicare	Non-medicare
Retiree and surviving spouse	$ 135	$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

Contributions

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

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

Rates for such plan fiscal years are as follows:

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

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

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

District contributions	$ 5,254,754
Member contributions	3,281,955
NECE on-behalf contributions (State)	4,901,435

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

The State of Texas also contributed $2,627,871, $1,940,413 and $2,118,559 in 2023, 2022, and 2021, respectively, for on-behalf payments for Medicare Part D.

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

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

On June 30, 2023, the District reported a liability of $138,484,945 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided by the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District are as follows:

District's proportionate share of the net OPEB liability	$ 138,484,945
State's proportionate share of the net OPEB liability associated with the District	168,929,876
Total	$ 307,414,821

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

At the measurement date of August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.57837% which was an increase of 0.06345% from its proportion measured as of August 31, 2021.

For the fiscal year ended June 30, 2023, the District recognized net OPEB revenue of $(43,158,297) due to recognition of deferred inflows in excess of deferred outflows and current year expense. OPEB revenue of $(23,972,513) was recognized for support provided by the State.

On June 30, 2023, the District reported it's proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,699,273	$ 115,370,390
Changes of assumptions	21,094,000	96,211,102
Difference between projected and actual earnings on OPEB plan investments	412,509	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	33,987,088	26,742,274
District contributions paid subsequent to the measurement date	4,290,909	-
Totals	$ 67,483,779	$ 238,323,766

$4,290,909 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense(income) as follows:

Year Ending June 30,		
2024	$	(35,343,002)
2025		(35,341,506)
2026		(29,468,836)
2027		(21,518,279)
2028		(22,391,947)
Thereafter		(31,067,326)
Total	$	(175,130,896)

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

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

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

See Note 11 for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

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

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

Discount Rate

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

Sensitivity Analysis of Rates

Discount Rate

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

	1% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
District's proportionate share of the net OPEB liability	$ 163,284,733	$ 138,484,945	$ 118,393,935

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 114,112,219	$ 138,484,945	$ 170,081,049

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

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

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

Note 13. Risk Management

Property/Liability
The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance.

Health Insurance
The District establishes a limited risk management program for health insurance. Partial employee contributions are required for certain types of personal coverage, and total employee contributions are required for dependent coverage. The District contributes $425 per employee participating in the plan. Premiums are paid into an internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are reported as revenues in the internal service fund.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is based on the District's historical experience. An excess coverage insurance policy covers individual claims in excess of $500,000 for each participant. There were no significant reductions in insurance coverage from the prior period.

For each of the past three fiscal years, settlements for certain individual claims have exceeded coverage; the following schedule summarizes the excess coverage by claim:

Fiscal Year	Threshold of coverage of Individual Claims	Paid Claims	Excess Coverage
2023	$ 2,000,000	$ 2,642,448	$ 642,448
2022	725,000	758,446	33,446
2021	725,000	1,205,051	480,051

Changes in the balances of claims liabilities during the past three years are as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2023	$ 4,137,000	$ 43,634,884	$ (43,644,884)	$ 4,127,000
2022	5,246,000	45,347,648	(46,456,648)	4,137,000
2021	3,477,000	45,809,149	(44,040,149)	5,246,000

Note 14. Shared Service Arrangement - Fiscal Agent

The District is fiscal agent for a Shared Service Arrangement ("SSA") which provides services to the member Districts, Aldine ISD, Huffman ISD, and Spring ISD. All services are provided by the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Revenues	
5800 State revenue distributed by TEA	$ 483,456
	$ 483,456
Expenditures	
6100 Payroll costs	$ 482,246
6300 General supplies	1,210
	$ 483,456

Note 15. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 16. Nonmonetary Transactions

During fiscal year 2023, the District received goods purchased by the Texas Department of Agriculture (TDA) through the Food Distribution Program (commodities). These commodities have been recorded in the amount of $3,129,220 in a special revenue fund as federal revenues, which represents the amount of consideration given by TDA.

During fiscal year 2023, the District received chromebooks for the benefit of the District at a value of $9,207,050. The District received the items as part of federal funding for emergency connectivity fund. The chromebooks have been recorded in the amount of $9,207,050 in a special revenue fund as both federal revenues and expenditures, and reported on the schedule of federal awards as noncash.

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund [1]

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

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

In November 2022, the SBOE approved a $3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of $1.2 billion for the biennium.

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

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

[1] Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of $600 million per year directly to the ASF for fiscal biennium 2024-25.
[2] The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2023 and 2022

Asset Class	August 31, 2023	August 31, 2022	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 2,975.1	$ 2,858.4	$ 116.7	4.1%
Domestic Large Cap	7,896.5	6,402.1	1,494.4	23.3%
Total Domestic Equity	10,871.6	9,260.5	1,611.1	17.4%
International Equity	7,945.5	7,197.9	747.6	10.4%
TOTAL EQUITY	18,817.1	16,458.4	2,358.7	14.3%
FIXED INCOME				
Domestic Fixed Income	5,563.7	5,867.5	(303.8)	-5.2%
U.S. Treasuries	937.5	1,140.2	(202.7)	-17.8%
High Yield Bonds	1,231.6	1,142.5	89.15	7.8%
Emerging Market Debt	869.7	1,190.9	(321.2)	-27.0%
TOTAL FIXED INCOME	8,602.5	9,341.1	(738.6))	-7.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,175.8	2,932.3	243.5	8.3%
Real Estate	6,525.2	6,286.9	238.3	3.8%
Private Equity	8,400.7	7,933.1	467.6	5.9%
Emerging Manager Program	134.5	29.9	104.6	349.8%
Real Return	1,663.7	1,620.3	43.4	2.7%
Real Assets	4,712.1	4,341.3	370.8	8.5%
TOT ALT INVESTMENTS	24,612.0	23,143.8	1,468.2	6.3%
UNALLOCATED CASH	348.2	231.7	116.5	50.3%
TOTAL PSF(CORP) INVESTMENTS	$ 52,379.8	$ 49,175.0	$ 3,204.8	6.5%

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

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

Investment Schedule - PSF(SLB) [1]

Investment Type	As of 8-31-23	
INVESTMENTS IN REAL ASSETS		
Sovereign Lands	$ 276.14	
Discretionary Internal Investments	264.32	
Other Lands	167.97	
Minerals[2][3]	5,435.62	[6]
TOTAL INVESTMENTS[4]	$ 6,144.05	
Cash in State Treasury[5]	508.38	
TOTAL INVESTMENTS & CASH IN STATE TREASURY	$ 6,652.44	

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(1) Unaudited figures from Table 5 in FY 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.
(2) Historical Cost of investments at August 31, 2023 was: Sovereign Lands $838,776.71; Discretionary Internal Investments $129,728,504.04; Other Lands $38,241,863.70; and Minerals $13,437,063.73.
(3) Includes an estimated 1,000,000.00 acres in freshwater rivers.
(4) Includes an estimated 1,747,600.00 in excess acreage.
(5) Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.
(6) Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

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

The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

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

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

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

District Bond Guarantee Program," the Act established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSF.

Infectious Disease Outbreak

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

[1] SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.
[2] At August 31, 2023, mineral assets, sovereign and other lands and discretionary internal investments, and cash managed by the SLB had book values of approximately $13.4 million, $168.8 million, and $708.4 million, respectively, and market values of approximately $5,435.6 million, $678.4 million, and $508.4 million, respectively.

Permanent School Fund Guaranteed Bonds

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

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.
[2] At August 31, 2023 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $178,520,723,868, of which $62,789,897,186 represents interest to be paid. As shown in the table above, at August 31, 2023, there were $115,730,826,682 in principal amount

of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $154,120,128,859 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2023, the amount of outstanding bond guarantees represented 76.36% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2023 values are based on unaudited data, which is subject to adjustment.

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

	School District Bonds		Charter School Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2019	3,297	$82,537,755,203	49	$1,860,145,000	3,346	$84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023 [(2)]	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682

[(1)] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.
[(2)] At June 30, 2023 (based on unaudited data, which is subject to adjustment), there were $117,374,697,034 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,369 school district issues, aggregating $113,174,765,034 in principal amount and 105 charter district issues, aggregating $4,199,932,000 in principal amount. At December 31, 2023 the projected guarantee capacity available was $26,935,589,587 (based on unaudited data, which is subject to adjustment).

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

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

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

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

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

Portfolio	Return	Benchmark Return[2]
Total PSF(CORP) Portfolio	6.14 %	4.38 %
Domestic Large Cap Equities	16.09	15.94
Domestic Small/Mid Cap Equities	9.31	9.14
International Equities	12.38	11.89
Emerging Market Equity	2.48	1.25
Fixed Income	(1.30)	(1.19)
U.S. Treasuries	(9.21)	(9.96)
Absolute Return	7.59	3.58
Real Estate	(1.96)	(3.13)
Private Equity	4.55	0.20
Real Return	(5.51)	(5.88)
Emerging Market Debt	12.68	11.34
High Yield	7.80	7.19
Emerging Manager Program	33.35	0.97
Natural Resources	5.70	3.67
Infrastructure	14.22	3.67

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

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

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

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program;

(12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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