HTS Continuing Disclosure Services
A Division of Hilltop Securities.

(See "Continuing Disclosure Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated January 31, 2025

Ratings:
S&P: AAA (PSF) / AA
Moody's: Aaa (PSF) / Aa1
PSF Guaranteed
(See "OTHER INFORMATION - Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

NEW ISSUE - Book-Entry-Only

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

Arlington
INDEPENDENT SCHOOL DISTRICT
More Than a Remarkable Education

$324,230,000*
ARLINGTON INDEPENDENT SCHOOL DISTRICT
(Tarrant County, Texas)
UNLIMITED TAX SCHOOL BUILDING
AND REFUNDING BONDS, SERIES 2025

Dated: March 1, 2025 **Due: February 15, as shown on Page 2**
Interest accrues from Delivery Date defined below.)

PAYMENT TERMS . . . Interest on the $324,230,000* Arlington Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2025 (the "Bonds") will accrue from the Delivery Date (defined below) to the initial purchasers thereof named below (the "Underwriters") and will be payable initially on August 15, 2025 and each February 15 and August 15 thereafter, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued as fully registered obligations in the denominations of $5,000 of principal amount or any integral multiple thereof for any one stated maturity. 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 authorized denominations thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Bonds is U.S. Bank Trust Company, National Association, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and an order adopted by the Board of Trustees of the District (defined below) on February 6, 2025, in which the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds through execution of a "Pricing Certificate" (the Bond Order and Pricing Certificate are jointly referred to as the "Order") and, with respect to the portion of the Bonds that are issued for school building construction and equipment purposes, an election held by the Arlington Independent School District (the "District") on November 5, 2019, and are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order authorizing the issuance of the Bonds (see "THE BONDS - Authority for Issuance"). **The District has received conditional approval for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

MATURITY SCHEDULE

See page 2

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) for acquisition, construction and equipment of school buildings in the District and the purchase of school sites and school buses, (ii) to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings, and (iii) to pay the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING"; also see Schedule I for a detailed listing of the Refunded Bonds and their call date).

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, West & Associates, L.L.P., Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through the facilities of DTC on or about March 11, 2025 (the "Delivery Date").

SIEBERT WILLIAMS SHANK

BOK FINANCIAL SECURITIES, INC. **FROST BANK**

RAYMOND JAMES **RBC CAPITAL MARKETS**

* Preliminary, subject to change.

$324,230,000*
ARLINGTON INDEPENDENT SCHOOL DISTRICT
(Tarrant County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2025

CUSIP [(1)] Prefix: 041826

MATURITY SCHEDULE*

Principal Amount	Maturity 2/15	Interest Rate	Initial Yield	CUSIP [(1)] Suffix	Principal Amount	Maturity 2/15	Interest Rate	Initial Yield	CUSIP [(1)] Suffix
$ 40,965,000	2026				$ 4,230,000	2039			
35,675,000	2027				4,450,000	2040			
14,590,000	2028				4,675,000	2041			
14,915,000	2029				4,915,000	2042			
15,675,000	2030				5,170,000	2043			
16,475,000	2031				5,435,000	2044			
17,325,000	2032				5,715,000	2045			
18,215,000	2033				6,005,000	2046			
19,150,000	2034				6,315,000	2047			
20,135,000	2035				6,635,000	2048			
19,995,000	2036				6,975,000	2049			
19,235,000	2037				7,335,000	2050			
4,025,000	2038								

(Interest to accrue from Delivery Date)

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 20___, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20___ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). If two or more serial bonds of consecutive maturities are combined into one or more "term bonds" (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with provisions of the Order.

____

* Preliminary, subject to change.

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriters. This Official Statement, which includes the cover page, maturity schedule,, Schedule I, and the Appendices hereto, does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or other matters described herein since the date hereof. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE INFORMATION" for a description of the undertakings of the Texas Education Agency (the "TEA") and the District, respectively, to provide certain information on a continuing basis.

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

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 informed investment decision.

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

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

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "FORWARD-LOOKING STATEMENTS" HEREIN.

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 hyperlinks contained therein are not incorporated into, and are not part of, this offering document.

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APPENDICES

The cover page hereof, maturity schedule, this page, Schedule I and the Appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT............................. The District is a political subdivision located in Tarrant County, Texas. The District is approximately 88.22 square miles in area (see "INTRODUCTION – Description of the District").

THE BONDS................................. The $324,230,000* Unlimited Tax School Building and Refunding Bonds, Series 2025 (the "Bonds") mature on February 15 in each of the years 2026 through 2050, inclusive (see "THE BONDS – Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Delivery Date and is payable initially on August 15, 2025 and each February 15 and August 15 thereafter until stated maturity or prior redemption (see "THE BONDS – Description of the Bonds" and "THE BONDS – Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, an order adopted by the Board of Trustees of the District on February 6, 2025, and, with respect to the portion of the Bonds that are issued for school building construction and equipment purposes, an election held in the District on November 5, 2019 (the "Election") (see "THE BONDS - Authority for Issuance"). In the Bond Order, the Board delegated to an officer of the District, pursuant to certain provisions of Chapters 1207 and 1371 of the Texas Government Code, as amended, authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order"). The Bonds represents the fifth and final installment of bonds issued against the $966,000,000 in principal amount of bonds approved at the Election. See "TABLE 9 – Authorized But Unissued Unlimited Tax Bonds."

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District. Additionally, the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas (see "THE BONDS - Security and Source of Payment").

PERMANENT SCHOOL FUND GUARANTEE .... The District has made application to the Texas Education Agency and has received conditional approval for payment of the Bonds to be guaranteed by the Permanent School Fund (see "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

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

REDEMPTION .... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 20__, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20__ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption"). If two or more serial bonds of consecutive maturities are combined into one or more "term bonds" (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with provisions of the Order (see "THE BONDS – Mandatory Sinking Fund Redemption").

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used (i) for acquisition, construction and equipment of school buildings and the purchase of school sites and school buses, (ii) to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings and (ii) for payment of the costs associated with the issuance of the Bonds. See " "PLAN OF FINANCING – Sources and Uses of Proceeds" and Schedule I for a detailed listing of the Refunded Bonds and their call date.

* Preliminary, subject to change.

RATINGS .... The Bonds are expected to be rated "AAA" by S&P Global Ratings ("S&P") and "Aaa" by Moody's Investors Service, Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds and the currently outstanding debt of the District are rated "AA" by S&P and "Aa1" by Moody's without regard to credit enhancement. See "OTHER INFORMATION - Ratings" and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM".

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 (principal amount) or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

PAYMENT RECORD .... The District has never defaulted in payment of its tax supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended June 30	Estimated District Population (1)	Taxable Assessed Valuation (2)	Per Capita Taxable Assessed Valuation	Tax Supported Debt Outstanding at End of Year (3)	Per Capita Tax Supported Debt	Ratio of Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2021	392,083	$ 32,074,210,610	$ 81,805	$ 1,137,776,926	$ 2,902	3.55%	99.27%
2022	382,720	33,355,504,880	87,154	1,185,949,956	3,099	3.56%	99.04%
2023	374,988	36,472,920,150	97,264	1,225,554,956	3,268	3.36%	99.62%
2024	369,205	39,111,811,903	105,935	1,160,400,000	3,143	2.97%	99.51%
2025	368,611	41,031,858,393	111,315	1,221,670,000 (4)	3,314 (4)	2.98% (4)	NA

(1) Source: The District.
(2) Fiscal years ending in 2021 through 2024 are as reported in the District's annual comprehensive financial report, and fiscal year ending in 2025 is as reported by the Tarrant Appraisal District on the District's annual State Property Tax Reports. Such values are subject to change during the ensuing year.
(3) Does not include interest accreted on outstanding capital appreciation bonds.
(4) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended				
	2024	2023	2022	2021	2020
Beginning Balance	$ 268,715,478	$ 296,632,292	$ 244,496,048	$ 222,384,766	$ 198,007,461
Total Revenue	612,568,463	587,356,787	608,505,360	576,744,391	532,811,829
Total Expenditures	613,007,525	543,645,263	558,813,000	547,417,185	508,434,524
Other Financing Sources (Uses)	1,949,205	(71,628,338)	2,443,884	(7,215,924)	-
Ending Balance	$ 270,225,621	$ 268,715,478	$ 296,632,292	$ 244,496,048	$ 222,384,766

For additional information regarding the District, please contact:

Darla Moss		George Williford		Erick Macha
Chief Financial Officer		Managing Director		Managing Director
Arlington Independent School District	or	Hilltop Securities Inc.	or	Hilltop Securities Inc.
690 East Lamar Blvd		717 North Harwood, Suite 3400		717 North Harwood, Suite 3400
Arlington, Texas 76011		Dallas, Texas 75201		Dallas, Texas 75201
(682) 867-7243		(214) 953-8705		(214) 953-4033

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Length of Service	Term Expires	Occupation
Justin Chapa President	7 Years	2025	Attorney
Sarah McMurrough Vice President	3 Years	2027	Literacy Coach
Brooklyn Richardson Secretary	2 Years	2026	Youth & Children Ministry Director
Melody Fowler President	6 Years	2027	Teacher, Higher Education
Larry Mike Board Member	8 Months	2027	Attorney
David Wilbanks Board Member	5 Years	2025	Business Consultant
Leanne Haynes Board Member	2 Years	2026	Girl Scout Unit Manager

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with the District	Total School District Service
Dr. Matt Smith	Superintendent	1 Year	26 Years
Dr. Jennifer Collins	Deputy Superintendent	0 Years	27 Years
Dr. Steven Wurtz	Chief Academic Officer	11 Years	24 Years
Darla Moss	Chief Financial Officer	5 Years	21Years
Dr. Michael Hill	Chief Operations Officer	20 Years	27 Years
Kelly Horn	Assistant Superintendent of Facility Services	8 Years	20 Years
Vacant	Assistant Superintendent of Financial Services		
Dr. Natalie Lopez	Assistant Superintendent of Research and Accountability	8 Years	19 Years
Dr. Christi Buel	Assistant Superintendent of School Leadership (ES)	10 Years	30 Years
Vacant	Assistant Superintendent of School Leadership (Secondary)		
Dr. Eric Upchurch	Assistant Superintendent of Technology	5 Years	5 Years
Scott Kahl	Assistant Superintendent of Human Resources	10 Years	10 Years
Aaron Perales	Executive Director of Family and Community Engagement	29 Years	30 Years
Corey Robinson	Executive Director of Facility Services	15 Years	15 Years
Bridget Lewis	Executive Director of Financial Services	5 Years	26 Years
David Lewis	Executive Director of Food & Nutrition Services	11 Years	11 Years
Dolloess Johnson	Executive Director of Human Resources	8 Years	8 Years
Dr. Shahveer Dhalla	Executive Director of School Leadership	20 Years	20 Years
Dr. Theodore Jarchow	Executive Director of School Leadership	8 Years	26 Years
Dr. Stephanie Lee	Executive Director of School Leadership	12 Years	27 Years
Claudia Morales-Herrera	Executive Director of School Leadership	13 Years	30 Years
Grayson Toperzer	Executive Director of School Leadership	11 Years	29 Years
Shelly Osten	Executive Director of School Leadership	15 Years	19 Years
Patty Bustamante	Executive Director of Specialized Learning Services	7 Years	27 Years
Barry Fox	Executive Director of Teaching and Learning	11 Years	22 Years
Dr. Tamela Horton	Executive Director of Instruction of Transformation Learning	10 Years	33 Years

CONSULTANTS AND ADVISORS

Independent Auditors...Whitley Penn, LLP
Fort Worth, Texas

Bond Counsel ....McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor...Hilltop Securities Inc.
Dallas, Texas

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PRELIMINARY OFFICIAL STATEMENT
RELATING TO

$324,230,000*
ARLINGTON INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices and Schedule I hereto, provides certain information regarding the issuance of $324,230,000* Arlington Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (as defined below) authorizing the issuance and sale of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Arlington Independent School District (the "District") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Dallas, Texas.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board ("MSRB") and will be available through its Electronic Municipal Market Access ("EMMA") System. See "CONTINUING DISCLOSURE INFORMATION" for information regarding the EMMA system and 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 located in Tarrant County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"), the members of which serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 88.22 square miles in Tarrant County, encompassing the City of Arlington, the Town of Pantego, the City of Dalworthington Gardens, and the Tarrant County portion of the City of Grand Prairie. For additional information regarding the District, see "Appendix A – General Information Regarding the District."

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) for acquisition, construction and equipment of school buildings in the District and the purchase of school sites and school buses, (ii) to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings, (see Schedule I for a detailed listing of the Refunded Bonds and their call date), and (iii) to pay the costs associated with the issuance of the Bonds.

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

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

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* Preliminary, subject to change.

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

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated March 1, 2025. The Bonds will accrue interest from the Delivery Date, and such interest is payable initially on August 15, 2025, and on each February 15 and August 15 thereafter, until stated maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page 2 of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or upon prior redemption, upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein.
The Bonds will be issued only in fully registered form 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. The Bonds will be issued in denominations of $5,000 of principal amount or any integral thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued and the tax levied for their payment pursuant to authority conferred by the Constitution and the laws of the State of Texas, including Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, the Order adopted by the Board on February 6, 2025, and with respect to the portion of the Bonds that are issued for school building construction and equipment purposes, a bond referendum approved by a majority of the participating voters of the District at an election held on November 5, 2019 (the "Election"). The Bonds represent the fifth and final installment of bonds issued against the $966,000,000 in principal amount of bonds approved at the Election. See "TABLE 10 – Authorized But Unissued Unlimited Tax Bonds."

In the Bond Order, the Board delegated to an officer of the District, pursuant to certain provisions of Chapters 1207 and 1371, Texas Government Code, as amended, authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order").

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein. Additionally, the District has applied for and has received conditional approval for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas.

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) for acquisition, construction and equipment of school buildings in the District and the purchase of school sites and school buses, (ii) to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings and (iii) for payment of the costs associated with the issuance of the Bonds. See "PLAN OF FINANCING – Sources and Uses of Proceeds" and Schedule I for a detailed listing of the Refunded Bonds and their redemption date.

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 guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code). Subject to satisfying certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the payment of the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 20__, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20__ 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 may select the maturities of the Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

MANDATORY SINKING FUND REDEMPTION . . . If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order and as further set forth in the final Official Statement.

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

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

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

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when the payment of such principal on the Bonds, plus interest on the Bonds to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that the term "Defeasance Securities" means any securities and Bonds now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. The Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. In the event the Pricing Officer restricts such eligible securities and obligations, the final Official Statement will reflect the new authorized Defeasance Securities. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid.

There is no assurance that current Texas law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded as being outstanding or unpaid. The District has reserved the option, however, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Upon such deposit as described above, such defeased Bonds shall no longer be regarded to be outstanding or unpaid. Furthermore, the Permanent School Fund Guarantee will terminate with respect to the Bonds defeased in the manner provided above.

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

The Order further provides that the holders of the Bonds aggregating in original principal amount a majority of outstanding Bonds that are the subject of a proposed amendment shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, interest and redemption payments on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("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 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 any 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 any notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

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

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

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

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued, printed certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

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.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds is U.S. Bank Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar"). 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 bank or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the

Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of the principal and interest on the Bonds will be made as described in "THE BONDS – Book-Entry-Only System."

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to registered owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. The Paying Agent/Registrar shall not be required to make any such transfer or exchange of Bonds during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or, with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month.

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

BONDHOLDERS' REMEDIES . . . The Order provides that if the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or the District defaults in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity pursuant thereto. As a result, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity. See "APPENDIX D - THE PERMANENT SCHOOL

FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due.

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

Sources of Funds		
Par Amount of Bonds	$	-
Net Reoffering Premium		-
Transfer from Existing Debt Service Fund		-
Total Sources of Funds	$	-
Uses of Funds		
Deposit to Construction Fund	$	-
Deposit to Escrow Fund		-
Deposit to Interest and Sinking Fund		-
Underwriters' Discount		-
Cost of Issuance		-
Total Uses of Funds	$	-

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

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

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

POSSIBLE EFFECTS OF CHANGES IN LAW ON DISTRICT BONDS . . . The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Finance System was "undeniably imperfect". While not compelled by the *Morath* decision to reform the Finance System, the State Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the State 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 State Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

OVERVIEW

The following language constitutes only a summary of the public school finance system as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

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

2025 LEGISLATIVE SESSION

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

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

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

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

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 Rate" 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 values is less than 2.5%, then the MCR is equal to prior years 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 prior year's MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2023 Legislative Sessions, the Legislature took action to reduce the maximum MCR for the 2023-2024 school year, establishing $0.6880 as the maximum rate and $0.6192 as the floor. he MCR for the 2024-2025 school year is $0.6855 and the floor is $0.6169.

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 State Legislature.

Tier One. Tier One funding is the basic level of programmatic funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, the demographics of students in ADA, and the 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. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year. Additionally, school districts (through the fiscal year ending in 2025) and open-enrollment charter schools (through the fiscal year ending in 2024) are entitled to receive an allotment in the form of a formula transition grant meant to ensure a smooth transition into the funding formulas enacted by the 86th State Legislature. The total amount of allotments to which school districts and open enrollment charter schools are entitled for a year school under the formula transition grant exceeds $400 million, the 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.

Recapture is measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school districts are guaranteed that recapture will not reduce revenue below their statutory entitlement.

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2024-2025 fiscal year, the District was designated as an "excess local revenue" district by the TEA. As a district with local revenue in excess of the maximum permitted level, the District has elected to reduce its wealth per student by purchasing attendance credits from the State in order to transfer revenue from its excess property wealth.

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

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

AD VALOREM PROPERTY TAXATION

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

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

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

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

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

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

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each school district in the State, (1) a $100,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old. Senate Bill 1, which was also passed during the Third Special Session of the 87th Texas Legislature makes provisions for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption. Additional legislation concerning the required homestead exemption was passed in the 2nd Special Session of the 88th Texas Legislature. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Regular and Special Legislative Sessions" herein.

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

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

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

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

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

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

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

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

TAX LIMITATION AGREEMENTS . . . The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts").

The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

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

For a discussion of how the various exemptions described above are applied by the District, see "TAX RATE LIMITATIONS – District Application of Tax Code" 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 1.2 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%) of the delinquent tax, penalty, and interest collected, 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.

See "AD VALOREM PROPERTY TAXATION – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

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

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

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

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

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS . . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on May 26, 2001, in accordance with Chapter 45 of the Texas Education Code, 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 "Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

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

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are being issued in part as new debt for school building purposes pursuant to Chapter 45 of the Texas Education Code and, therefore, are subject to the 50-cent Test.

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

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

Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. However, for only the 2020 tax year, if the governing body of the school district does not adopt by unanimous vote an M&O tax rate at least equal to the sum of the school district's MCR plus $0.05, then $0.04 is substituted for $0.05 in the calculation for such school district's Voter-Approval Tax Rate for the 2020 tax year. For the 2020 tax year, and subsequent years, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

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

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

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

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

DISTRICT APPLICATION OF TAX CODE . . . Aside from State mandated exemptions of $100,000 for general homestead and an additional $10,000 for persons who are over 65 years old or older and who are disabled, the District does not grant any other local exemptions.

The District has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

See "Table 1 – Valuation,, Exemptions and Tax-Supported Debt" for a listing of the amounts of the exemptions described above.

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

The District does not tax non-business personal property; and Tarrant County Tax Office collects taxes for the District.

The District does permit split payments, and discounts are not allowed.

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

The District has not entered into any appraised value limitation agreements pursuant to the Texas Economic Development Act.

TAX ABATEMENT POLICY . . . The District has not established a tax abatement program.

TAX INCREMENT FINANCING ZONES . . . The District does not participate in any tax increment reinvestment zones.

TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2024/25 Market Valuation Established by the Tarrant Appraisal District		$ 59,279,443,798
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemption	$5,511,738,739	
Community Housing Development	82,830,035	
Homestead Exemption (Over-65 and Disabled)	227,169,649	
Pollution Control Exemption	9,084,195	
Disabled Veterans Exemption	233,292,342	
Surviving Spouse of First Responder KLD	179,654	
Surviving Spouse of KIA Armed Service Member	187,506	
Transfer Base Value SS Disable Vet	968,289	
Transfer Base Value SS KIA Armed Service Member	201,400	
Foreign Trade Zone	3,860,496	
Solar and Wind Powered	2,348,309	
Misc Personal Property (Vehicles, Etc.)	101,209,912	
Inventory	2,008,711,279	
Nominal Value Accounts	3,440,107	
Absolute Exemptions	8,192,279,575	
Total AG Deferrals	18,966,768	
Circuit Breaker Exemption	84,143,656	
Cap Loss	1,766,973,494	18,247,585,405
2024/25 Taxable Assessed Valuation, Subtotal		$ 41,031,858,393
Debt Payable from Ad Valorem Taxes as of December 31, 2024		
Outstanding Debt	$ 943,570,000 (1)	
The Bonds	324,230,000 (2)	
Total Debt Payable From Ad Valorem Taxes		$ 1,267,800,000
General Obligation Interest and Sinking Fund (as of 11/30/2024)		$ 40,638,849
Ratio Tax Supported Debt to Taxable Assessed Valuation		3.09%

2024/25 Estimated Population - 368,611

Per Capita Taxable Assessed Valuation - $111,315

Per Capita Debt Payable from Ad Valorem Taxes - $3,439

(1) Projected. Excludes the Refunded Bonds. Preliminary, subject to change.
(2) Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended June 30,					
	2025		2024		2023	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$25,558,926,841	43.12%	$24,784,763,452	41.50%	$21,086,397,009	42.93%
Real, Residential, Multi-Family	7,812,905,901	13.18%	7,722,131,359	12.93%	6,963,580,719	14.18%
Real, Vacant Lots/Tracts	678,178,775	1.14%	684,680,833	1.15%	470,212,679	0.96%
Real, Acreage (Land Only)	19,306,960	0.03%	22,643,985	0.04%	21,203,351	0.04%
Real, Farm and Ranch Improvements	2,917,969	0.00%	3,053,517	0.01%	2,540,396	0.01%
Real, Commercial	16,828,471,274	28.39%	16,141,137,203	27.03%	13,540,724,599	27.57%
Real, Industrial	559,582,176	0.94%	541,820,064	0.91%	504,542,911	1.03%
Oil and Gas, Minerals	4,116,270	0.01%	304,435,340	0.51%	65,199,570	0.13%
Real and Tangible Personal, Utilities	550,284,046	0.93%	563,276,496	0.94%	398,521,386	0.81%
Tangible Personal, Commercial	4,901,519,562	8.27%	6,630,330,883	11.10%	5,139,496,512	10.46%
Tangible Personal, Industrial	1,995,338,480	3.37%	2,059,895,386	3.45%	682,501,731	1.39%
Tangible Personal, Other, Mobile Homes	31,832,986	0.05%	25,804,026	0.04%	19,211,154	0.04%
Real Property, Inventory	16,809,781	0.03%	14,988,858	0.03%	10,730,437	0.02%
Personal Property, Inventory	319,252,521	0.54%	208,027,395	0.35%	195,113,880	0.40%
Totally Exempt	256	0.00%	19,478,681	0.03%	19,181,920	0.04%
Total Appraised Value Before Exemptions	$59,279,443,798	100.00%	$59,726,467,478	100.00%	$49,119,158,254	100.00%
Less: Total Exemptions/Reductions	(18,247,585,405)		(20,614,655,575)		(12,646,238,104)	
Taxable Assessed Value (1)	$41,031,858,393		$39,111,811,903		$36,472,920,150	

	Taxable Appraised Value for Fiscal Year Ended June 30,			
	2022		2021	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$18,087,187,402	40.07%	$16,486,838,380	41.37%
Real, Residential, Multi-Family	5,784,284,800	12.81%	5,240,441,663	13.15%
Real, Vacant Lots/Tracts	448,602,922	0.99%	467,874,560	1.17%
Real, Acreage (Land Only)	17,913,606	0.04%	16,881,587	0.04%
Real, Farm and Ranch Improvements	3,651,801	0.01%	3,025,502	0.01%
Real, Commercial	12,745,724,997	28.24%	12,536,823,474	31.46%
Real, Industrial	489,486,310	1.08%	466,261,768	1.17%
Real and Tangible Personal, Utilities	67,420,760	0.15%	84,508,240	0.21%
Tangible Personal, Commercial	391,396,762	0.87%	336,586,354	0.84%
Tangible Personal, Industrial	5,122,106,618	11.35%	2,407,996,250	6.04%
Oil and Gas, Minerals	1,775,349,966	3.93%	1,606,802,291	4.03%
Tangible Personal, Other, Mobile Homes	15,247,176	0.03%	15,300,228	0.04%
Real Property, Inventory	4,952,450	0.01%	3,295,200	0.01%
Personal Property, Inventory	168,863,179	0.37%	159,568,266	0.40%
Totally Exempt	19,229,563	0.04%	19,179,082	0.05%
Total Appraised Value Before Exemptions	$45,141,418,312	100.00%	$39,851,382,845	100.00%
Less: Total Exemptions/Reductions	(11,785,913,432)		(7,777,172,235)	
Taxable Assessed Value (1)	$33,355,504,880		$32,074,210,610	

(1) Fiscal years ending in 2021 through 2024 are as reported in the District's annual comprehensive financial report, and fiscal year ending in 2025 is as reported by the Tarrant Appraisal District on the District's annual State Property Tax Reports. Such values are subject to change during the ensuing year.

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 [(3)]	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2021	392,083	$ 32,074,210,610	$ 81,805	$ 1,137,776,926	3.55%	$ 2,902
2022	382,720	33,355,504,880	87,154	1,185,949,956	3.56%	3,099
2023	374,988	36,472,920,150	97,264	1,225,554,956	3.36%	3,268
2024	369,205	39,111,811,903	105,935	1,160,400,000	2.97%	3,143
2025	368,611	41,031,858,393	111,315	1,221,670,000 [(4)]	2.98% [(4)]	3,314 [(4)]

(1) Source: The District.
(2) Fiscal years ending in 2021 through 2024 are as reported in the District's comprehensive annual financial report, and fiscal year ending in 2025 is as reported by the Tarrant Appraisal District on the District's annual State Property Tax Reports. Such values are subject to change during the ensuing year.
(3) Does not include interest accreted on outstanding capital appreciation bonds.
(4) Projected, includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 6/30	Tax Rate	Local Maintenance	Interest & Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	$ 1.3871	$ 1.0864 [(1)]	$ 0.3007	$ 444,901,375	98.74%	99.27%
2022	1.3608	1.0601	0.3007	453,901,710	98.72%	99.04%
2023	1.3087	1.0080	0.3007	477,321,106	98.83%	99.62%
2024	1.1156	0.8249	0.2907	404,041,042	98.83%	99.51%
2025	1.1035	0.8128	0.2907	427,157,163 [(2)]	In Process of Collection	

(1) The increase in the District's Maintenance and Operations Tax rate from the 2019/20 fiscal year to the 2020/21 fiscal year is based on the voter-approved tax rate election that was approved by voters on November 3, 2020.
(2) Partial year collections as of December 31, 2024.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
General Motors LLC	Automotive Manufacturer	$ 1,006,491,726	2.45%
Oncor Electric Delivery Co LLC	Electric Utility	308,074,182	0.75%
Loews Hotels Holding Corporation	Hotel	202,092,485	0.49%
Bell Textron Inc.	Helicopter Manufacturing	179,137,763	0.44%
Atmos Energy/ Mid Tex Division	Utility	170,876,893	0.42%
Wil-Cpt Arlington Highlands 1LP/ 2LP	Shopping Center	165,534,285	0.40%
Pre Providence Holdings LLC/ 425 E Lamar (TX) LP	Apartments	163,800,000	0.40%
United Parcel Service Inc/ BT- OH LLC	Shipping Service	156,532,342	0.38%
Blue Atlantic Riverside LP/Blue Atlantic Francisca	Apartments	153,500,000	0.37%
S2 Forest Ridgge LP/ S2 Silverbrook LP	Apartments	149,200,000	0.36%
		$ 2,655,239,676	6.47%

TABLE 6 - TAX ADEQUACY [(1)]

2025 Principal and Interest Requirements	$ 95,924,038	(1)
$.2367 Tax Rate at 98.78% Collection Produces	$ 95,939,345	
Average Annual Principal and Interest Requirements, 2025-2050........	$ 71,490,589	(1)
$.1764 Tax Rate at 98.78% Collection Produces	$ 71,498,523	
Maximum Annual Principal and Interest Requirements, Calendar Year 2026........	$ 123,451,158	(1)
$.3046 Tax Rate at 98.78% Collection Produces	$ 123,460,601	

(1) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

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 debt ("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 Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	2024/2025 Taxable Assessed Value	2024/2025 Tax Rate	Total Tax Supported 12/30/2024	Estimated % Applicable	District's Overlapping Tax Supported Debt
Arlington Independent School District	$ 41,031,858,393	$ 1.1035	$ 1,267,800,000 (1)	100.00%	$ 1,267,800,000 (1)
City of Arlington	43,332,740,849	0.5998	673,255,000	76.79%	516,992,515
City of Dalworthington Gardens	532,208,232	0.6160	4,670,000	98.39%	4,594,813
City of Fort Worth	115,730,642,125	0.6725	1,074,725,000	0.00%	-
City of Grand Prairie	23,538,067,939	0.6600	495,296,000	33.82%	167,509,107
City of Kennedale	1,264,897,479	0.7062	40,370,000	1.13%	456,181
Town of Pantego	460,895,834	0.5700	14,395,000	97.65%	14,056,718
Tarrant County	289,157,254,040	0.1875	345,130,000	15.11%	52,149,143
Tarrant County College District	317,260,797,092	0.1123	569,915,000	15.11%	86,114,157
Tarrant County Hospital District	289,640,276,553	0.1825	440,020,000	15.11%	66,487,022
Tarrant Regional Water District	117,810,406,451	0.0267	48,940,000	0.00%	-

Total Direct and Overlapping Tax Supported Debt	$ 2,176,159,655
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation	5.30%
Per Capita Direct and Overlapping Tax Supported Debt	$ 5,904

(1) Projected, includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

DEBT INFORMATION

TABLE 8 - PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Calendar Year Ending (1) 12/31	Outstanding Debt (2) Principal	Interest	Total	The Bonds (3) Principal	Interest	Total	Total Outstanding Debt	% of Principal Retired
2025	$ 46,130,000	$ 42,859,119	$ 88,989,119	$ -	$ 6,934,919	$ 6,934,919	$ 95,924,038	
2026	30,740,000	36,558,783	67,298,783	40,965,000	15,187,375	56,152,375	123,451,158	
2027	32,920,000	35,063,122	67,983,122	35,675,000	13,271,375	48,946,375	116,929,497	
2028	34,900,000	33,367,622	68,267,622	14,590,000	12,014,750	26,604,750	94,872,372	
2029	34,770,000	31,629,947	66,399,947	14,915,000	11,277,125	26,192,125	92,592,072	22.53%
2030	36,055,000	29,867,647	65,922,647	15,675,000	10,512,375	26,187,375	92,110,022	
2031	37,270,000	28,212,639	65,482,639	16,475,000	9,708,625	26,183,625	91,666,264	
2032	38,600,000	26,676,568	65,276,568	17,325,000	8,863,625	26,188,625	91,465,193	
2033	39,445,000	25,098,207	64,543,207	18,215,000	7,975,125	26,190,125	90,733,332	
2034	40,750,000	23,523,738	64,273,738	19,150,000	7,041,000	26,191,000	90,464,738	44.53%
2035	42,030,000	21,948,018	63,978,018	20,135,000	6,058,875	26,193,875	90,171,893	
2036	43,695,000	20,288,912	63,983,912	19,995,000	5,055,625	25,050,625	89,034,537	
2037	45,450,000	18,531,821	63,981,821	19,235,000	4,074,875	23,309,875	87,291,696	
2038	66,005,000	16,357,131	82,362,131	4,025,000	3,493,375	7,518,375	89,880,506	
2039	68,070,000	13,762,699	81,832,699	4,230,000	3,287,000	7,517,000	89,349,699	70.79%
2040	54,185,000	11,318,500	65,503,500	4,450,000	3,070,000	7,520,000	73,023,500	
2041	40,980,000	9,351,600	50,331,600	4,675,000	2,841,875	7,516,875	57,848,475	
2042	42,700,000	7,632,375	50,332,375	4,915,000	2,602,125	7,517,125	57,849,500	
2043	39,575,000	5,963,500	45,538,500	5,170,000	2,350,000	7,520,000	53,058,500	
2044	40,390,000	4,364,200	44,754,200	5,435,000	2,084,875	7,519,875	52,274,075	89.91%
2045	42,045,000	2,715,500	44,760,500	5,715,000	1,806,125	7,521,125	52,281,625	
2046	25,175,000	1,371,100	26,546,100	6,005,000	1,513,125	7,518,125	34,064,225	
2047	16,100,000	545,600	16,645,600	6,315,000	1,205,125	7,520,125	24,165,725	
2048	5,590,000	111,800	5,701,800	6,635,000	881,375	7,516,375	13,218,175	98.87%
2049	-	-	-	6,975,000	541,125	7,516,125	7,516,125	
2050	-	-	-	7,335,000	183,375	7,518,375	7,518,375	100.00%
	$ 943,570,000	$ 447,120,145	$ 1,390,690,145	$ 324,230,000	$ 143,835,169	$ 468,065,169	$ 1,858,755,315	

(1) The District's fiscal year end is June 30. The District budgets for debt payments that will be due within the fiscal year.
(2) Excludes the Refunded Bonds. Preliminary, subject to change.
(3) Average life of the issue is 11.022 years. True Interest Cost is calculated at a rate of 3.72% for the purpose of illustration only. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Calendar Year Ending 12/31/2025 (1)		$ 95,924,038
Interest and Sinking Fund Balance, 6/30/2024	$ 64,297,754	
Budgeted Property Tax Revenues	121,722,871	186,020,625
Estimated Balance, Fiscal Year Ending 6/30/2025		$ 90,096,587

(1) Includes the Bonds; does not include the Refunded Bonds. Preliminary, subject to change.

TABLE 10 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
School Building, School Sites and School Buses	11/5/2019	$ 966,000,000	$ 802,461,300	$ 163,538,700 (1)	$ -

(1) The amount of voted authorization for the Bonds represents the principal amount plus any premium that may be deposited to the construction fund. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF ADDITIONAL UNLIMITED TAX DEBT . . . The District does not anticipate the issuance of additional unlimited tax bonds within the next 12 months.

TABLE 11 - OTHER OBLIGATIONS

Operating Leases . . . The District has copiers and postage machines under lease agreements. The District used an incremental borrowing rate of 3.96 percent to determine the present value of such leases. The right-to-use assets under the lease have a cost of $265,130. There are no variable payments and the lease was fully paid off in fiscal year 2024.

PENSION FUND . . . Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). The individual employees contribute a fixed amount of their annual covered salary to the System, and the State of Texas contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by Federally-funded programs.

RETIREE INSURANCE PLAN . . . In addition to its participation in the System, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. Contribution requirements are not actuarially determined but are legally established each biennium by the Legislature.

OTHER POST-EMPLOYMENT BENEFITS . . . As a result of its participation in the System and the TRS-Care Retired Plan, and having no other post-employment benefit plans, the District has no other obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pension.

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FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended June 30,				
Revenues:	2024	2023	2022	2021	2020
Local and Intermediate Sources	$ 320,627,966	$ 383,904,483	$ 358,481,352	$ 351,144,563	$ 307,100,166
State Program Revenues	280,284,286	186,878,318	199,348,517	220,280,141	213,820,485
Federal Program Revenues	11,656,211	16,573,986	50,675,491	5,319,687	11,891,178
Total Revenues	$ 612,568,463	$ 587,356,787	$ 608,505,360	$ 576,744,391	$ 532,811,829
Expenditures:					
Instruction and					
Instructional-Related Services	$ 367,315,406	$ 318,467,791	$ 339,877,637	$ 345,654,356	$ 311,565,926
Curriculum and Staff Development	6,625,974	7,410,566	6,579,753	6,680,788	7,209,859
Instructional and School Leadership	48,510,064	45,675,352	46,050,676	43,344,802	40,298,757
Support Services - Student (Pupil)	75,304,219	69,852,896	71,087,541	64,637,550	64,671,960
Administrative Support Services	15,997,233	14,799,626	13,866,173	12,178,083	11,593,811
Support Services -					
Non-student Based	92,506,362	80,828,509	77,912,624	71,558,453	69,613,210
Community Services	669,124	474,701	474,631	447,419	572,683
Capital Outlay	-	96,861	82,512	-	-
Debt Service	1,763,646	2,106,057	710,172	589,163	589,163
Intergovernmental Charges	4,315,497	3,932,904	2,171,281	2,326,571	2,319,155
Total Expenditures	$ 613,007,525	$ 543,645,263	$ 558,813,000	$ 547,417,185	$ 508,434,524
Excess of revenue					
over (under) expenditures	$ (439,062)	$ 43,711,524	$ 49,692,360	$ 29,327,206	$ 24,377,305
Other Resources (Uses)	1,949,205	121,662	-	(7,215,924)	-
Extraordinary Items (resource)					
Transfers out	-	(71,750,000)	2,443,884	-	-
Excess of Revenues & Other Sources					
Over (Under) Expenditures & Other Uses	1,510,143	(27,916,814)	52,136,244	22,111,282	24,377,305
Fund balance - (Beginning)	$268,715,478	$296,632,292	$244,496,048	$222,384,766	$198,007,461
Increase (Decrease) in Fund Balance	1,510,143	(27,916,814)	52,136,244	22,111,282	24,377,305
Fund balance - (Ending)	$ 270,225,621	$ 268,715,478	$ 296,632,292	$ 244,496,048	$ 222,384,766

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TABLE 12A - SCHEDULE OF CHANGES IN NET ASSETS

	Fiscal Year Ended June 30, (in thousands of dollars)				
Revenues:	2024	2023	2022	2021	2020
Program Revenues:					
Charges for Services	$ 11,686	$ 12,720	$ 10,568	$ 3,495	$ 6,178
Operating Grants and Contributions	134,884	169,735	155,230	102,323	153,420
General Revenues:					
Maintenance and Operations Taxes	404,885	477,054	351,842	347,130	301,685
Debt Service Taxes	-	-	100,157	95,857	101,403
State aid - Formula Grants	247,599	156,637	168,771	190,358	184,436
Grants and Contributions Not Restricted	2,803	-	-	1,438	430
Investment Earnings	47,713	33,347	1,576	851	7,224
Miscellaneous	2,857	13,814	3,558	2,603	4,899
Total Revenues	$ 852,428	$ 863,307	$ 791,702	$ 744,055	$ 759,675
Expenditures:					
Instruction, Curriculum and Media Services	$ 446,635	$ 429,382	$ 417,071	$ 420,461	$ 427,224
Instructional and School Leadership	57,540	55,714	51,928	49,747	50,380
Student Support Services	71,245	66,619	65,829	62,839	65,870
Food Services	39,287	30,815	26,649	25,477	34,599
Cocurricular Activities	19,388	18,194	16,271	11,746	10,669
General Administration	21,670	16,629	14,721	12,775	12,633
Plan Maintenance, Security & Data Processing	101,350	92,097	95,064	81,175	120,067
Community Services	3,446	2,779	2,261	2,751	3,195
Debt Service	59,107	47,110	40,831	38,678	28,112
Facilities Acquisition and Construction	10,163	1,823	3,002	6,313	1,705
Intergovernmental	2,162	2,208	2,171	2,327	2,319
Total Expenditures	$ 831,991	$ 763,370	$ 735,798	$ 714,289	$ 756,773
Increase (Decrease) in Net Positions	20,437	99,937	55,904	29,766	2,902
Special Items	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-
Increase (Decrease) in Net Positions	20,437	99,937	55,904	29,766	2,902
Net Positions - (beginning)	$ 259,417	$ 159,480	$ 103,576	$ 73,810 (1)	$(235,304)
Prior Period Adjustments	-	-	-	-	-
Net Positions - (ending)	$ 279,854	$ 259,417	$ 159,480	$ 103,576	$(232,402)

(1) Restated.

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FINANCIAL POLICIES

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as 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.

Property taxes, franchise taxes, licenses, and interests 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 government.

Budgetary Procedures . . . Prior to June 20 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.

A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, the budget can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end.

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at fiscal year end.

Encumbrances for goods or purchases services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at fiscal year end, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

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INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas 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 is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors; (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 investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity 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 investing entity'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 investing entity appoints as the entity's custodian of the banking deposits issued for the entity'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 Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended)(the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for District deposits; or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas 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) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission 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 that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the value of 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 of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "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 270 days or less that is rated at least "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 U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with federal Securities and Exchange Commission 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 that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934; (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f) and (g) of Section 2256.011 of the PFIA. 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 and are pledged to the District and deposited with the District or with a third party selected and approved by the District.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (8) and (12) through (14) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body 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 of Texas; 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, as amended, Texas Government Code, the District is also authorized to purchase, sell, and invest its funds in corporate bonds, but only if the District has formally amended its investment policy to authorize such investments. Texas law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool.

INVESTMENT POLICIES . . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, 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 Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

TABLE 13 - CURRENT INVESTMENTS (1)

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

Investment Description	Market Value	% of Portfolio
Investment Pools	$353,998,529	52.07%
Money Market	296,138,336	43.56%
US Agency	29,721,875	4.37%
US Treasury	-	0.00%
Totals	$ 679,858,740	100.00%

(1) All investments will mature within one month, and the market value of the investments is approximately 99.99% of their purchase price. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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TAX MATTERS

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith, (c) the Sufficiency Certificate and (d) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the facilities financed or refinanced with proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and “APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for a description of the TEA’s continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee, to the MSRB.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type of included in this Official Statement under Tables numbered 1 through 6 and 8 through 13 (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix B and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within 6 months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2025. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended (the "Rule"). The District’s current fiscal year end is June 30. Accordingly, the Annual Operating Report must be provided by December 31 in each year, and the Financial Statements must be provided by June 30 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation (hereinafter defined) of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with its agreement described above under "Annual Reports." Neither the Bonds nor the Order provide for a trustee, debt service reserves, liquidity enhancement, or credit enhancement (except with respect to the Permanent School Fund Guarantee). For these purposes, 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. The term "Financial Obligation" shall mean, for purposes of the events in clauses (15) and (16) above: a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Bonds are expected to be rated "AAA" S&P Global Ratings ("S&P") and "Aaa" by Moody's Investors Service, Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds and the currently outstanding debt of the District are rated "AA" by S&P and "Aa1" by Moody's without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the views of such organizations, and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings, or any of them, will continue for any given period of time or that one or more of the ratings will not be revised downward or withdrawn entirely by a rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price or marketability of the Bonds.

LITIGATION

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

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

SEVERE WEATHER EVENTS

The District is located in north Texas. Land located in this area is susceptible to severe weather, including high winds, tornados, fires and arid conditions. If a future severe weather event significantly damages 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 revenue and/or necessitate an increase in the District's tax rate. Under certain conditions, State law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. 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 carry flood or the appropriate, applicable 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 repay 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.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

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, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Bonds must be rated not less than "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to be authorized to invest in the Bonds, except for purchases for interest and sinking funds of such entities. See "OTHER INFORMATION -- Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

LEGAL MATTERS

The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel with respect to the Bonds issued in compliance with the provisions of the Order, a form of which opinion is attached to this Official Statement as Appendix C. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Bond Counsel also advises the TEA in connection with its disclosure obligations under the federal securities laws, but Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished to the Underwriters. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING", "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee," "DTC Notices," "Book-Entry-Only System," "Bondholders' Remedies," and "Sources and Uses of Proceeds") "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only), "TAX MATTERS," "CONTINUING DISCLOSURE INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings"), "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" (excluding the last sentence of the first paragraph thereof) in the Official Statement, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Order. The District intends to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from the proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriters by West & Associates, L.L.P., Dallas, Texas, Counsel to the Underwriters, whose legal fees are contingent upon the sale and delivery of the Bonds.

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

CYBERSECURITY RISK MANAGEMENT

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners 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 Defeasance Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the defeasance of the Refunded Bonds.

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at an underwriting discount of $____________. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower (or yields higher) than the public offering prices and yields of such Bonds, and such public offering prices and yields may be changed, from time to time, by the Underwriters.

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

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

RBC Capital Markets, LLC ("RBCCM") has provided the following information for inclusion in this Official Statement. RBCCM and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

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

In the Bond Order, the Board authorized the Pricing Officer to approve, for and on behalf of the District, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriters' use of this Official Statement in connection with the public offering and the sale of the Bonds in accordance with the provisions of the Rule.

____
Pricing Officer
Arlington Independent School District

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS*

Unlimited Tax School Building Bonds, Series 2015

Original Dated Date	Original Maturity (2/15)	Interest Rates	Principal Amount Outstanding	Principal Amount Refunded	Principal Amount Remaining	Call Date	Call Price
June 1, 2015	2026	5.000%	$ 8,975,000	$ 8,975,000	$ -	4/17/2025	100%
	2027	5.000%	9,435,000	9,435,000	-	4/17/2025	100%
	2028	3.250%	9,295,000	9,295,000	-	4/17/2025	100%
	2029	3.375%	9,610,000	9,610,000	-	4/17/2025	100%
	2030	4.000%	9,970,000	9,970,000	-	4/17/2025	100%
	2031	4.000%	10,375,000	10,375,000	-	4/17/2025	100%
	2032	4.000%	10,800,000	10,800,000	-	4/17/2025	100%
	2033	4.000%	11,240,000	11,240,000	-	4/17/2025	100%
	2034	4.000%	11,700,000	11,700,000	-	4/17/2025	100%
	2035	4.000%	12,180,000	12,180,000	-	4/17/2025	100%
	2036	4.000%	12,675,000	12,675,000	-	4/17/2025	100%
	2037	4.000%	13,195,000	13,195,000	-	4/17/2025	100%
	2038	4.000%	13,730,000	-	13,730,000	4/17/2025	100%
	2039	4.000%	14,290,000	-	14,290,000	4/17/2025	100%
	2040	4.000%	14,875,000	-	14,875,000	4/17/2025	100%
			$ 172,345,000	$ 129,450,000	$ 42,895,000		

Unlimited Tax School Building Bonds, Series 2016A

Original Dated Date	Original Maturity (2/15)	Interest Rates	Principal Amount Outstanding	Principal Amount Refunded	Principal Amount Remaining	Call Date	Call Price
July 1, 2016	2026	5.000%	$ 4,190,000	$ 4,190,000	$ -	4/17/2025	100%
	2027	5.000%	4,040,000	4,040,000	-	4/17/2025	100%
	2028	5.000%	4,245,000	4,245,000	-	4/17/2025	100%
	2029	5.000%	4,035,000	4,035,000	-	4/17/2025	100%
	2030	5.000%	4,240,000	4,240,000	-	4/17/2025	100%
	2031	5.000%	4,460,000	4,460,000	-	4/17/2025	100%
	2032	4.000%	4,665,000	4,665,000	-	4/17/2025	100%
	2033	4.000%	4,855,000	4,855,000	-	4/17/2025	100%
	2034	4.000%	5,055,000	5,055,000	-	4/17/2025	100%
	2035	4.000%	5,260,000	5,260,000	-	4/17/2025	100%
	2036	4.000%	5,475,000	5,475,000	-	4/17/2025	100%
	2037	4.000%	5,700,000	5,700,000	-	4/17/2025	100%
	2038	4.000%	5,930,000	-	5,930,000	4/17/2025	100%
	2039	4.000%	5,640,000	-	5,640,000	4/17/2025	100%
			$ 67,790,000	$ 56,220,000	$ 11,570,000		

* Preliminary, subject to change.

Unlimited Tax Refunding Bonds, Series 2016B

Original Dated Date	Original Maturity (2/15)	Interest Rates	Principal Amount Outstanding	Principal Amount Refunded	Principal Amount Remaining	Call Date	Call Price
July 1, 2016	2026	5.000%	$ 3,065,000	$ 3,065,000	$ -	4/17/2025	100%
	2027	5.000%	2,350,000	2,350,000	-	4/17/2025	100%
	2028	5.000%	2,465,000	2,465,000	-	4/17/2025	100%
	2029	5.000%	2,595,000	2,595,000	-	4/17/2025	100%
	2030	5.000%	2,725,000	2,725,000	-	4/17/2025	100%
	2031	5.000%	2,865,000	2,865,000	-	4/17/2025	100%
	2032	4.000%	2,995,000	2,995,000	-	4/17/2025	100%
	2033	4.000%	3,115,000	3,115,000	-	4/17/2025	100%
	2034	4.000%	3,250,000	3,250,000	-	4/17/2025	100%
	2035	4.000%	3,380,000	3,380,000	-	4/17/2025	100%
	2036	4.000%	2,355,000	2,355,000	-	4/17/2025	100%
			$ 31,160,000	$ 31,160,000	$ -		

On the Delivery Date, proceeds of the Bonds will be deposited with the Escrow Agent to defease and redeem the Refunded Bonds on the call date as set forth above. See "PLAN OF FINANCING – Refunded Bonds" in this Official Statement.

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

The Arlington Independent School District (the "District") is a political subdivision of the State of Texas created in 1902. The District encompasses approximately 88.22 square miles and is located in Tarrant County approximately midway between the Cities of Dallas and Fort Worth. The District serves the City of Arlington, the City of Dalworthington Gardens, the Town of Pantego, and the Tarrant County portion of the City of Grand Prairie.

The District is the 13th largest school district in Texas. The City of Arlington ("City"), located within the District, had a 2020 U.S. Census population of 394,257. The District is one of the largest employers in the City.

Selected history of school enrollment of the District is:

Fiscal Year Ended 6/30	School Enrollment	Refined Average Daily Attendance
2020	59,532	54,159
2021	56,840	51,548
2022	56,311	52,104
2023	56,167	51,800
2024	54,750	48,540

Source: The Texas Education Agency.

The District has well-maintained, air-conditioned school buildings. The campuses and plants are as follows:

Campus/Plant	Number	Capacity	Number of Portables on Site
Elementary schools	53	36,690	10
Junior High Schools	10	9,716	6
Senior High Schools	13	16,953	21
Administration Buildings	2	600	0
Operations/Warehouse Facilities	7	150	1
Athletic Stadiums/Complex	5	27,450	0
Staff Development Center	1	700	0
Total	91	92,259	38

TEACHER SALARY SCHEDULE

	Minimum	Maximum
BA Degree	$ 64,600	$ 78,900
MA Degree	66,100	80,400

DISTRICT STAFF

The District has a total staff of approximately 8,562 as follows:

Employee Classification	Number
Classroom Teachers	3,850
Professional Support	1,075
Campus Administration	241
Central Administration	79
Paraprofessional Staff	1,556
Auxillary Personnel	1,761
	8,562

STUDENT PROFILE

Percentage of 2023/2024 Enrollment	
African American	25.00%
American Indian and Hawaiian	0.00%
Asian	5.00%
Hispanic	50.00%
Two or More	5.00%
White	15.00%
	100%

2023/2024 Merit Status	
Number of Seniors taking SAT exam	480
Number of National Merit Semifinalists	1334
Dropout Rate (% of Total Enrollment)	2.0%
Completion Rate (% of Total Enrollment)	86.9%

TEST SCORES

ACT and SAT exam results were as follows:

ACT Composite - 2023-2024 Test Scores		
District	Texas	National
17.0	19.4	19.4

SAT Scores - 2023-2024 Test Scores					
District		State		National	
Reading*	Math	Reading*	Math	Reading*	Math
482	465	495	477	519	505

* Evidence-Based Reading and Writing on the SAT. The state-wide and national SAT averages reflect the scores without the optional essay component.

CITY OF ARLINGTON . . . The City is located in the eastern portion of Tarrant County and with a 2020 U.S. Census population of 394,266 is the seventh largest city in the state of Texas. Between 2010 and 2020, the City had a 7.8% gain in population. Its geographic location in the center of the Dallas-Fort Worth Metroplex and its proximity to the D-FW International Airport ("D-FW") makes the City a prime location for businesses and for entertainment. The proximity of D-FW greatly influences both industrial and residential growth of the City. D-FW has been and is expected to continue to be an economic generator of employment, spin-off businesses and a convenient facility for tourists visiting the City and the area.

RECREATION . . . The City is the home of the $1.15 billion AT&T Stadium (formerly known as the Cowboys Stadium) which is the largest domed stadium in the world. The stadium attracted a record-breaking crowd of 105,121 in September 2009 during the first NFL regular season Dallas Cowboy's game.

Arlington is also the home of Six Flags Over Texas, an internationally recognized theme park which averages approximately 2.7 million visitors annually and is the single, most visited man-made tourist attraction in the State. It is also a major employer, seasonally hiring approximately 2,500 people, including singers, actors and maintenance staff.

Globe Life Park, formerly known as Rangers Ballpark in Arlington, is the home of Major League Baseball's Texas Rangers.

Hurricane Harbor, a 47-acre water park with swimming pools, slides and wave-makers, annually attracts in excess of 700,000 visitors.

Additionally, the City also has 4,651 acres of developed park land including 5 recreational buildings, 46 parks with seven golf courses, seven municipal swim centers and other municipal activities areas.

EMPLOYMENT . . . The Great Southwest Industrial District, with over 7,000 acres, is the nation's largest planned industrial development district. With 5,700 developed acres, it is the home to over 800 businesses.

HISTORICAL EMPLOYMENT DATA (ANNUAL AVERAGE DATA)

	October	Annual Averages			
	2024	2023	2022	2021	2020
Tarrant County					
Civilian Labor Force	1,210,523	1,170,758	1,139,902	1,108,542	1,075,554
Total Employment	1,162,671	1,127,271	1,098,145	1,049,944	995,932
Unemployment	47,852	43,487	41,757	58,598	79,622
Percent Unemployment	4.0%	3.7%	3.7%	5.3%	7.4%
State of Texas					
Civilian Labor Force	15,497,080	15,067,153	14,672,312	14,292,315	13,941,490
Total Employment	14,858,673	14,472,524	14,093,906	13,486,624	12,872,070
Unemployment	638,407	594,629	578,406	805,691	1,069,420
Percent Unemployment	4.1%	3.9%	3.9%	5.6%	7.7%

Source: Texas Workforce Commission.

TRANSPORTATION . . . The City is strategically located on major highways which promote industry and tourism for the City. Interstate Highways 20 and 30 pass through the City east and west as well as U. S. Highway 80 and State Highway 303. North-south highways are State Highway 360 and Link 157. The City has approximately 880 road miles within the City boundaries. Rail service is provided by Union-Pacific Railways and the Great-Southwest Railroad.

Air transportation is provided by the Arlington Municipal Airport for small craft and charter services and by D-FW which is located 8 miles north of the City. D-FW contains over 17,000 acres and directly employs approximately 60,000 personnel. These employees have skills ranging from custodial level to highly trained jet aircraft pilots. DFW has approximately 39,000 parking spaces.

HIGHER EDUCATION . . . The City is home to the University of Texas at Arlington ("UTA"), the second largest component of the University of Texas system, with a 420-acre campus. UTA is a fully accredited four-year university offering both undergraduate and graduate degrees with over 100 baccalaureate programs, 77 masters programs, and 33 doctoral programs. Other educational opportunities include the Tarrant County College with 6 campuses located throughout Fort Worth, Arlington and Hurst and estimated enrollment of 50,000; the University of North Texas and Texas Woman's University, approximately 20 miles away in Denton; Texas Christian University and Texas Wesleyan University, approximately 15 miles away in Fort Worth; Southern Methodist University, approximately 18 miles away in Dallas and the University of Texas at Dallas, approximately 30 miles away in Richardson.

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<u>APPENDIX B</u>

EXCERPTS FROM THE

ARLINGTON INDEPENDENT SCHOOL DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2024

The information contained in this Appendix consists of excerpts from the Arlington Independent School District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024 (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.

Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

whitleypenn

Fort Worth Office
640 Taylor Street
Suite 2200
Fort Worth, Texas 76102
817.259.9100 Main

whitleypenn.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Arlington Independent School District

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position, the respective budgetary comparison schedule for the general fund 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.

Responsibilities of Management for the Financial Statements

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

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

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

To the Board of Trustees
Arlington Independent School District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, required TEA schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on November 21, 2024 our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Fort Worth, Texas
November 21, 2024

In this section of the Annual Comprehensive Financial Report, the management of Arlington Independent School District ("the District") offer readers this narrative discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2024. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- At the close of the year ended June 30, 2024, the District's assets and deferred outflows exceeded liabilities and deferred inflows, resulting in a net position of $280 million.

- The government-wide statements reported total revenues of $852 million, which exceeded total expenditures of $832 million and resulted in an increase of net position by $20 million.

- The District's governmental funds financial statements reported combined ending fund balances of $831 million, which is a decrease of $28 million compared to the previous year. $178 million, or 21%, is available for spending at the District's discretion (unassigned balance).

- The General Fund had $613 million in revenue, which primarily consisted of local property taxes and state aid. The District incurred $613 million in expenditures and entered in subscription-based information technology arrangements of $2 million. General Fund fund balance increased by almost $2 million. Unassigned fund balance makes up 30% of total expenditures.

- The American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ESSER III), authorized under the American Rescue Plan (ARP) Act of 2021, provided funding in safely reopening and sustaining operations of schools while meeting the academic, social, emotional, and mental health needs of students resulting from COVID-19. The District was allocated $134 million of ESSER III funds, available through September 30, 2024, with $30 million spent at the close of fiscal year 2024. In the prior year, the District spent $50 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements, notes to those statements, and other supplementary information.

Basic Financial Statements
The basic financial statements include two types of statements that present different views of the District. Major features of the District's *government-wide* and *fund financial* statements, including the portion of the District government they cover and the types of information they contain, are summarized below:

Type of Statement	Government-Wide	Fund Financials		
		Governmental Funds	*Proprietary Funds*	*Fiduciary Funds*
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not propriety or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or custodian for someone else's resources
Required Financial Statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenditures, and changes in fund net position • Statement of cash flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after year-end, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenue and expenses during the year, regardless of when cash is received or paid.	Custodial funds report additions and deductions for contribution received and used. Fiduciary funds present all revenues and expense during the year regardless of when cash is received or paid.

- ***Government-wide financial statements*** provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances.

    - The government-wide financial statements include the Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1). These statements are designed to provide readers with a broad overview of the District's finances. The government-wide statements apply the accrual basis of accounting, which is similar to the accounting basis used by most private-sector companies. The Statement of Net Position includes all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

    - The two government-wide financial statements report the District's net position and changes in them. Net position (the difference between assets, deferred inflows/outflows and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, additional factors should be considered, such as changes in the District's property tax base, state funding, or its average daily attendance and the condition of the District's facilities.

- ***Fund financial statements*** report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds, as opposed to the District as a whole. Laws and bond covenants require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for specific purposes. The three kinds of funds used by the District - governmental, proprietary and fiduciary - use different accounting approaches:

    - ***Governmental funds*** - Most of the District's basic services are reported in governmental funds. These funds use modified accrual accounting (an accounting method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps users determine the availability of financial resources to finance the District's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

    - ***Proprietary funds*** - Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Fund financial statements tell how goods or services of the District were sold to external customers and how funds were accumulated and costs were allocated internally among various functions. There are two proprietary fund types: (1) Enterprise funds and (2) Internal service funds. The District operates one enterprise fund that accounts for its Natatorium. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District has two internal service funds, the Print Shop and the Workers' Compensation Funds.

    - ***Fiduciary funds*** - provides financial information about activities for which the District acts solely as a trustee, or fiduciary, or custodian, for money raised by student activities. These resources can be used only for the student groups that raised the funds; therefore, they are recorded in custodial funds. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

Other Supplementary Information
This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. Management's Discussion and Analysis (this section) is required supplementary information under governmental accounting standards. The report sections labeled "Required TEA Schedules" and "Federal Awards Section" contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with the terms of grants. The unaudited "Statistical Section," includes selected financial and demographic information, generally presented on a multi-year basis.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. The District's capital assets, which consist of the District's land, building, building improvements, furniture, and equipment, represent about 56 percent of total assets. The remaining assets consist mainly of cash, investments, and state revenue receivable. The District's long-term liabilities, which consist of the District's bonds payable, net pension liability, and net OPEB liability, represent about 93 percent of total liabilities. The remaining liabilities include payables on accounts and salaries and benefits.

The District's net position at June 30, 2024, totaled $280 million. A large portion of net position, $293 million, reflects the District's investment in capital assets (e.g., land, buildings, furniture, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position of $65 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit $78 million, which is $18 million decrease from the prior year.

NET POSITION
(in thousands)

	Governmental Activities (in '000s)					
	2024		2023		Increase/(Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	$ 954,228	44%	$ 992,178	47%	$ (37,950)	-4%
Capital assets	1,227,098	56%	1,135,715	53%	91,383	8%
Total Assets	**2,181,326**	**100%**	**2,127,893**	**100%**	**53,433**	3%
Total Deferred Outflows of Resources	**178,577**	**100%**	**162,499**	**100%**	**16,078**	**100%**
Current liabilities	131,127	7%	140,789	8%	(9,662)	-16%
Long term liabilities	1,736,542	93%	1,667,143	92%	69,399	116%
Total Liabilities	**1,867,669**	**100%**	**1,807,932**	**100%**	**59,737**	3%
Total Deferred Inflows of Resources	**212,381**	**100%**	**223,042**	**100%**	**(10,661)**	**100%**
Net Position						
Net Investment in capital assets	293,990		255,249		38,741	
Restricted	64,523		65,048		(525)	
Unrestricted	(78,659)		(60,880)		(17,779)	
Total Net Position	**$ 279,854**		**$ 259,417**		**$ 20,437**	

Changes in Net Position. Total net position of the District increased by $20 million over last year. The District added capital assets of $145 million and depreciation/amortization of $53 million, and the District's long-term liabilities increased by $69 million. This increase is attributable to $48 million dollar increase in the net pension and OPEB liabilities. The District issued the 2023 Building and Refunding bonds totaling $141 million.

Governmental Activities

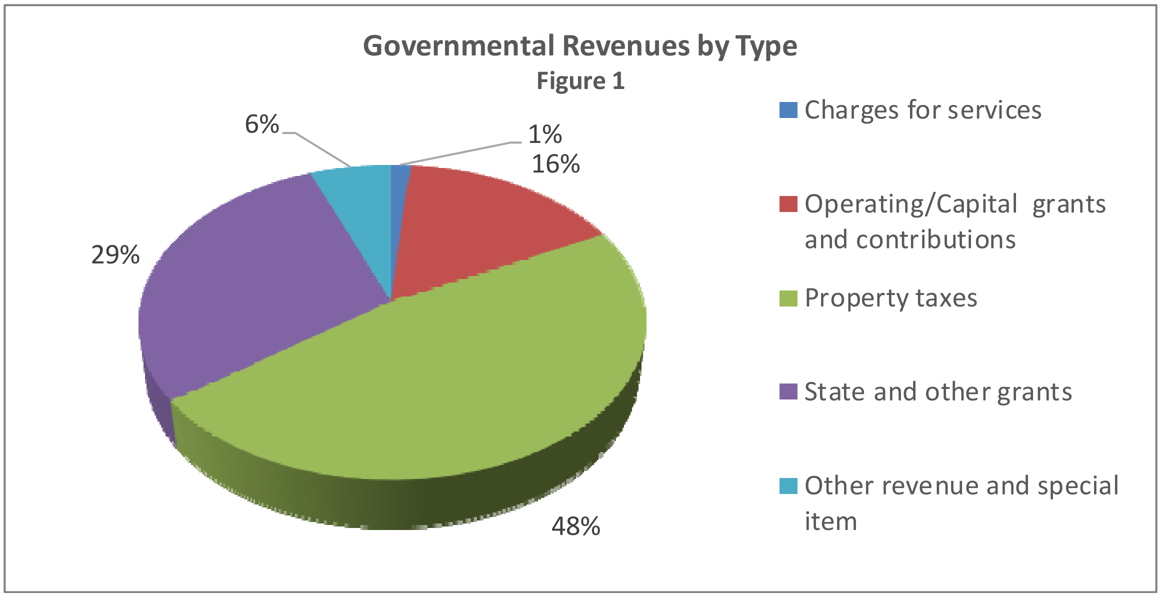
Funding for government-wide activities is by the specific program revenue or through general revenues such as property taxes and investment earning. Revenues from governmental activities totaled $852 million for fiscal year 2024. The costs of all governmental programs and services were $832 million.

The net effect of these items resulted in an increase in net position of $20 million. Key elements of this change are illustrated in the following table:

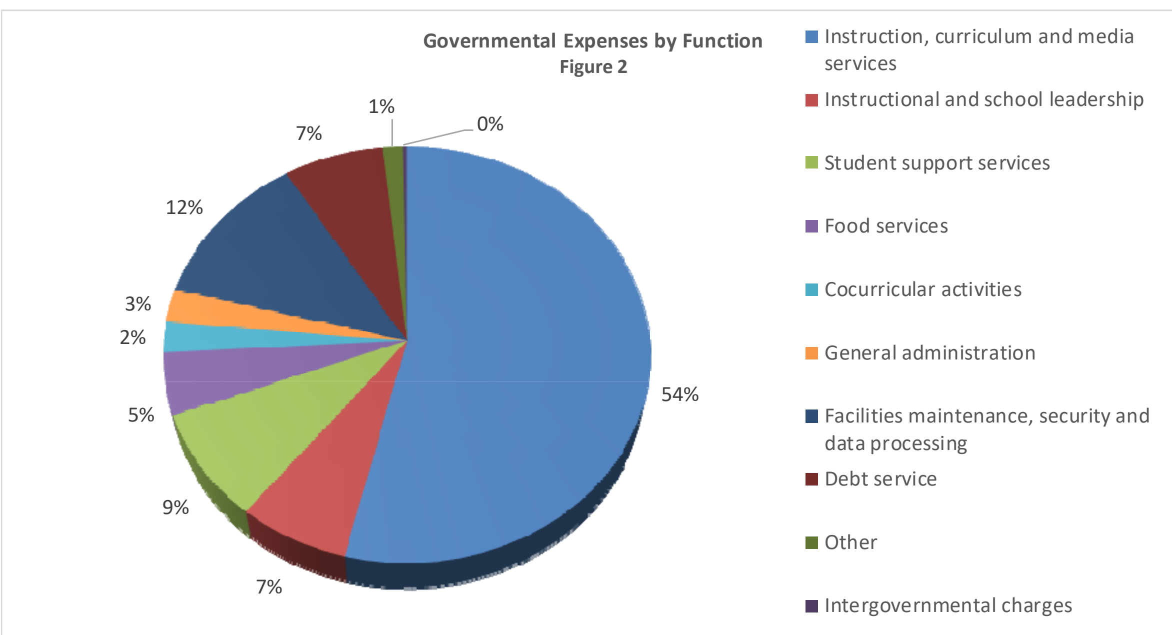
CHANGES IN NET POSITION
(in thousands)

	Governmental Activities					
	2024		2023		Increase/(Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues						
Program Revenues:						
Charges for services	$ 11,686	1%	$ 12,720	1%	$ (1,034)	-8%
Operating grants	134,884	16%	169,735	20%	(34,851)	-21%
General Revenues:						
Property taxes	404,885	47%	477,054	55%	(72,169)	-15%
State Aid - Formula Grants	247,599	29%	156,637	18%	90,962	58%
Grants and contributions not restricted	2,803	0%	-	0%	2,803	%
Investment earnings	47,713	6%	33,347	4%	14,366	43%
Other	2,857	0%	13,814	2%	(10,957)	-79%
Total Revenues	**852,428**	**100%**	**863,307**	**100%**	**(10,879)**	**-1%**
Expenses						
Instruction, curriculum and media services	446,635	54%	429,382	56%	17,253	4%
Instructional and school leadership	57,540	7%	55,714	7%	1,826	3%
Student support services	71,245	9%	66,619	9%	4,626	7%
Food services	39,287	5%	30,815	4%	8,472	27%
Cocurricular activities	19,388	2%	18,194	2%	1,194	7%
General administration	21,670	3%	16,629	2%	5,041	30%
processing	101,350	12%	92,097	12%	9,253	10%
Community services	3,446	0%	2,779	0%	667	24%
Debt service	59,107	7%	47,110	6%	11,997	25%
Facilities planning	8,009	1%	98	0%	7,911	8072%
Contracted instruction services between districts	2,154	0%	1,725	0%	429	
Intergovernmental charges	2,162	0%	2,208	0%	(46)	-2%
Total Expenses	**831,991**	**100%**	**763,370**	**100%**	**68,621**	**9%**
Increase (Decrease) in Net Position	20,437		99,937		(79,500)	
Net Position - Beginning	259,417		159,480		99,937	
Net Position - Ending	**$ 279,854**		**$ 259,417**		**$ 20,436**	

Revenues. The District's total revenues for governmental activities were $852 million, representing a decrease of $10 million from the previous year. A majority of this decrease is due to a decrease in federal fund expenditures related to ESSER III. Property taxes decreased by $72 million due to the compression of the tax rates, but the decrease was offset by State funding increases of $91 million. As illustrated in Figure I, 48% of the District's revenue comes from local property taxes, 29% from state aid, and 16% from operating grants and contributions.



Expenses. The District's total expenses were $832 million, representing an increase of $69 million from the previous year. The majority of this increase is attributable to salary increases for the 2023-2024 fiscal year. As illustrated in Figure II, the District's primary functional expenses are instruction (54%), facilities maintenance, security and data processing (12%), Student support services (9%), Instructional and school leadership (7%), and interest on long-term debt (6%).



Business-Type Activities

The District operates a Natatorium, that began operations in fiscal year 2021. For fiscal year 2024, revenues totaled $204 thousand for user charges. The expenses totaled $187 thousand resulting an ending net position of $196 thousand.

Business-Type Activities

	2024 Amount	2023 Amount	Increase/ (Decrease)
Total Assets	$ 223,723	$ 193,108	$ 30,615
Total Liabilities	27,975	14,920	13,055
Unrestricted Net Position	$ 195,748	$ 178,188	$ 17,560

Business-Type Activities

	2024 Amount	2023 Amount	Increase/ (Decrease)
Revenues	$ 204,118	$ 210,859	$ (6,741)
Expenses	186,558	214,606	(28,048)
Increase in Net Position	17,560	(3,747)	21,307
Net Position- Beginning	178,188	181,935	(3,747)
Net Position- Ending	$ 195,748	$ 178,188	$ 17,560

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

At the end of the fiscal year, the District's governmental funds reported combined fund balance of $831 million, a decrease $28 million in comparison with the prior year. $178 million, or 21%, constitutes *unassigned fund balance,* which is available for spending at the District's discretion. The remainder of fund balance is not available for new spending because it is classified as non-spendable, restricted, committed, or assigned to indicate that it is not available for new spending. Non-spendable funds have already been used to purchase inventories and prepaid items ($12 million). Restricted funds are restricted for federal, state and local grants ($11 million), for capital acquisition ($380 million), and to pay debt service ($64 million). The District's committed fund balance ($2 million) includes campus activity funds and expansion of the full day prekindergarten program to all four year old students for fiscal years 2023-2024 and 2024-2025. The District's General Fund assigned fund balance includes ensuring sixty days of cash flow ($81 million) In addition, the District's local capital projects fund balance of $97 million was assigned as supplemental construction funds. Assignments reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds.

General Fund. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was $178 million, while the total fund balance was $270 million, which is an increase of almost $2 million from the previous year. As a measure of the general fund's liquidity, unassigned fund balance is 30% of total fund expenditures.

In 2024, the District reclassified expenditures from the General Fund to ESSER III for approximately $30 million.

Debt Service Fund. The Debt Service Fund has a total fund balance of $64 million at year-end, all of which is restricted to service the District's outstanding debt. Fund balance increased by less than $200 thousand. This includes the bond issuance and refunding that took place during the fiscal year. The District also defeased $14 million in bonds during the current fiscal year.

Capital Projects Fund. The Capital Projects Fund ended the current fiscal year with a fund balance of $480 million. $96 million of this fund balance is assigned as it is related to non-bond funded capital projects. The remaining fund balance is restricted to liquidate contracts and to pay for capital acquisitions primarily for ongoing and new projects under the 2019 bond program. The Capital Projects fund balance decreased by $28 million due to scheduled construction projects using bond funds and local capital project funds. Although capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and as discussed in Note 6 to the financial statements.

Budgetary Highlights

The District is required to adopt an annual appropriated budget for the General Fund, the Debt Service Fund, and the Child Nutrition Program. A budgetary comparison statement has been provided for these funds to demonstrate compliance with statutory requirements. In addition, the District adopts an annual budget for the Capital Projects Fund.

General Fund. The most significant fund for the District is the General Fund, funded primarily through local property tax revenue. The District's budget amendments presented to the Board of Trustees throughout the year are summarized as follows:

- ***Variances of original expenditure budget compared to amended budget.***
  The amended expenditure budget reflects an increase of $34.5 million compared to the original budget. This increase is primarily attributable to the following factors:
    - A reduction of approximately $30 million in ESSER III supplant funding
    - An increase of $3.2 million in professional substitute costs
    - A reclassification of IDEA-B salary expenses to the General Fund, amounting to approximately $2.9 million

  These increases are partially offset by the following decreases:
    - A reduction of $12.7 million in base professional pay
    - A decrease of $1.3 million in paraprofessional temporary pay
    - A decrease of $4.7 million in TRS/Medicare On-Behalf payments

- ***Variances of amended budget to actual expenditures.***
  Variances of amended budget to actual expenditures. Expenditures were $20 million less than final budgeted amounts. This was primarily due to the impact of vacancies throughout the district for the fiscal year.

- ***Variances of amended revenue budget compared to actual revenue.***
  Revenues were less than the final budget by $4.8 million. Current year tax collections fell short of the amended budget by $2.6 million, TRS/Medicare On-Behalf was also significantly less than the amended budget. State revenue was greater than the revised budget by $2.8 million. Federal program revenues exceeded the revised budget by $3 million due to primarily reclassification of the Child Nutrition fund indirect costs that was previously required to be in the expenditure budget. As such, this was not considered during the final budget amendment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the District had $1.227 billion invested (net of accumulated depreciation and amortization for right-to-use assets) in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, maintenance, and food service. This amount represents a $91 million, or 8%, increase over the prior year.

CAPITAL ASSETS
(Net of Accumulated Depreciation/Amortization, in thousands)

	Governmental Activities				Increase	
	2024	%	2023	%	(Decrease)	%
Land	$ 92,645	8%	$ 86,666	8%	$ 5,979	7%
Buildings and improvements	916,430	75%	838,536	74%	77,894	9%
Furniture and equipment	32,182	3%	37,625	3%	(5,443)	-14%
Construction in progress	184,550	15%	171,735	15%	12,815	7%
Right-to-use leased assets and Subscription assets	1,292	0%	1,154	0%	138	100%
Total	$ 1,227,099	100%	$ 1,135,716	100%	$ 91,383	8%

During the 2023-24 year, approximately $148 million was spent on projects related to the 2019 bond program.

The following information details the expenses for 2019 Bond projects during the 2023-2024 fiscal year:

Elementary Schools Demo and Replacement Schools	$4,941,406
Elementary Schools Additions and Renovations	17,242,229
Playgrounds	11,315,510
Junior High Schools Additions and Renovations	17,670,119
Junior High Schools Demo and Replacement Schools	16,858,536
High Schools Additions and Renovations	49,970,490
Football Fields	7,600,579
Softball Fields	10,730
FB/Track Resurface	2,227,781
FF&E Existing	2,186,778
FF&E (Constr. - New Facilities)	6,663
Future Design Fees	232,730
Enterprise Centre	35,523
600 New York (Roof Replacement)	348,440
Little Rd Annex Shelving	6,960
Patrick ES(Marquee)	13,762
Anderson ESHVAC Renovations	898,251
Dan Dipert CTC Paving	172,429
PDC Paving Renovation	9,500
Transportation/Security Center Replacement Project	206,044
Fine Arts	1,248,870
Technology	13,210,853
Transportation	574,473
UTSB and Refunding Bond Issuance Cost	742,539

Additional information regarding the bond package, including a bond overview, project summaries, project schedules, and the Citizens' Bond Oversight Committee (CBOC) may be found at the AISD Bond webpage, www.aisd.net/bond. More detailed information about the District's capital assets is presented in Note IV.E. to the financial statements.

Outstanding Debt

The District maintained its high underlying credit ratings of AA from Standard and Poor's Corporation and Aa1 from Moody's Investor Service, Inc. The District's bonds qualify for the AAA State's Permanent School Fund Guarantee. These ratings result in lower debt issuance costs for the District.

At the end of fiscal years 2023 and 2024, the District had total debt outstanding of $1.3 billion. Most of the District's debt is for bonded debt, all of which is considered to be direct tax supported debt. The District issued the 2023 Building and Refunding Debt totaling $141 million.

More detailed information about the District's outstanding debt is presented in Note 7 to the financial statements.

OUTSTANDING DEBT
(in thousands)

	Governmental Activities		
	2024	2023	Increase (Decrease)
Bonds Payable	$ 1,160,400	$ 1,131,880	$ 28,520
Bond Premiums	144,139	161,920	(17,781)
Accreted interest	-	4,951	(4,951)
Lease liability	-	3	(3)
SBITA liability	1,319	995	324
Accrued Service Benefits	9	41	(32)
Arbitrage liability	20,978	5,230	15,748
Total	$ 1,326,845	$ 1,305,020	$ 21,825

Economic Factors and Next Year's Budget and Rates

The District's 2023-2024 budget was developed under the 2022-2027 Powered by Possibilities Strategic Plan. The Strategic Plan focuses on four performance objective categories.

- Personalized Learning Experiences
- Increase Focus and Student Achievement
- Social and Emotional Wellbeing, and
- Equitable Access.

These four performance objective categories frame the District's academic programming work for the 2023-2024 school year and beyond, intentionally promote budget development around high-impact areas of improvement, and inform strategic planning as the District strives to become a premier school district and a leader in education.

In August 2024, the Tarrant Appraisal District (TAD) board approved a new reappraisal plan that includes changing the frequency of reappraising residential properties from annually to every two years. Residential property values will be frozen at their current levels for the 2024-2025 tax year, except for new construction. This change should not impact the 2024-2025 fiscal year but is a concern for future years since the state funding formula relies on the assumption that local property values are accurate and align with market values. The District will be monitoring 2025 values closely and how it may impact the 2025-2026 fiscal year budget.

The District's Maintenance & Operations (M&O) tax rate compressed from $0.8249 to $0.8128 per $100 valuation. The Interest and Sinking (I&S) tax rate remained the same at $0.2907 per $100 valuation. Based on enrollment and attendance trends the District is budgeting for enrollment of 53,551 students.

General Fund expenditures are budgeted to increase over the prior year final expenditures. The Board approved salary increases of 4% of market median for teachers, librarians and other employees paid on the teacher salary schedule. Employees paid on salary schedules other than the teacher salary schedule will receive a general annual pay increase of 4% of their 2024-25 paygrade mid-point and targeted adjustments where appropriate to achieve market competitiveness and move staff members closer to mid-point of their paygrade.

The 2024-25 General Fund budget was adopted with a deficit of $25.5 million, which includes a $49 million transfer from the Capital Projects Fund. The District administration and leadership are actively evaluating cost measures to consider in order to balance the budget in future years while still supporting the goals and objectives of the strategic plan. Arlington ISD is expected to maintain a healthy total fund balance which provides stability given the uncertainty of future revenues and expenditures.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Finance Department at Arlington Independent School District, 690 East Lamar Blvd, Arlington, Texas 76011.

Arlington
INDEPENDENT SCHOOL DISTRICT
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BASIC FINANCIAL STATEMENTS

Arlington
INDEPENDENT SCHOOL DISTRICT
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ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2024

Data Control Codes		Governmental Activities	Business-Type Activities	Total
	Assets			
1110	Cash and cash equivalents	$ 815,766,619	$ 224,395	$ 815,991,014
1120	Current investments	19,963,603	-	19,963,603
1225	Property taxes receivables, net	8,128,297	-	8,128,297
1240	Due from other governments	85,690,124	-	85,690,124
1250	Accrued interest	324,201	-	324,201
1260	Internal balances	672	(672)	-
1290	Other receivables, net	2,729,034	-	2,729,034
1300	Inventories	5,355,641	-	5,355,641
1410	Prepaid items	6,218,026	-	6,218,026
1490	Other current assets	55,868	-	55,868
	Capital assets not subject to depreciation/amortization:			
1510	Land	92,645,451	-	92,645,451
1580	Construction in progress	184,549,928	-	184,549,928
	Capital assets net of accumulated depreciation/amortization:			
1520	Buildings and improvements, net	916,429,646	-	916,429,646
1530	Furniture and equipment, net	32,181,615	-	32,181,615
1550	Right-to-use leased assets and Subscription assets	1,291,799	-	1,291,799
1910	Long-term investments	9,995,793	-	9,995,793
1000	**Total Assets**	2,181,326,317	223,723	2,181,550,040
	Deferred Outflows of Resources			
	Deferred charge on refunding	8,056,999	-	8,056,999
	Deferred outflows - pension	121,481,453	-	121,481,453
	Deferred outflows - other post-employment benefits (OPEB)	49,038,381	-	49,038,381
1700	**Total Deferred Outflows of Resources**	178,576,833	-	178,576,833
	Liabilities			
2110	Accounts payable	38,450,823	11,050	38,461,873
2140	Interest payable	18,113,268	-	18,113,268
2150	Payroll deductions and withholdings	7,636,982	-	7,636,982
2160	Accrued wages payable	58,677,931	16,925	58,694,856
2180	Due to other governments	50,474	-	50,474
2200	Accrued expenses	7,751,988	-	7,751,988
2300	Unearned revenue	445,247	-	445,247
	Noncurrent Liabilities:			
2501	Due within one year	49,901,825	-	49,901,825
2502	Due in more than one year	1,276,943,287	-	1,276,943,287
2540	Net pension liability	293,703,440	-	293,703,440
2545	Net other post-employment benefits (OPEB) liability	115,993,728	-	115,993,728
2000	**Total Liabilities**	1,867,668,993	27,975	1,867,696,968
	Deferred Inflows of Resources			
	Deferred gain on refunding	18,715,924	-	18,715,924
	Deferred inflows - pensions	16,161,968	-	16,161,968
	Deferred inflows - other post-employment benefits (OPEB)	177,502,622	-	177,502,622
2600	**Total Deferred Inflows of Resources**	212,380,514	-	212,380,514
	Net Position			
3200	Net investment in capital assets	293,989,781	-	293,989,781
	Restricted for:			
3820	Federal and state programs	16,488,315	-	16,488,315
3850	Debt service	48,034,276	-	48,034,276
3900	Unrestricted	(78,658,729)	195,748	(78,462,981)
3000	**Total Net Position**	$ 279,853,643	$ 195,748	$ 280,049,391

For the Year Ended June 30, 2024

Data Control Codes	Functions/ Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	$ 422,113,476	$ -	$ 52,196,320
12	Instructional resources and media services	8,904,392	-	1,673,652
13	Curriculum and staff development	15,617,213	-	9,201,609
21	Instructional leadership	20,566,510	-	6,852,126
23	School leadership	36,973,433	-	1,928,590
31	Guidance, counseling, and evaluation services	37,726,056	-	6,186,395
32	Social work services	4,623,980	-	1,519,492
33	Health services	8,251,589	-	4,011,021
34	Student transportation	20,642,957	202,191	1,272,693
35	Food service	39,287,332	4,064,091	32,523,158
36	Extracurricular activities	19,387,954	6,779,877	350,217
41	General administration	21,669,531	-	1,038,010
51	Plant, maintenance and operations	64,723,292	640,055	1,061,043
52	Security and monitoring services	18,333,123	-	410,052
53	Data processing services	18,293,561	-	376,228
61	Community services	3,446,423	-	2,870,828
72	Interest on long-term debt	56,858,469	-	11,412,926
73	Debt issuance costs and fees	2,248,260	-	-
81	Facilities planning	8,008,618	-	-
91	Contracted instruction services between schools	2,153,778	-	-
95	Payments to Juvenile Justice Alternative Education Programs	11,481	-	-
99	Intergovernmental charges	2,150,238	-	-
TG	**Total Governmental Activities**	831,991,666	11,686,214	134,884,360
	Business-Type Activities:			
01	Natatorium	186,558	204,118	-
TB	**Total Business-Type Activities**	186,558	204,118	-
TP	**Total Primary Government**	$ 832,178,224	$ 11,890,332	$ 134,884,360

		Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
Data Control Codes	Functions/ Programs	Governmental Activities	Business-type Activities	Total
	Governmental Activities:			
11	Instruction	$ (369,917,156)	$ -	$ (369,917,156)
12	Instructional resources and media services	(7,230,740)	-	(7,230,740)
13	Curriculum and staff development	(6,415,604)	-	(6,415,604)
21	Instructional leadership	(13,714,384)	-	(13,714,384)
23	School leadership	(35,044,843)	-	(35,044,843)
31	Guidance, counseling, and evaluation services	(31,539,661)	-	(31,539,661)
32	Social work services	(3,104,488)	-	(3,104,488)
33	Health services	(4,240,568)	-	(4,240,568)
34	Student transportation	(19,168,073)	-	(19,168,073)
35	Food service	(2,700,083)	-	(2,700,083)
36	Extracurricular activities	(12,257,860)	-	(12,257,860)
41	General administration	(20,631,521)	-	(20,631,521)
51	Plant, maintenance and operations	(63,022,194)	-	(63,022,194)
52	Security and monitoring services	(17,923,071)	-	(17,923,071)
53	Data processing services	(17,917,333)	-	(17,917,333)
61	Community services	(575,595)	-	(575,595)
72	Interest on long-term debt	(45,445,543)	-	(45,445,543)
73	Debt issuance costs and fees	(2,248,260)	-	(2,248,260)
81	Facilities planning	(8,008,618)	-	(8,008,618)
91	Contracted instruction services between schools	(2,153,778)	-	(2,153,778)
95	Payments to Juvenile Justice Alternative Education Programs	(11,481)	-	(11,481)
99	Intergovernmental charges	(2,150,238)	-	(2,150,238)
TG	**Total Governmental Activities**	(685,421,092)	-	(685,421,092)
	Business-Type Activities:			
01	Natatorium	-	17,560	17,560
TB	**Total Business-Type Activities**	-	17,560	17,560
TP	**Total Primary Government**	(685,421,092)	17,560	(685,403,532)
	General Revenues			
	Taxes:			
MT	Property taxes, levied for general purposes	299,541,053	-	299,541,053
DT	Property taxes, levied for debt service	105,344,439	-	105,344,439
SF	State-aid formula grants not restricted	247,599,370	-	247,599,370
GC	Grants and contributions not restricted	2,802,759	-	2,802,759
IE	Investment earnings	47,713,146	-	47,713,146
MI	Miscellaneous	2,857,271	-	2,857,271
TR	**Total General Revenues**	705,858,038	-	705,858,038
CN	Change in Net Position	20,436,946	17,560	20,454,506
NB	**Net Position - Beginning**	259,416,697	178,188	259,594,885
NE	**Net Position - Ending**	$ 279,853,643	$ 195,748	$ 280,049,391

Data Control Codes		199 General Fund	511 Debt Service Fund	699 Capital Projects Fund
	Assets			
1110	Cash and cash equivalents	$ 216,266,664	$ 60,687,358	$ 509,915,196
1120	Investments	19,963,603	-	-
	Receivables:			
1220	Property taxes receivable - delinquent	11,036,049	3,207,163	-
1230	Allowance for uncollectible taxes (credit)	(4,761,783)	(1,353,132)	-
1240	Receivables from other governments	70,427,991	2,152,920	-
1250	Accrued interest	324,201	-	-
1260	Due from other funds	18,743,835	1,453,235	15,466
1290	Other receivables	2,704,560	-	-
1310	Inventories	2,109,535	-	-
1410	Prepaid items	3,731,254	-	-
1490	Other current assets	55,868	-	-
1910	Long-term investments	9,995,793	-	-
1000	**Total Assets**	$ 350,597,570	$ 66,147,544	$ 509,930,662
	Liabilities, Deferred Inflows of Resources, and Fund Balances			
	Liabilities:			
2110	Accounts payable	$ 4,899,096	$ -	$ 29,361,647
2150	Payroll deduction and withholdings	7,636,982	-	-
2160	Accrued wages payable	55,434,754	-	-
2170	Due to other funds	2,644,514	-	423,569
2180	Payable to other governments	-	-	-
2200	Accrued expenditures	3,485,709	-	-
2300	Unearned revenue	6,156	-	100,000
2000	**Total Liabilities**	74,107,211	-	29,885,216
	Deferred Inflows of Resources			
	Deferred inflows - property taxes	6,264,738	1,849,790	-
2600	**Total Deferred Inflows of Resources**	6,264,738	1,849,790	-
	Fund Balances:			
	Non-Spendable:			
3410	Inventories	2,109,535	-	-
3430	Prepaid items	3,731,254	-	-
	Restricted:			
3450	Federal/ State grant funds	-	-	-
3470	Capital acquisitions and contractual oblig.	-	-	383,409,019
3480	Debt service	-	64,297,754	-
	Committed:			
3545	Other	5,500,281	-	-
	Assigned:			
3590	Other	80,765,050	-	96,636,427
3600	**Unassigned**	178,119,501	-	-
3000	**Total Fund Balances**	270,225,621	64,297,754	480,045,446
4000	**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**	$ 350,597,570	$ 66,147,544	$ 509,930,662

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Fund
	Assets		
1110	Cash and cash equivalents	$ 22,068,031	$ 808,937,249
1120	Investments	-	19,963,603
	Receivables:		
1220	Property taxes receivable - delinquent	-	14,243,212
1230	Allowance for uncollectible taxes (credit)	-	(6,114,915)
1240	Receivables from other governments	13,109,213	85,690,124
1250	Accrued interest	-	324,201
1260	Due from other funds	4,547,301	24,759,837
1290	Other receivables	24,474	2,729,034
1310	Inventories	3,246,106	5,355,641
1410	Prepaid items	2,486,772	6,218,026
1490	Other current assets	-	55,868
1910	Long-term investments	-	9,995,793
1000	**Total Assets**	$ 45,481,897	$ 972,157,673
	Liabilities, Deferred Inflows of Resources, and Fund Balances		
	Liabilities:		
2110	Accounts payable	$ 4,056,470	$ 38,317,213
2150	Payroll deduction and withholdings	-	7,636,982
2160	Accrued wages payable	3,243,177	58,677,931
2170	Due to other funds	21,510,995	24,579,078
2180	Payable to other governments	50,474	50,474
2200	Accrued expenditures	-	3,485,709
2300	Unearned revenue	339,091	445,247
2000	**Total Liabilities**	29,200,207	133,192,634
	Deferred Inflows of Resources		
	Deferred inflows - property taxes	-	8,114,528
2600	**Total Deferred Inflows of Resources**	-	8,114,528
	Fund Balances:		
	Non-Spendable:		
3410	Inventories	3,246,106	5,355,641
3430	Prepaid items	2,486,772	6,218,026
	Restricted:		
3450	Federal/ State grant funds	10,755,437	10,755,437
3470	Capital acquisitions and contractual oblig.	-	383,409,019
3480	Debt service	-	64,297,754
	Committed:		
3545	Other	2,280,147	7,780,428
	Assigned:		
3590	Other	-	177,401,477
3600	**Unassigned**	(2,486,772)	175,632,729
3000	**Total Fund Balances**	16,281,690	830,850,511
4000	**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**	$ 45,481,897	$ 972,157,673

Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

ARLINGTON INDEPENDENT SCHOOL DISTRICT *Exhibit C-1R*

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

June 30, 2024

Data Control Codes		
	Total Fund Balance, Governmental Funds (from C-1)	$ 830,850,511
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation are reported in the governmental activities of the Statement of Net Position.	1,227,098,439
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes (net of allowance for uncollectible accounts) are deferred in the fund financial statements.	8,114,528
3	Long-term liabilities, including bonds payable and net pension and OPEB liabilities, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.	
	Bonds payable	(1,160,400,000)
	Deferred charge on refunding (to be amortized as interest expense)	8,056,999
	Deferred gain on refunding (to be amortized as interest expense)	(18,715,924)
	Issuance premium (to be amortized over life of debt)	(144,139,285)
	Accrued service benefits	(8,605)
	Arbitrage liability	(20,977,755)
	SBITA liability	(1,319,467)
	Accrued interest payable	(18,113,268)
	Net pension liability	(293,703,440)
	Net OPEB liability	(115,993,728)
4	Deferred inflows of resources and deferred outflows of resources related to pension and OPEB.	(23,144,756)
5	Addition of Internal Service Fund net position.	2,249,394
29	**Total Net Position - Governmental Activities (See B-1)**	279,853,643

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

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

For the Year Ended June 30, 2024

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Revenues					
5700	Local and intermediate sources	$ 320,627,966	$ 108,334,475	$ 28,103,043	$ 9,878,844	$ 466,944,328
5800	State program revenues	280,284,286	11,214,870	-	4,573,525	296,072,681
5900	Federal program revenues	11,656,211	198,056	-	96,033,406	107,887,673
5020	**Total Revenues**	612,568,463	119,747,401	28,103,043	110,485,775	870,904,682
	Expenditures					
	Current:					
0011	Instruction	360,255,430	-	5,865,246	39,827,721	405,948,397
0012	Instruction resources and media services	7,059,976	-	-	1,492,922	8,552,898
0013	Curriculum and staff development	6,625,974	-	-	9,033,235	15,659,209
0021	Instructional leadership	13,825,988	-	-	6,421,875	20,247,863
0023	School leadership	34,684,076	-	-	710,803	35,394,879
0031	Guidance, counseling and evaluation services	31,334,394	-	-	5,157,756	36,492,150
0032	Social work services	3,129,174	-	-	1,409,014	4,538,188
0033	Health services	7,886,346	-	-	2,747	7,889,093
0034	Student transportation	18,437,561	-	524,161	687,727	19,649,449
0035	Food services	540,938	-	-	39,614,806	40,155,744
0036	Extracurricular activities	13,975,806	-	-	4,719,678	18,695,484
0041	General administration	15,997,233	-	10,316	633,330	16,640,879
0051	Facilities maintenance and operations	63,587,718	-	1,554,474	2,082	65,144,274
0052	Security and monitoring services	14,807,276	-	2,719,174	160,389	17,686,839
0053	Data processing services	14,111,368	-	5,910,518	66,829	20,088,715
0061	Community services	669,124	-	-	2,855,694	3,524,818
	Debt service:					
0071	Principal on long-term debt	1,567,377	65,154,956	-	-	66,722,333
0072	Interest on long-term debt	196,269	53,294,090	-	-	53,490,359
0073	Bond issuance costs and fees	-	1,505,721	742,539	-	2,248,260
	Capital outlay:					
0081	Facilities acquisition and construction	-	-	139,125,388	-	139,125,388
	Intergovernmental:					
0091	Contracted instructional services between schools	2,153,778	-	-	-	2,153,778
0095	Payments to juvenile justice alt. ed. prgm.	11,481	-	-	-	11,481
0099	Other intergovernmental charges	2,150,238	-	-	-	2,150,238
6030	**Total Expenditures**	613,007,525	119,954,767	156,451,816	112,796,608	1,002,210,716
1100	Excess (deficiency) of revenues over expenditures	(439,062)	(207,366)	(128,348,773)	(2,310,833)	(131,306,034)
	Other Financing Sources (Uses)					
7911	Issuance of debt	-	45,915,000	94,675,000	-	140,590,000
7912	Sale of real or personal property	60,931	-	-	114,538	175,469
7916	Premium on issuance of bonds	-	3,936,852	6,067,653	-	10,004,505
7949	Issuance of SBITAs	1,888,274	-	-	-	1,888,274
8949	Payment to Bond Refunding Escrow Agent	-	(49,490,340)	-	-	(49,490,340)
7080	**Total Other Financing Sources (Uses)**	1,949,205	361,512	100,742,653	114,538	103,167,908
	Special Item					
7919	Extraordinary items (resource)	-	-	-	-	-
	Total Special Item	-	-	-	-	-
1200	Net change in fund balances	1,510,143	154,146	(27,606,120)	(2,196,295)	(28,138,126)
1000	**Fund Balance - July 1 (Beginning)**	268,715,478	64,143,608	507,651,566	18,477,985	858,988,637
3000	**Fund Balance - June 30 (Ending)**	$ 270,225,621	$ 64,297,754	$ 480,045,446	$ 16,281,690	$ 830,850,511

See notes to the financial statements.

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit C-2R

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

For the Year Ended June 30, 2024

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds (from C-2)	$ (28,138,126)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
1	Governmental funds capital outlays	145,282,154
2	Governmental activities depreciation/amortization expense	(52,710,504)
3	Disposal of assets	(1,188,665)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	306,335
5	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
	General obligation bonds issued	(140,590,000)
	Premium at issuance of bonds	(10,004,505)
	Issuance of a SBITA	(1,888,274)
	Escrow funds for refunded bonds	49,490,340
	Principal payments on bonds	65,154,956
	Principal payments for leases and SBITAs	1,567,377
	Amortization of bond premiums	8,251,126
	Amortization of deferred loss on refundings	(174,523)
	Accreted interest	4,951,020
	Accrued interest	(648,826)
6	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	
	Changes in compensated absences	32,116
	Change in arbitrage liability	(15,746,907)
7	Changes in net pension and net OPEB liabilities and related deferred outflows and inflows	(3,701,742)
8	Internal service funds are used by management to charge the costs of printing and risk management, to individual funds. The net revenue (expense) of the internal service funds is reported as governmental activities. (See D-2)	193,594
	Change in Net Position of Governmental Activities (see B-1)	$ 20,436,946

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – ORIGINAL BUDGET, AMENDED FINAL AND ACTUAL (GAAP BASIS)

For the Year Ended June 30, 2024

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Local revenues	$ 392,004,362	$ 324,585,190	$ 320,627,966	$ (3,957,224)
State program revenues	189,058,159	284,498,304	280,284,286	(4,214,018)
Federal program revenues	12,478,706	8,277,349	11,656,211	3,378,862
Total Revenues	593,541,227	617,360,843	612,568,463	(4,792,380)
Expenditures				
Current:				
Instruction	341,545,572	361,157,528	360,255,430	902,098
Instructional resources and media services	7,350,707	7,413,269	7,059,976	353,293
Curriculum and staff development	8,675,830	7,235,115	6,625,974	609,141
Instructional leadership	13,353,046	15,602,485	13,825,988	1,776,497
School leadership	34,838,234	35,191,070	34,684,076	506,994
Guidance, counseling and evaluation services	31,658,763	32,236,049	31,334,394	901,655
Social work services	3,421,574	3,448,758	3,129,174	319,584
Health services	8,315,944	8,381,292	7,886,346	494,946
Student transportation	18,523,204	19,048,960	18,437,561	611,399
Food services	521,341	547,408	540,938	6,470
Extracurricular activities	15,536,737	15,875,081	13,975,806	1,899,275
General administration	16,610,309	16,007,577	15,997,233	10,344
Facilities maintenance and operations	62,475,858	68,817,698	63,587,718	5,229,980
Security and monitoring services	13,121,965	20,961,258	14,807,276	6,153,982
Data processing services	13,846,979	14,286,550	14,111,368	175,182
Community services	671,266	715,611	669,124	46,487
Debt Service:				
Principal on long-term debt	-	1,567,377	1,567,377	-
Interest on long-term debt	3,500	179,934	196,269	(16,335)
Intergovernmental:				
Contracted instructional services between schools	6,241,026	2,484,161	2,153,778	330,383
Payments to Juvenile Justice Alt. Ed. Prgm.	75,000	96,300	11,481	84,819
Other governmental charges	2,254,372	2,259,579	2,150,238	109,341
Total Expenditures	599,041,227	633,513,060	613,007,525	20,505,535
Excess (deficiency) of revenues over expenditures	(5,500,000)	(16,152,217)	(439,062)	15,713,155
Other Financing Sources (Uses) :				
Sale of real or personal property	-	-	60,931	60,931
Issuance of SBITAs	-	1,350,271	1,888,274	538,003
Total Other Financing Sources (Uses)	-	1,350,271	1,949,205	598,934
Net change in fund balances	(5,500,000)	(14,801,946)	1,510,143	16,312,089
Fund Balances - Beginning	268,715,478	268,715,478	268,715,478	-
Fund Balances - Ending	$ 263,215,478	$ 253,913,532	$ 270,225,621	$ 16,312,089

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Business Type Activities		Governmental Activities	
	Enterprise Fund - Natatorium		Internal Service Funds	
Assets				
Current assets:				
Cash and cash equivalents	$	224,395	$	6,829,370
Total Assets		224,395		6,829,370
Liabilities				
Current liabilities:				
Accounts payable		11,050		133,610
Due to other funds		672		180,087
Accrued wages payable		16,925		-
Accrued expenses		-		4,266,279
Total Liabilities		28,647		4,579,976
Net Position				
Unrestricted		195,748		2,249,394
Total Net Position	$	195,748	$	2,249,394

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit D-2

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

	Business Type Activities	Governmental Activities
	Enterprise Fund - Natatorium	Internal Service Funds
Operating Revenues		
Charges for Services	$ 204,118	$ 2,670,439
Total Operating Revenues	204,118	2,670,439
Operating Expenses		
Payroll costs	124,523	-
Purchased and contracted services	12,009	121,787
Supplies and materials	19,445	202,723
Claims expense and other operating expenses	30,581	2,395,209
Total Operating Expenses	186,558	2,719,719
Operating Income (Loss)	17,560	(49,280)
Non-Operating Revenues (Expenses)		
Investment earnings	-	242,874
Total Nonoperating Revenues (Expenses)	-	242,874
Change in Net Position	17,560	193,594
Net Position - July 1 (Beginning)	178,188	2,055,800
Net Position - June 30 (Ending)	$ 195,748	$ 2,249,394

ARLINGTON INDEPENDENT SCHOOL DISTRICT ***Exhibit D-3***

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2024

	Business Type Activities	Governmental Activities
	Enterprise Fund - Natatorium	**Internal Service Funds**
Cash Flows from Operating Activities:		
Cash received from customers	$ 204,118	$ 3,472,899
Cash payments for insurance claims	-	(2,623,665)
Cash payments to suppliers for goods and services	(21,481)	(212,518)
Cash payments for other operating expenses	(160,353)	(37,991)
Net Cash Provided by (Used for) Operating Activities	22,284	598,725
Cash Flows from Investing Activities:		
Interest on investments	-	242,874
Net Cash Provided by (Used for) Investing Activities	-	242,874
Net Change in Cash and Cash Equivalents	22,284	841,599
Cash and Cash Equivalents at Beginning of Year	202,111	5,987,771
Cash and Cash Equivalents at End of Year	$ 224,395	$ 6,829,370
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 17,560	$ (49,280)
Change in Assets, Liabilities, Deferred Inflows and Outflows:		
(Increase) decrease in receivables	-	-
(Increase) decrease in interfund receivables	-	722,369
(Increase) decrease in prepaid items	-	11,996
Increase (decrease) in accrued wages	3,082	-
Increase (decrease) in accounts payable	9,973	(87,949)
Increase (decrease) in accrued expenses		(178,498)
Increase (decrease) in interfund payables	(8,331)	180,087
Net Cash Provided by (Used for) Operating Activities	$ 22,284	$ 598,725

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

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

June 30, 2024

	Custodial Funds
Assets	
Cash and cash equivalents	$ 5,376,115
Due from others	339,046
Total Assets	5,715,161
Liabilities	
Accounts payable	83,554
Due to Others	2,815,584
Total Liabilities	2,899,138
Net Position	
Restricted for student activities	2,513,660
Restricted for sunshine activities	302,363
Total Net Position	$ 2,816,023

ARLINGTON INDEPENDENT SCHOOL DISTRICT ***Exhibit E-2***

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

For the Year Ended June 30, 2024

	Custodial Fund
Additions	
Contributions from student groups	$ 677,128
Contributions from employees - sunshine fund	256,486
Total Contributions	933,614
Total Additions	933,614
Deductions	
Payments for student activities	895,339
Payments for sunshine fund	266,552
Total Deductions	1,161,891
Net increase (decrease) in fiduciary net position	(228,277)
Net Position - Beginning	3,044,300
Net Position - Ending	$ 2,816,023

Arlington
INDEPENDENT SCHOOL DISTRICT
More Than a Remarkable Education

Note 1 - Summary of Significant Accounting Policies

The Arlington Independent School District (“District”) is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents. The District prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in Statement on Auditing Standards No. 69, as amended by Statement on Auditing Standards No.’s 91 and 93 of the American Institute of Certified Public Accountants; and it complies with the most recent requirements of the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide" or FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of Trustees (“Board”), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education in the City of Arlington and portions of the Cities of Grand Prairie and Dalworthington Gardens, and the Town of Pantego. Because members of the Board are elected by the public, they have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and they have primary accountability for fiscal matters. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*. The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

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 the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, charges to school districts for services, state funds, grants and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or given 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 customers 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.

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. 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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

Major Governmental Funds

General Fund - The General Fund is the District's general operating fund. It is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the schools except for costs incurred by programs accounted for in the Special Revenue Funds, Capital Projects Fund, Debt Service Fund, and Proprietary Funds. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

Debt Service Fund - The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made on long-term general obligation debt of government funds. Revenues include collections on general property taxes, state funding under the Instructional Facilities and Existing Debt Allotments, and earnings on investments of the fund. Expenditures of the fund are for retirement of bond principal and payment of interest on bonded debt. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

Capital Projects Fund - The Capital Projects Fund accounts for all proceeds of bond issues and earnings on investments of the fund. Revenue from the sale of bonds is used for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and replacing transportation, technology, and various other equipment. This is a budgeted fund.

Proprietary Funds

Business-type Fund – The District only has one business-type activity which accounts for the activity the District's Natatorium. The revenues are derived from external user charges.

Internal Service Fund - The Internal Service Fund accounts for the management of the District's Print Shop and worker's compensation insurance. The cost of these activities is allocated to the other funds of the District on a cost reimbursement basis. These are not budgeted funds.

Fiduciary Fund

Custodial Fund - The District accounts for resources held for others in a custodial capacity in custodial funds. The fund is used to account for assets held by the District as custodian for student and other organizations. This fund reports the detail of additions to and deductions from custodial fund in the Statement of Changes in Fiduciary Net Position.

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual are principally certain inter-governmental revenues, property taxes and investment income. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

The proprietary are accounted for on an economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The custodial fund uses the economic resources measurement focus and utilizes the accrual basis of accounting.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of 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.

D. Implementation of New Standards

GASB issued Statement No. 99, *Omnibus 2022* was issued in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this Statement are effective immediately upon issuance, for periods beginning after June 15, 2022 and June 15, 2023, depending on the topical area.

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

D. Implementation of New Standards (continued)

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

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

GASB Statement No. 101: Compensated Absences. This Statement was issued in June 2022. It updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2023. This Statement will become effective for the District in fiscal year 2025. The District has not yet determined the impact of this statement.

GASB Statement No. 102: Certain Risk Disclosures. This Statement was issued in December 2023. It establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for periods beginning after June 15, 2024. This Statement will become effective for the District in fiscal year 2025. The District has not yet determined the impact of this statement.

GASB Statement No. 103: Financial Reporting Model Improvements. This Statement was issued in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. This Statement will become effective for the District in fiscal year 2026. The District has not yet determined the impact of this statement.

GASB Statement No. 104: Disclosure of Certain Capital Assets. This Statement was issued in September 2024. It requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. This Statement will become effective for the District in fiscal year 2026. The District has not yet determined the impact of this statement.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Deposits and Investments

1. Cash and cash equivalents

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

2. Investments

Investments consist largely of money market funds and government investment pools. The District's investments are carried at fair value based on quoted market prices at year-end, in accordance with U.S. generally accepted accounting principles. Investments having a maturity of three months or less are reported as cash and cash equivalents.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants.*

F. Receivables and payables

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

Property taxes are levied each year by October 1 based upon property valuations as of January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate adopted by the Board. The District is permitted under the Texas Education Code to levy taxes up to $1.0864 per $100 of assessed valuation for general governmental services other than debt service on general obligation bonds. The tax rate which may be levied to service general obligation bonds is not limited. For the current fiscal year, the Board of Trustees set tax rates applicable to general governmental services and to debt service of $0.8249 per $100 valuation and $0.2907 per $100 valuation, respectively, based on a net assessed valuation of $39.7 billion.

Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowance for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off property taxes without specific statutory authority from the Texas Legislature. The property tax receivable allowance is equal to 42.9% of total outstanding property taxes at June 30, 2024.

Note 1 - Summary of Significant Accounting Policies (continued)

G. Inventories and prepaid items

In the General Fund, inventory is valued at cost, using the weighted-average method. A computerized inventory system automatically updates inventory values. This valuation is not materially different from the first-in, first-out valuation method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

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

In the nonmajor special revenue fund, inventory is valued at cost, using the weighted-average method, except for food commodities, which are recorded at market values supplied by the Texas Department of Human Services. Commodities are received at no cost to the District; however, their fair market value is recorded as inventory and revenue when received. As the commodities are consumed, inventory is relieved, and expenditures are charged.

H. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District does not have any public domain (“infrastructure”) capital assets. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life of two years or more. The SBITA recognition threshold is annual payment of $250,000.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives, as well as the cost of land, are not depreciated.

Capital assets are depreciated over the estimated useful lives of the assets on a straight-line basis over the following estimated useful lives:

Type of Capital Asset	Useful Life
Buildings and Improvements	20 to 40 years
Furniture and equipment	5 to 12 years
Right-to-use assets leases	Based on the lease agreement
SBITAs	Based on the subscription arrangement

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

I. Compensated absences

All administrative and full-time hourly employees of the District receive up to three weeks of vacation each calendar year. If the employee does not use the vacation time by December 31 of the following year, it is lost and may not be carried forward. Employees may accumulate as many as fifty days of local personal leave, which can be carried forward from year to year. The time is forfeited if not used before the employee leaves the District. Therefore, no accrual for compensated absences is included in the accompanying financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

J. Long-term obligations

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, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the appropriate effective interest and straight-line methods.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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.

K. Accrued service benefits

Accrued service benefits are accrued as a liability in the government-wide financial statements. Eligibility for accrued service benefits for the employees of the Arlington Independent School District is determined by length of continuous service with the District and approval for retirement benefits under provisions of the Teacher Retirement System of Texas. Benefits are available to employees hired before January 1, 1985 and are based on years of experience with the District, accumulated eligible local sick leave days and accumulated ineligible local sick leave days.

L. Deferred outflows/inflows of resources

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* represent a consumption of net assets that applies to future periods (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government. The District has three items that qualify for reporting in this category:

- Deferred outflows of resources for refunding – Reported in the government-wide financial statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflows of resources for other post-employment benefits (OPEB) – Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the District's proportional share of OPEB liabilities. The deferred outflows of resources related to other post-employment benefits resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The remaining deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the OPEB plan.

Note 1 - Summary of Significant Accounting Policies (continued)

A *deferred inflow of resources* is an represents an acquisition of net assets to future periods (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government. The District has four items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow or resources in the period that the amounts become available.
- Deferred inflows of resources for pension – reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

L. Deferred outflows/inflows of resources (continued)

- Deferred gain on refunding - Reported in the government-wide financial statement of net position, this deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

M. Pensions

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

N. Other Post-Employment Benefits (OPEB).

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

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

O. Net position and fund balances

Net position on the Statement of Net Position include the following:

Net investment in capital assets – the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted for federal and state programs – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

Restricted for debt service – the component of net position that reports the difference between assets, deferred inflows of resources and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Unrestricted net position – the difference between the assets, deferred inflows of resources and liabilities that are not reported in net position net investment in capital assets, or restricted net position.

Net position flow assumption - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary 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 net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, governmental funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

<u>*Non-spendable Fund Balance*</u>
Non-spendable fund balance is that portion of fund balance that is not expendable. Examples of non-spendable fund balance include inventories and prepaid items.

<u>*Spendable Fund Balance*</u>
Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

Note 1 - Summary of Significant Accounting Policies (continued)

O. Net position and fund balances (continued)

Restricted fund balance – the component of the spendable fund balance constrained to a specific purpose by a provider, such as a creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for debt service, construction programs, and resources from other granting agencies.

Committed Fund Balance – the component of the spendable fund balance constrained to a specific purpose by Board. A Board resolution is required to establish a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. The Board has committed the funds of $5.5 million for the expansion of a full pre-kindergarten program and $2 million for campus activity funds.

Assigned Fund Balance – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Superintendent. Board Policy CE (Local) was amended in August 2011 by the Board of Trustees to provide the Superintendent with this authorization. The District has assigned fund a total of $81 million in the General Fund. This amount includes $10 million for prekindergarten program and $71 million for July and August 2024 the general operation cash flow. The District assigned $96 million of its Capital Projects Fund balance for future locally funded capital projects. That is, these projects are not funded with bond funds.

Unassigned Fund Balance – the component of the spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures. The General fund is the only fund that reports a positive unassigned fund balance.

The District strives to maintain an unassigned fund balance in the general fund equal to a minimum of 16.67% of the District's general fund operating expenditures. In the event that unassigned fund balance falls below the target level, the Board shall, within 24 months, adopt a plan to restore this balance to the target level.

Fund balance flow assumptions - Sometimes the government 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 government'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.

P. Data control codes

The data control codes refer to the account code structure prescribed by the TEA. The TEA requires school districts to display these codes in the financial statements filed with the agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Note 1 - Summary of Significant Accounting Policies (continued)

Q. Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $100,000 or more.

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement 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.

R. Subscription-Based Information Technology Arrangements (SBITAs)

The District is under contract for various SBITAs for the right-to-use subscription assets (software). The SBITAs are noncancellable, and the District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The District recognizes SBITA liabilities with a payment, individual value of $250,000 or more.

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

Note 2 - Stewardship Compliance and Accountability

Budgets and Budgetary Accounting

The District is legally required to adopt budgets for the General Fund, Debt Service Fund, Capital Projects Fund, and Child Nutrition. Each budget is presented and accounted for on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The District is not legally required to adopt Special Revenue Fund budgets.
The District follows these procedures preparing and approving its annual budget:

1. The superintendent or his designate prepares a budget covering all estimated revenues and proposed expenditures of the District for the next succeeding fiscal year. The budget is prepared by generic fund type and function.
2. Ten days after public notice of the meeting has been given, a public hearing is held, allowing the public to comment on the proposed budget.
3. A public meeting of the Board of Trustees is called for the purpose of adopting the budget. The State Board of Education requires that the budget be prepared no later than June 30th of each year.
4. Budget data must be received by the Texas Education Agency on or before December 15 each year. The legal level of budgetary control is at the function level within each generic fund type. Budget amounts are as originally adopted, or as amended by the Board, on June 18, 2024. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Trustees. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; issuance of bonds and supplemental appropriations for bond projects; mid-year adjustment of local and state revenues and appropriations and operating costs; and year-end adjustments to revise estimates of revenues and expenditures based on the latest information on student attendance, interest earnings, and operating costs. All budget appropriations lapse at year-end.

Note 3 - Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The District maintains an investment policy which authorizes the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public fund investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The collateral shall always be held by an independent third party with whom the District has a current custodial agreement. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance or securities pledged to the District and held by a third-party custodian.

At June 30, 2024, the carrying value of the District's deposits (other than the temporary investments listed below) was $39 million and the bank balance was $48 million. The District's cash deposits at June 30, 2024, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The District also held petty cash of approximately $2,000.

Investments

As of June 30, 2024, the District's investments consisted of balances held by Lone Star Local Government Investment Pool (LSIP), Texas Local Government Investment Pool (TexPool), and LOGIC Local Government Investment Pool.

LSIP is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U. S. government and U. S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. The District's fair value in LSIP is the same as the value of the pool shares.

Note 3 - Deposits and Investments (continued)

Investments (continued)

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the Trust Company) to provide a safe environment for the placement of local government funds. The portfolio consists of U.S. Treasury and government agency securities, repurchase agreements, certain mutual funds, collateralized repurchase and reverse repurchase agreements, no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized statistical rating organization, securities lending programs, and certificates of deposit. TexPool is overseen by the State Comptroller of Public Accounts and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. TexPool follows chapter 2256 of the Texas Public Funds Investment Act. TexPool uses amortized cost rather than fair value to report net assets to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at amortized cost, which approximates fair value.

Local Government Investment Cooperative (LOGIC) (the "Pool") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants.

The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Pool. The Portfolio assets are marked to market daily using the fair value method. Due to the fact that amortized cost, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value, Portfolio assets are valued on the basis of the amortized cost valuation technique.

As noted in the District's Significant Accounting Polices, the District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants.* In addition, Lone Star, TexPool and LOGIC do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)
Governmental Activities			
Local Government Investment Pools:			
TexPool	$ 48,198,368	5.9%	26
LOGIC	245,351,837	30.2%	40
Lone Star	162,916,984	20.0%	23
Total Local Government Investment Pools	456,467,189	56.2%	
U.S. Government Agency Securities	356,162,137	43.8%	163
Total U.S. Government Agency Securities	356,162,137	43.8%	
Total Governmental Activities	812,629,326	100.0%	
Total	$ 812,629,326	100.0%	90

All investments mature in less than one year, except for $9,995,793 in Government Securities that mature in October 2025.

Note 3 - Deposits and Investments (continued)

Investments (continued)

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

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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 in the external investment pools (Lone Star, TexPool and LOGIC), are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service. As of June 30, 2024, the District's investments in Lone Star was rated AAA and, TexPool and LOGIC were rated AAAm.

Credit Risk - This is the risk that a security issuer may default on an interest or principal payment. State law limits investments in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAm. The District's investments in Lone Star was rated AAA and, TexPool and LOGIC were rated AAAm. The Federal Home Loan bank investments are rated AA+.

Interest-rate Risk - This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

Concentration Risk - This type of risk is defined as positions of 5 percent or more in the securities of a single issuer. The District is not exposed to concentration risk because the investment portfolio mainly consists of external investment pools.

Note 4 - Receivables

Receivables due from other governments, as of June 30, 2024 for the District's major and nonmajor funds in the aggregate are as follows. All receivables are expected to be collected within one year.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Due from the State of Texas/ Other Governments	$ 70,427,991	$ 2,152,920	$ 13,109,213	85,690,124

The District expects to collect all receivables within one year of the end of the fiscal year period.

Note 5 - Interfund Receivables, Payables, and Transfers

The composite of interfund balances as of June 30, 2024, is as follows. All interfund balances are expected to be repaid within one year.

	Interfund Receivable	Interfund Payable	Net
Governmental Activities:			
General Fund	$ 18,743,835	$ 2,644,514	$ 16,099,321
Debt Service Fund	1,453,235	-	1,453,235
Capital Projects Fund	15,466	423,569	(408,103)
Nonmajor Governmental Funds	4,547,301	21,510,995	(16,963,694)
Nonmajor Enterprise Funds	-	672	(672)
Internal Service Funds	-	180,087	(180,087)
	$ 24,759,837	$ 24,759,837	$ -

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made.

Note 6 - Capital Assets

A summary of changes in governmental activities capital assets for the year ended June 30, 2024 as follows:

	Balance June 30, 2023	Additions	Retirements and Transfers	Balance June 30, 2024
Governmental Activities:				
Capital Assets, Not Being Depreciated/Amortized:				
Land	$ 86,665,675	$ 5,979,776	$ -	$ 92,645,451
Construction in progress	171,735,127	125,125,312	(112,310,511)	184,549,928
Total Capital Assets, Not Being Depreciated/Amortized	258,400,802	131,105,088	(112,310,511)	277,195,379
Capital Assets, Being depreciated/Amortized:				
Buildings and improvements	1,480,963,131	4,984,982	112,260,239	1,598,208,352
Furniture and equipment	140,987,853	7,303,810	(1,188,667)	147,102,996
Right-to-use asset - leases	265,130	-	(265,130)	-
Right-to-use asset - Subscription asset	1,943,152	1,888,274	(1,943,152)	1,888,274
Total Capital Assets, Being depreciated/Amortized	1,624,159,266	14,177,066	108,863,290	1,747,199,622
Less Accumulated Depreciation/Amortization For:				
Buildings and improvements	(642,426,882)	(39,402,096)	50,272	(681,778,706)
Furniture and Equipment	(103,363,190)	(11,558,191)	-	(114,921,381)
Right-to-use asset - leases	(262,107)	(3,025)	265,132	-
Right-to-use asset - subscriptions	(792,435)	(1,747,192)	1,943,152	(596,475)
Total Accumulated Depreciation/Amortization	(746,844,614)	(52,710,504)	2,258,556	(797,296,562)
Governmental Capital Assets	$ 1,135,715,454	$ 92,571,650	$ (1,188,665)	$ 1,227,098,439

Note 6 - Capital Assets (continued)

Depreciation and amortization was charged to functions as follows:

Function	Depreciation/ Amortization Expense
Governmental Activities:	
Instruction	$ 32,167,463
Instructional resources & media services	620,029
Curriculum & instructional staff development	580,992
Instructional leadership	1,212,319
School leadership	3,041,241
Guidance, counseling & evaluation services	2,752,501
Social work services	274,379
Health services	692,842
Student (pupil) transportation	1,616,680
Food services	47,342
Cocurricular/extracurricular activities	1,224,186
General administration	5,562,304
Plant maintenance & operations	1,298,361
Security and monitoring services	1,098,258
Community services	50,342
	$ 52,710,504

The District's net investment in capital assets calculation is shown below and is presented on the Statement of Net Position.

Capital Assets, net of related depreciation/ amortization	$ 1,227,098,439
Less: Bonds Payable	(1,160,400,000)
Plus: Deferred Loss on Refunding	8,056,999
Less: Deferred Gain on Refunding	(18,715,924)
Less: Premium on bonds	(144,139,285)
Less: SBITA liability	(1,319,467)
Plus: Unspent bond proceeds, net of capital related liabilities	383,409,019
Total Net Investment in Capital Assets	$ 293,989,781

Note 6 - Capital Assets (continued)

Construction Commitments

The District has active construction projects as of June 30, 2024. Construction in progress and remaining commitments as of June 30, 2024 are as follows:

Project	Approved Construction Budget	Construction in Progress	Estimated Remaining Commitment
Duff Elementary	$ 12,245,040	$ 8,131,990	$ 4,113,050
South Davis Elementary School	1,752,960	989,186	763,774
Arlington HS	73,996,494	50,747,245	23,249,249
Martin HS & Athletic Field	51,650,000	12,644,692	39,005,308
Bowie HS Softball	2,300,000	10,730	2,289,270
Seguin HS Softabll	2,800,000	-	2,800,000
Bowie HS FB/Track Resurface	1,316,450	1,249,639	66,811
Seguin HS FB/Track Resurface	1,166,219	1,093,668	72,551
Enterprise Center	12,264,213	12,239,055	25,158
Lamar HS	9,000,000	808,843	8,191,157
Cravens Stadium	38,600,000	908,137	37,691,863
Sam Houston	10,606,200	7,234,317	3,371,883
Wilemon Stadium	38,600,000	893,899	37,706,101
Bailey JH	28,556,668	22,066,101	6,490,567
Carter JH / Joey Rodriguez JHS	73,691,559	19,912,768	53,778,791
Little Elementary School	520,652	86,705	433,947
Speer Elementary School	3,235,085	705,578	2,529,507
Pope Elementary School	10,811,095	908,731	9,902,364
Johns Elementary School	10,700,000	1,190,929	9,509,071
Short Elementary School	5,038,000	4,699,192	338,808
Foster Elementary School	8,200,000	755,457	7,444,543
Key Elementary School	11,773,476	1,335,274	10,438,202
Atherton Elementary School	3,950,000	392,081	3,557,919
Playgrounds Phase II	7,685,440	7,601,854	83,586
Playgrounds Phase III	10,694,412	10,510,419	183,993
Roark Elementary School (Demolition)	1,301,767	1,097,984	203,783
Goodman Elementary School	4,000,000	100,000	3,900,000
Amos Elementary School	3,740,000	131,311	3,608,689
Miller Elementary School	7,866,500	347,108	7,519,392
FF&E 650	6,500,000	2,856,503	3,643,497
FF&E 651	600,000	242,324	357,676
Cafeteria Tables & Chairs	4,020,236	2,153,318	1,866,918
Future Design Fees 651	250,000	222,330	27,670
Future Design Fees 652	250,000	44,550	205,450
Anderson HVAC Renovations	2,069,467	1,934,664	134,803
Sherrod ES Renovations (Fire Alarm Only)	196,650	-	196,650
Dan Dipert CTC Paving	800,000	172,429	627,571
PDC Paving Renovation	1,868,025	9,500	1,858,525
Transportation/Security Center Replacement	22,500,000	206,044	22,293,956
JW Counts Demo	599,100	509,600	89,500
	$ 495,121,481	$ 184,549,928	$ 310,571,553

Note 7 - Long-Term Liabilities

Long-term debt of the District is comprised of bonds payable, leases payable, SBITA payable, and accrued service benefits. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding under the Instructional Facilities and Existing Debt Allotments and interest earnings. The General Fund has typically been used to liquidate leases and notes payable, in prior years.

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

	Balance as of July 1, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
Bonds payable	$ 1,131,879,956	$ 140,590,000	$ (112,069,956)	$ 1,160,400,000	$ 46,130,000
Bond premiums	161,919,767	10,004,505	(27,784,987)	144,139,285	-
Accreted interest	4,951,020	74,024	(5,025,044)	-	-
Lease liability	3,298	-	(3,298)	-	-
Arbitrage liability	5,230,848	15,746,907	-	20,977,755	3,059,953
SBITA liability	995,272	1,888,274	(1,564,079)	1,319,467	711,872
Accrued service benefits	40,721	-	(32,116)	8,605	-
Total	$ 1,305,020,882	$ 168,303,710	$ (146,479,480)	$ 1,326,845,112	$ 49,901,825

The same governmental funds used to pay the staff's salary have been used to liquidate the liability for compensated absences in the current and prior years.

On August 10, 2023, the District issued Unlimited Tax School Building and Refunding Bonds, Series 2023 totaling $140,590,000. The bonds were issued at a premium of $10,004,505. The building bonds were used for the acquisition, the bonds also refunded Unlimited Tax Refunding Bonds, Taxable Series 2020 in the amount of $46,915,000. The amount placed in escrow to purchase State and Local Government Securities was $49,490,340. The amount debt service remaining on the refunded debt was $57,645,500. The refunding portion of the transaction resulted in net cash flow savings of $1,207,750 and net present value savings of $1,080,159. The bonds mature in 2048 and carry an interest rate of 4.00% to 5.00%. In June 2024, The District also defeased Unlimited Tax School Building Bonds, Series 2016 A in the amount of $14 million using District resources. The par value of the refunded bonds were $13.6 million The defeasance yielded net present value savings of $3.4 million.

Qualified School Construction Bonds ("QSCB's") are tax-credit bonds authorized through the American Recovery and Reinvestment Act. The QSCB program provides school districts the opportunity to issue interest free or very-low interest bonds to finance the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed. Purchasers of QSCB's issued in 2009 receive a federal tax credit instead of interest payments. Purchasers of QSCB's issued in 2011 receive interest payments from the issuer, and the issuer can elect to receive subsidy payments from the federal government equal to the lesser of (i) the amount of interest payable under such bond on such date, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under section 54A(b)(3) of the Internal Revenue Code with respect to such bonds. The District received $198 thousand in subsidy payments from the federal government during the fiscal year ended June 30, 2024.

Note 7 - Long-Term Liabilities (continued)

Bonds Payable

Bonded indebtedness of the District is reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

A summary of changes in general obligation bonds for the year ended June 30, 2024, are as follows:

Bond	Interest Rates	Original Amount	Range of Future Maturities	6/30/2023 Balances	Issued	Retired/ Defeased	6/30/2024 Balances
2009 QSCB	0.40%	$ 36,320,000	2018-26	$ 12,110,000	$ -	$ (4,035,000)	$ 8,075,000
2011 QSCB	5.25 to 6.00%	13,655,000	2018-26	4,550,000	-	(1,515,000)	3,035,000
2014 Refunding	5.00%	72,020,000	2017-24	11,570,000	-	(11,570,000)	-
2015 Building	1.00 to 5.00%	220,300,000	2016-40	189,685,000	-	(8,455,000)	181,230,000
2016A Building	3.00 to 5.00%	109,420,000	2017-41	89,205,000	-	(17,430,000)	71,775,000
2016B Refunding	2.00 to 5.00%	46,475,000	2017-36	36,990,000	-	(2,930,000)	34,060,000
2017 Building	3.00 to 5.00%	79,345,000	2018-42	63,575,000	-	(2,655,000)	60,920,000
2018 Building	4.00 to 5.00%	33,630,000	2019-43	13,775,000	-	-	13,775,000
2020 Building	4.00 to 5.00%	273,790,000	2020-45	253,105,000	-	(3,445,000)	249,660,000
2020 Refunding	4.00 to 5.00%	137,794,956	2021-39	135,729,956	-	(49,489,956)	86,240,000
2021 Building	4.00 to 5.00%	158,890,000	2022-46	147,225,000	-	-	147,225,000
2022 Building and Refunding	2.00-4.00%	176,370,000	2022-47	174,360,000	-	(545,000)	173,815,000
2023 Building and Refunding	4.00-5.00%	140,590,000	2024-48	-	140,590,000	(10,000,000)	130,590,000
		Total Bonds Payable		$ 1,131,879,956	$ 140,590,000	$ (112,069,956)	$ 1,160,400,000

The annual debt service for retirement of bond principal and interest are as follows:

Year Ending June 30,	Principal	Interest	Totals
2025	$ 46,130,000	$ 48,486,793	$ 94,616,793
2026	46,970,000	46,371,721	93,341,721
2027	48,745,000	44,214,897	92,959,897
2028	50,905,000	41,777,647	92,682,647
2029	51,010,000	39,395,060	90,405,060
2030-2034	284,430,000	161,029,808	445,459,808
2035-2039	325,470,000	100,782,122	426,252,122
2040-2044	217,830,000	43,073,870	260,903,870
2045-2048	88,910,000	6,522,086	95,432,086
	$ 1,160,400,000	$ 531,654,004	$ 1,692,054,004

Lease Liability

The District has copiers and postage machines under lease agreements. The District used an incremental borrowing rate of 3.96 percent to determine the present value of such leases. The right-to-use assets under the lease have a cost of $265,130. There are no variable payments and the lease was fully paid off in fiscal year 2024.

Note 7 - Long-Term Liabilities (continued)

Rebatable Arbitrage Payable

The Tax Reform Act of 1986 requires that the excess interest earned on tax-exempt bond proceeds over interest cost must be remitted to the federal government. These arbitrage interest earnings are paid from the Capital Projects Funds and must be remitted every five years from date of issue. During the fiscal year ended June 30, 2024, no arbitrage payments were made to the IRS. The rebatable arbitrage liability at June 30, 2024 was $21 million. It was recorded at the government-wide level since it was not due and payable at June 30, 2024 but is due within the next year.

Accreted Interest

In accordance with general obligation bond indentures, the District is required to compute, at the time of levying the tax, a rate of tax sufficient to provide a fund each year to pay the principal and interest as bonds mature and interest payments are due.

A portion of the Series 2020 bond issue was Capital Appreciation Bonds. These bonds were issued at a discount, and there are no scheduled interest payments due until maturity of the bonds. A portion of the difference between the principal received at issuance and the total amount due at maturity is accreted each year until the total liability equals the cash due at maturity. Taxable Refunding bonds issued July 30, 2020 included premium capital appreciation bonds. The bonds were issued at a premium of $2,574,956.

Accreted interest on bonds represents the accrued interest to date on the above issues and is summarized as follows:

Issue	Amount Due at Maturity	Amount Received at Issuance	Total To Be Accreted	Balance 6/30/23	Current Year Accretion	Additions / Maturities	Balance 6/30/24
2020 Refunding	$ 7,600,000	$ 2,574,956	$ 5,025,044	$ 4,951,020	$ 74,024	$ (5,025,044)	$ -

Prior Year Defeasance of Debt

In prior years, the District defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2024, the District did not have any defeased bonds outstanding.

Note 8 - Worker's Compensation Insurance (Self-Insured)

Insurance plans

The District contracts with the TASB Risk Management Fund ("the Fund") to facilitate all claims. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the Fund, the District is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service. The District is protected against higher than expected claims costs through the purchase of stop loss coverage. Deposits in the amount of $250,000 for a required Loss Deposit Fund are included in other current assets on the Statement of Net Position. In addition, the District has Excess Workers Compensation Insurance which limits the District's liability for accidents exceeding $600,000 per incident.

The Fund engages the service of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The costs associated with the self-insured plan are reported as interfund transactions. Accordingly, they are treated as operating revenues of the Workers' Compensation Fund and operating expenditures/expenses of the General Fund and Enterprise Fund. An actuarial study is performed on the plan to estimate the claims liability at the fiscal year-end. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The resultant liability calculation is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claim liabilities are evaluated periodically. The following summarizes the self-insured plan claims and liabilities for workers' compensation:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2022	$ 3,958,185	$ 1,686,316	$ (1,437,386)	$ 4,207,115
2023	4,207,115	2,899,639	(2,661,977)	4,444,777
2024	4,444,777	2,432,667	(2,611,165)	4,266,279

Note 9 - SBITA Liabilities

The District is under contract for noncancellable SBITAs that convey control of the right-to-use software. The SBITA liabilities outstanding as of June 30, 2024, consist of two (2) educational software subscriptions with 36 month terms. An incremental borrowing rate of 5 percent was used to discount the SBITAs. The value of the SBITA asset is $1,888,274 and accumulated amortization totaled $596,475.

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

Note 9 - SBITA Liabilities (continued)

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

Fiscal Year	Principal	Interest	Total
2025	$ 711,872	$ 47,396	$ 759,268
2026	494,602	12,949	507,551
2027	111,993	653	113,646
	$ 1,318,467	$ 60,998	$ 1,380,465

Note 10 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Note 10 - Defined Benefit Pension Plan (continued)

Benefits Provided (continued)

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

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or $2,000, whichever was less.

Contributions

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

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

	Contribution Rates	
	September 1, 2023 to August 31, 2024	September 1, 2022 to August 31, 2023
Member (Employee)	8.25%	8.00%
Non-Employer Contributing Entity (State)	8.25%	8.00%
District	8.25%	8.00%

	Current Fiscal Year Contributions
Employer (District)	$ 23,163,033
Employee (Member)	40,664,647
Non-employer Contributing Entity On-behalf Contributions (State)	24,306,558

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

Note 10 - Defined Benefit Pension Plan (continued)

Contributions

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.8% of the member’s salary beginning in fiscal year 2023, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member’s salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- 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.

Actuarial Assumptions

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

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

Note 10 - Defined Benefit Pension Plan (continued)

Discount Rate

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

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

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

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

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

[1] Absolute Return includes Credit Sensitive Investments.

[2] Target allocations are based on the fiscal year 2023 policy model.

[3] Capital Market Assumptions come from Aon Hewitt as of August 31, 2023.

[4] The volatility drag results from the conversion between arithmetic and geometric mean returns.

Note 10 - Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (6.00%)	**Current Rate (7.00%)**	**1% Increase (8.00%)**
District's proportional share of the net pension liability	$ 439,102,908	293,703,440	$ 172,803,704

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

At June 30, 2023, the District reported a liability of $12,910,709 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 293,703,440
State's proportionate share that is associated with the District	287,612,607
Total	$ 581,316,047

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

On August 31, 2023, the employer's proportion of the collective net pension liability was 0.4276% which was an increase of 0.0209% from its proportion measured as of August 31, 2022.

Note 10 - Defined Benefit Pension Plan (continued)

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

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

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

For the year ended June 30, 2024, the District recognized pension expense of $52,778,314. The District also recognized on-behalf pension expense and revenue of $43,427,015 for support provided by the State.

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

	Deferred Outflows of	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 10,464,753	$ (3,556,427)
Changes of assumption	27,778,593	(6,798,055)
Net difference between projected and actual earnings on pension plan investments	42,740,980	-
Changes in proportion and differences between District contributions and proportionate share of contributions	21,609,242	(5,807,486)
District contributions subsequent to the measurement date of the net pension liability	18,887,885	-
Total	$ 121,481,453	$ (16,161,968)

Deferred outflows of resources resulting from District contributions subsequent to the measurement date of $18,887,885 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense
2025	$ 17,401,912
2026	11,993,811
2027	40,329,395
2028	14,493,473
2029	2,213,009
	$ 86,431,600

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

Note 11 - Defined Other Post-Employment Benefit Plans

Plan Description

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

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

	TRS-Care Plan Premium Rates	
	Medicare	**Non-Medicare**
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Contributions

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

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

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

	Current Fiscal Year Contributions
Employer (District)	$ 4,575,007
Employee (Member)	3,219,209
Non-employer Contributing Entity	
On-behalf Contributions (State)	8,156,922

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

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

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions

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

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

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

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

Discount Rate

A single discount rate of 4.13% was used to measure the total OPEB liability. There was an increase of 0.22% in the discount rate since the previous year.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease (3.13%)	**Current Rate (4.13%)**	**1% Increase (5.13%)**
District's proportional share of the net OPEB liability	$ 136,616,458	115,993,728	$ 99,165,092

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

On June 30, 2024, the District reported a liability of $115,993,728 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB liability	$ 115,993,728
State's proportionate share that is associated with (employer)	139,964,262
Total	$ 255,957,990

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

On August 31, 2023, the District's proportion of the collective Net OPEB Liability was 0.5240% which was an increase of 0.02% from its proportion measured as of August 31, 2022.

Healthcare Cost Trend Rates – The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	Healthcare Cost Trend Rate		
	1% Decrease	**Current Rate**	**1% Increase**
District's proportional share of the net OPEB liability	$ 95,515,030	$ 115,993,728	$ 142,339,643

Changes Since the Prior Actuarial Valuation

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

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

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended June 30, 2024, the District recognized negative OPEB expense of $21,340,014. The District also recognized negative on-behalf OPEB expense and revenue of $29,921,405 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 5,247,837	$ (97,586,750)
Changes of assumption	15,832,298	(71,026,037)
Net difference between projected and actual earnings on OPEB plan investments	50,117	-
Changes in proportion and differences between District contributions and proportionate share of contributions	24,210,853	(8,889,835)
District contributions subsequent to the measurement date of the net OPEB liability	3,697,276	-
Total	$ 49,038,381	$ (177,502,622)

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

Year ended June 30	OPEB Expense Amount
2025	$ (30,994,634)
2026	(25,674,522)
2027	(18,472,043)
2028	(20,444,838)
2029	(16,768,158)
Thereafter	(19,807,322)
	$ (132,161,517)

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

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2024, 2023, and 2022, the subsidy payments received by TRS-Care on-behalf of the District were $2,818,914, $2,548,242, and $1,855,602, respectively. The information for the year ended June 30, 2024, is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 12 - Risk Management

The District purchases commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Notes 13 - Shared Service Arrangement

The District has entered into a Shared Service Agreement (SSA) for services and reporting procedures for students with auditory impairments attending the Arlington Regional Day School Program for the Deaf (RDSPD). The District is the fiscal agent and is responsible for applying for, receiving, collecting, expending, and distributing all funds, regardless of source, in accordance with budget adopted by the RDSPD. The District provides accounting services and reports. The member Districts are Kennedale Independent School District, Mansfield Independent School District and Venus Independent School District. SSAs are accounted for in Funds 315 and 435.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

McCALL
PARKHURST & HORTON
Focused on Public Finance since 1919.

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_______**

AS BOND COUNSEL FOR THE ISSUER (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which are payable, bear interest and are subject to further provisions, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including the executed Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium liquidation and other similar laws now or hereafter enacted relating to creditor's rights generally or by principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, without legal limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith, the report or certificate verifying the sufficiency of the amounts deposited in the escrow fund to pay the principal of and interest on the refunded bonds and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. We call your attention to the fact that if such representations are determined to be inaccurate or upon failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the

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Suite 2150
Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood
Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

8 Greenway Plaza
Suite 1025
Houston, Texas 77046
T 713.980.0500
F 713.980.0510

112 East Pecan Street
Suite 1310
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984

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amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer 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 with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the “Service”). Rather, our opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given 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 Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, might result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The information below concerning the Texas Permanent School Fund and the Guarantee Program for School District Bonds has been provided by the Texas Education Agency and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Underwriter.

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 June 30, 2024, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended June 30, 2024, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended June 30, 2024, and for a description of the financial results of the PSF for the year ended June 30, 2024, 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 FUND1

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

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

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

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

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

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

PSF CORPORATION STRATEGIC ASSET ALLOCATION

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

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

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

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

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

COMPARATIVE INVESTMENT SCHEDULE – PSF(CORP)

Fair Value (in millions) August 31, 2023 and 2022				
ASSET CLASS	August 31, 2023	August 31, 2022	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 2,975.1	$ 2,858.4	$ 116.7	4.1%
Domestic Large Cap	7,896.5	6,402.1	1,494.4	23.3%
Total Domestic Equity	10,871.6	9,260.5	1,611.1	17.4%
International Equity	7,945.5	7,197.9	747.6	10.4%
TOTAL EQUITY	18,817.1	16,458.4	2,358.7	14.3%
FIXED INCOME				
Domestic Fixed Income	5,563.7	5,867.5	(303.8)	-5.2%
U.S. Treasuries	937.5	1,140.2	(202.7)	-17.8%
High Yield Bonds	1,231.6	1,142.5	89.1	7.8%
Emerging Market Debt	869.7	1,190.9	(321.2)	-27.0%
TOTAL FIXED INCOME	8,602.5	9,341.1	(738.6)	-7.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,175.8	2,932.3	243.5	8.3%
Real Estate	6,525.2	6,286.9	238.3	3.8%
Private Equity	8,400.7	7,933.1	467.6	5.9%
Emerging Manager Program	134.5	29.9	104.6	349.8%
Real Return	1,663.7	1,620.3	43.4	2.7%
Real Assets	4,712.1	4,341.3	370.8	8.5%
TOT ALT INVESTMENTS	24,612.0	23,143.8	1,468.2	6.3%
UNALLOCATED CASH	348.2	231.7	116.5	50.3%
TOTAL PSF(CORP) INVESTMENTS	$ 52,379.8	$ 49,175.0	$ 3,204.8	6.5%

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

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

INVESTMENT SCHEDULE - PSF(SLB)1

Fair Value (in millions) August 31, 2023

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

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

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

THE SCHOOL DISTRICT BOND GUARANTEE PROGRAM

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

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

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

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

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

THE CHARTER DISTRICT BOND GUARANTEE PROGRAM

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

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

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

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

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

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

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

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

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

CAPACITY LIMITS FOR THE GUARANTEE PROGRAM

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

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

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

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

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

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

2017 LEGISLATIVE CHANGES TO THE CHARTER DISTRICT BOND GUARANTEE PROGRAM

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

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

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

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

CHARTER DISTRICT RISK FACTORS

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

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides $60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter

District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

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

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

INFECTIOUS DISEASE OUTBREAK

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

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

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

RATINGS OF BONDS GUARANTEED UNDER THE GUARANTEE PROGRAM

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

VALUATION OF THE PSF AND GUARANTEED BONDS

Permanent School Fund Valuations

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

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

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

Permanent School Fund Guaranteed Bonds

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

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

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

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Permanent School Fund Guaranteed Bonds by Category[1]

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

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

DISCUSSION AND ANALYSIS PERTAINING TO FISCAL YEAR ENDED AUGUST 31, 2023

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

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

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

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

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

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

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

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

OTHER EVENTS AND DISCLOSURES

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

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

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

PSF CONTINUING DISCLOSURE UNDERTAKING

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

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

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

ANNUAL REPORTS

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

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

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

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

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

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

EVENT NOTICES

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

AVAILABILITY OF INFORMATION

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

LIMITATIONS AND AMENDMENTS

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

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

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and

(2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA or the PSF Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA or the PSF Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

COMPLIANCE WITH PRIOR UNDERTAKINGS

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

SEC EXEMPTIVE RELIEF

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

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