Enhanced / Unenhanced Ratings: Moody's "Aaa" / "Aa1"
S&P "AAA" / "AA+"
PSF Guarantee: "Applied For"
(See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

PRELIMINARY OFFICIAL STATEMENT
Dated: February 7, 2025

NEW ISSUE: BOOK-ENTRY-ONLY
In the opinion of McCall, Parkhurst & Horton L.L.P., 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.

$54,795,000*
GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Tarrant and Dallas Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

Dated Date: February 1, 2025 **Due: August 15, as shown on page 2**
Interest Accrual Date: Date of Delivery (defined below)

The Grapevine-Colleyville Independent School District (the "District") is issuing its $54,795,000* Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 4, 2024 (the "Election"), and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on December 16, 2024, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "Pricing Certificate" which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order").

The Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. **An application has been filed by the District with, and conditional approval has been received from, the Texas Education Agency for the Bonds to be guaranteed by the Texas Permanent School Fund Guarantee Program (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

Interest on the Bonds will accrue from the date they are initially delivered to the initial purchasers thereof named below (the "Underwriters"), and will be payable on February 15, 2026, and semiannually thereafter on each succeeding August 15 and February 15 of each year until stated maturity or prior redemption. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months (see "THE BONDS – General Description").

The District intends to use the Book-Entry-Only System of The Depository Trust Company ("DTC"), but use of such system could be discontinued. The principal of and interest on the Bonds at maturity or on a prior redemption date will be payable to Cede & Co., as nominee for DTC, by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Bonds will be used (i) for acquiring, constructing, renovating and equipping school facilities, the purchase of necessary sites for school facilities, and the purchase of school buses and vehicles; (ii) for acquiring technology equipment, other than equipment used for school security purposes or technology infrastructure integral to the construction of a facility; (iii) for constructing, acquiring, renovating, and equipping the Grapevine-Colleyville Independent School District Swim Center; and (iv) to pay costs of issuance related to the Bonds (see "THE BONDS – Purpose").

CUSIP PREFIX: 388640 / **MATURITY SCHEDULE & 9 DIGIT CUSIP** – See Schedule on Page 2

The Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Cantu Harden Montoya LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about March 13, 2025 (the "Date of Delivery").

Raymond James **Frost Bank**

* Preliminary, subject to change.

CUSIP Prefix[(A)]: 388640

MATURITY SCHEDULE*

Maturity Date* (8/15)	Principal Amount*	Interest Rate	Initial Yield	CUSIP Suffix[(A)]
2026	$ 3,230,000	%	%	
2027	3,190,000			
2028	3,560,000			
2029	2,475,000			
2030	4,185,000			
2031	2,230,000			
2032	3,750,000			
2033	1,360,000			
2034	1,430,000			
2035	1,495,000			
2036	1,570,000			
2037	1,665,000			
2038	1,755,000			
2039	1,840,000			
2040	1,930,000			
2041	2,035,000			
2042	1,790,000			
2043	1,875,000			
2044	1,975,000			
2045	2,075,000			
2046	2,175,000			
2047	2,285,000			
2048	2,400,000			
2049	2,520,000			

(Interest to accrue from the Date of Delivery)

REDEMPTION*…The Bonds maturing on and after August 15, 2035, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption Provisions”). If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the “Term Bonds”) by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order and will be described in the final Official Statement.

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* Preliminary, subject to change.

[(A)] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. None of the District, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), 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 Rule 15c2-12.

No dealer, broker, salesperson or other person has been authorized to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Financial Advisor or the Underwriters.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation by the Financial Advisor or the Underwriters.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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 E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.

THE 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 FOR THE PURCHASE THEREOF.

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

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement 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 agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Bonds or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

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

TABLE OF CONTENTS

The cover page hereof, the section entitled "Selected Data from the Official Statement," this Table of Contents and the Appendices attached hereto are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	Grapevine-Colleyville Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in Tarrant and Dallas Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District, see "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and "Appendix B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY."
Authority for Issuance	The District's Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State, including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 4, 2024 (the "Election"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board on December 16, 2024. In the Bond Order, the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will be approved and executed by the Pricing Officer and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order") (see "THE BONDS – Authorization").
The Bonds	The Bonds shall mature on the dates and in the amounts set forth on page 2 of this Official Statement (see "THE BONDS – General Description").
Payment of Interest	Interest on the Bonds will accrue from the date of their initial delivery (the "Date of Delivery") to the initial purchasers thereof (the "Underwriters") and will be payable on February 15, 2026, and semiannually thereafter on each succeeding August 15 and February 15 of each year until stated maturity or prior redemption (see "THE BONDS – General Description").
Security	The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied against all taxable property located within the District, without legal limit as to rate or amount (see "THE BONDS – Security"). Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency ("TEA") for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Use of Proceeds	Proceeds from the sale of the Bonds will be used (i) for acquiring, constructing, renovating and equipping school facilities, the purchase of necessary sites for school facilities, and the purchase of school buses and vehicles; (ii) for acquiring technology equipment, other than equipment used for school security purposes or technology infrastructure integral to the construction of a facility; (iii) for constructing, acquiring, renovating, and equipping the Grapevine-Colleyville Independent School District Swim Center; and (iv) to pay costs of issuance related to the Bonds (see "THE BONDS – Purpose").
Redemption Provisions*	The Bonds maturing on and after August 15, 2035, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Redemption Provisions"). If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order and will be described in the final Official Statement.

* Preliminary, subject to change.

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.
Ratings	Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), have assigned municipal bond ratings of "Aaa" and "AAA", respectively to the Bonds based upon the Permanent School Fund Guarantee. Moody's and S&P generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa" and "AAA", respectively (see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS"). The District's underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are "Aa1" by Moody's and "AA+" by S&P (see "RATINGS").
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of and interest on the Bonds at maturity or on a prior redemption date will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar").
Continuing Disclosure of Information	Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events, which will be available to investors as described in the section captioned "CONTINUING DISCLOSURE OF INFORMATION." Also see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the undertaking of the TEA to provide certain information on a continuing basis.
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality and tax exemption by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see "LEGAL MATTERS" and "TAX MATTERS").

For additional information regarding the District, please contact:

David Johnson Chief Financial Officer Grapevine-Colleyville Independent School District 3051 Ira E. Woods Avenue Grapevine, Texas 76051 Phone: (817) 251-5580	or	Joshua McLaughlin or Alison Long BOK Financial Securities, Inc. 333 West Campbell Road, 4th Floor Richardson, Texas 75080 Phone: (214) 576-0878

GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Term Expires	Occupation
Shannon Braun, President	May 2027	Community Volunteer/Homemaker
Mary Humphrey, Vice President	May 2026	Retired Teacher
Kathy Florence Spradley, Secretary	May 2025	Operations Manager
Dalia Begin, Member	May 2027	Business Executive
Tammy Nakamura, Member	May 2025	Business Owner
A.J. Pontillo, Member	May 2026	Criminal Investigator
Dianna Sager, Member	May 2026	Retired Teacher

CERTAIN DISTRICT OFFICIALS

Name	Position
Bradley Schnautz, Ed.D.	Superintendent of Schools
Shiela Shiver, Ed.D.	Chief Academic Officer
David Johnson [(A)]	Chief Financial Officer
Kelly Mires	Chief Human Resources Officer
Paula Barbaroux	Chief Operations Officer
Holly Ray, Ed.D.	Chief of Schools
Kyle Berger	Chief Technology Officer
Nicole Lyons	Executive Director of Communications
Kalee McMullen, Ed.D.	Executive Director of Instructional Leadership

[(A)] David Johnson joined the District as the new Chief Financial Officer effective February 3, 2025. Derick Sibley submitted his resignation as Chief Financial Officer of the District, effective at the end of February 2025.

CONSULTANTS AND ADVISORS

Auditors .... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

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

Financial Advisor .... BOK Financial Securities, Inc.
Richardson, Texas

PRELIMINARY OFFICIAL STATEMENT RELATING TO

$54,795,000*
GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Tarrant and Dallas Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and D, has been prepared by the Grapevine-Colleyville Independent School District located in Tarrant and Dallas Counties, Texas (the "District"), in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2025 (the "Bonds"), identified on the cover page hereof.

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

There follows in this Official Statement descriptions of the Bonds and the Order (as defined herein), and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the District's Financial Advisor, BOK Financial Securities, Inc., 333 West Campbell Road, 4th Floor, Richardson, Texas 75080.

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 (the "MSRB") and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for information regarding the EMMA system and for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

Authorization

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 4, 2024 (the "Election"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the District's Board of Trustees (the "Board") on December 16, 2024. In the Bond Order, the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will be approved and executed by the Pricing Officer and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order"). Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

Purpose

Proceeds from the sale of the Bonds will be used (i) for acquiring, constructing, renovating and equipping school facilities, the purchase of necessary sites for school facilities, and the purchase of school buses and vehicles; (ii) for acquiring technology equipment, other than equipment used for school security purposes or technology infrastructure integral to the construction of a facility; (iii) for constructing, acquiring, renovating, and equipping the Grapevine-Colleyville Independent School District Swim Center; and (iv) to pay costs of issuance related to the Bonds. After the issuance of the Bonds, the District will have $90,765,000* of voter authorized but unissued unlimited ad valorem tax bonds remaining from the Election (see "Table 12 – Authorized But Unissued Bonds" in Appendix A).

General Description

The Bonds shall be dated February 1, 2025, and interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will accrue from the date of their initial delivery (the "Date of Delivery") to the initial purchasers thereof (the "Underwriters"), at the interest rates shown on page 2 hereof and such interest shall be payable to the registered owners thereof commencing on February 15, 2026, and semiannually thereafter on each succeeding August 15 and February 15 until stated maturity or prior redemption.

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* Preliminary, subject to change.

The Bonds are to mature on the dates and in the principal amounts shown on page 2 hereof. The Bonds will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. The paying agent and transfer agent for the Bonds is initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar").

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners. The principal of and interest on the Bonds at maturity or upon prior redemption will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" for a more complete description of such system.

Interest on the Bonds will be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and such accrued interest will be paid by (i) check sent by United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date for determining the party to whom interest is payable on any interest payment date for the Bonds is the close of business on the last business day of the month next preceding such interest payment date (the "Record Date") (see "REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment"). The principal of the Bonds at maturity or on a prior redemption date will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption, as applicable; 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 "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

The Bonds are direct obligations of the District and are payable as to principal and interest from an annual ad valorem tax levied on all taxable property within the District, without legal limit as to rate or amount, as provided in the Order. Additionally, the District has applied for and received from the Texas Education Agency ("TEA") conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM").

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has made application to and received conditional approval from the Texas Commissioner of Education for guarantee of the Bonds under the Texas Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code, as amended). Subject to satisfying certain conditions discussed in "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas.

In the event of default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund. The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased (see "THE BONDS – Defeasance of Bonds").

Redemption Provisions*

The Bonds maturing on and after August 15, 2035, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds or portions thereof within a maturity, to be redeemed.

If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order and will be described in the final Official Statement.

* Preliminary, subject to change.

Notice of Redemption

At least 30 days prior to the date fixed for any such redemption of the Bonds, the District shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each registered owner at the address shown 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. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH BONDS OR PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH BONDS ARE SURRENDERED FOR PAYMENT.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall 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 receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

Legality

The Bonds are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas (see “LEGAL MATTERS” and “Appendix C – FORM OF LEGAL OPINION OF BOND COUNSEL”).

Payment Record

The District has never defaulted with respect to the payment of its bonded indebtedness.

Defeasance of Bonds

The Order provides for the defeasance of the Bonds when the payment on the Bonds to the due date thereof (whether such due date be by reason of maturity or otherwise) 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 that mature as to principal and interest in such amounts and at such times to ensure 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 “Defeasance Securities” means any securities and obligations 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 District authorizes the defeasance of the 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 District authorizes the defeasance of the 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 current State 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 State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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. After firm banking and financial arrangements for the defeasance of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or to take any action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the defeasance of the Bonds, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of such banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Upon defeasance, such defeased Bonds shall no longer be regarded to be outstanding or unpaid and such defeased Bonds will no longer be guaranteed by the Texas Permanent School Fund.

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 principal amount of 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 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.

Sources and Uses of Funds

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

Sources:		
	Principal Amount of the Bonds	$
	[Net] Original Issue Reoffering Premium on the Bonds	
	Total Sources of Funds	**$**
Uses:		
	Deposit to Construction Fund	$
	Costs of Issuance and Underwriters' Discount	
	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 E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix E is incorporated herein and made a part hereof for all purposes.

REGISTERED OWNERS' REMEDIES

The Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, as well as enforce rights of payment under the Permanent School Fund Guarantee, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. 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. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the subcaption "THE BONDS – Authorization"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. 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, principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

See "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. Initially, the only registered owner of the Bonds will be Cede & Co., as DTC's nominee. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and principal of, premium, if any, interest and redemption payments on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but none of the District, the Financial Advisor or the Underwriters takes any responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of the Bonds, as set forth on page 2 hereof, 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 rating from S&P Global Ratings 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" below.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Order, the District retains the right to replace the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a legally qualified bank, trust company, financial institution or other agency duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District 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 paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date, and such interest will be paid (i) by check sent United States mail, first class, postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds at maturity or on a prior redemption date will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation to the designated payment/transfer office of 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 "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

Future Registration

In the event the Book-Entry-Only System is discontinued, printed Bond certificates will be delivered to the owners of the Bonds and thereafter the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Record Date for Interest Payment

The Record Date for determining the person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date. In the event of a nonpayment 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 books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any transfer or exchange with respect to Bonds (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

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

LEGAL MATTERS

The District will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code of 1986, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. The form of Bond Counsel's opinion is attached hereto as Appendix C.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District in 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. Except as noted below, Bond Counsel 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 appearing under the captions, "THE BONDS" (except under the subcaptions "Permanent School Fund Guarantee," the fourth paragraph under "Notice of Redemption," "Payment Record" and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS" (except for the last two sentences of this paragraph), "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS" (except for the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations"), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The District expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Cantu Harden Montoya LLP, Dallas, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

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

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 LEGAL OPINION OF BOND COUNSEL").

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

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 the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the 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 may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

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.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer and Student Fairness Coalition*, 490 S.W.3d 826 (Tex. 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the 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").

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 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: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts may not increase their M&O tax rate for the purpose of creating a surplus to pay debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to $1.50 per $100 of taxable value. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts 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 also 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.

Prior to the 2019 Legislative Session, a school district's maximum M&O tax rate for a given tax year was determined by multiplying that school district's 2005 M&O tax rate levy by an amount equal to a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the "Commissioner"). This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of $1.50 per $100 of taxable value (though certain school districts located in Harris County had special M&O tax rate authorizations allowing a higher M&O tax rate). School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to $0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to $0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between $1.04 and $1.17 per $100 of taxable value). School districts received additional State funds in proportion to such taxing effort.

2023 Regular and Special Legislative Sessions

The regular session of the 88th Texas Legislature convened on January 10, 2023 and concluded on May 29, 2023. The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. During the 88th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and administrative agencies that oversee school districts. Legislation enacted by the Legislature fully-funded the Foundation School Program for the 2023-2024 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 "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – *Tier Two*"). The Legislature also provided for an increase in funding for the school safety allotment to $10.00 (from $9.72 in the prior year) per ADA (as defined herein) and $15,000 per campus. The Legislature set aside approximately $4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions. However, the Legislature did not take action on such funding during any of the special sessions of the 88th Texas Legislature.

When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded four special sessions during the 88th Texas Legislature (such special sessions, together with the 88th Regular Session, the "2023 Legislative Sessions"). During the second called special session, legislation was passed, and at an election held in the State on November 7, 2023, voters approved a State constitutional amendment 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 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) prohibited school districts, cities and counties from repealing or reducing a local option general 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. This legislation reduces the amount of property taxes paid by homeowners and businesses and increases the State's share of the cost of funding public education.

As described above, the Governor called four special sessions and may call additional special sessions. During any additional called special session, the Legislature may enact laws that materially change current law as it relates to the funding of public schools, including the District. The District can make no representations or predictions regarding any actions the Legislature has taken or may take concerning the substance or the effect of any legislation passed in a previous session or a future session of the Legislature.

2025 Legislative Session

The regular session of the 89th Texas Legislature convened on January 14, 2025. During the legislative session, the Legislature will consider a general appropriations act and may consider legislation affecting the Finance System and ad valorem taxation procedures affecting school districts among other legislation affecting school districts and the administrative agencies that oversee school districts. At this time, the District cannot predict the level of State funding that will be provided by the Legislature for the upcoming biennium. The District can make no representations or predictions regarding any actions the Legislature may take during the 89th Texas Legislative Session or concerning the substance or the effect of any legislation that may be passed during this session or any future session of the Legislature.

Local Funding for School Districts

A school district's M&O tax rate is composed of two distinct parts: the "Tier One Tax Rate," which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the

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

State Compression Percentage. The State Compression Percentage is a statutorily-defined percentage of the rate of $1.00 per $100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2024, the State Compression Percentage is set at 68.80%.

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate 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 three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by $1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2023 Legislative Sessions, a provision of the general appropriations act reduced the MCR for the 2023-2024 school year. It established $0.6880 as the maximum rate and $0.6192 as the floor. The 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. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – *Tier Two*").

State Funding for School Districts

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

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

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

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

Tier One. Tier One funding is the basic level of 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, and demographics of students in ADA, to make up most of a school district's Tier One entitlement under the Foundation School Program.

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, 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.

For the 2023-2024 school year, the fast growth allotment weight is 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 this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the State 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.

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. In the 2023 Legislative Sessions, the State Legislature appropriated funds in the amount of $100,000,000 for each fiscal year of the 2024-2025 State fiscal biennium for NIFA allotments.

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

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through 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. Beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds $400 million, the 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 the 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, 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*." 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 now 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 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 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 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. Accordingly, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District has reduced its wealth per student pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein)

A district's "excess local revenue" must be tested for each future school year and, if it exceeds the maximum permitted level, the District must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should 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 collective responsibility of the Tarrant Appraisal District and Dallas Central Appraisal District (each an "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.

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

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

Effective January 1, 2024, an appraisal district may only increase the appraised value of real property during the 2024 tax year on 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, 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 applicable Maximum Property Value. After such time, the value limitation provisions for non-homestead properties described above will expire unless extended by future legislation.

<u>*State Mandated Homestead Exemptions*</u>. 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.

See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Regular and Special Legislative Sessions" for a description of SB 2 and the November 7, 2023 statewide election at which voters approved an amendment to the Texas Constitution to increase the general residential homestead exemption for school districts from $40,000 to $100,000.

<u>*Local Option Homestead Exemptions*</u>. 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 a local option general homestead exemption that was granted in tax year 2022 through December 31, 2027.

<u>*State Mandated Freeze on School District Taxes*</u>. 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.

<u>*Personal Property*</u>. Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory.

Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

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

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

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

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

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

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), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could 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 was not subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC

SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not take action to extend this program, which expired by its terms effective December 31, 2022.

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

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

For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein. For a schedule of the reductions in assessed valuation attributable to the exemptions allowed by the District, see "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT."

Recent Change in Reappraisal Plan

At its meeting on August 9, 2024, the board of directors of the Tarrant Appraisal District (the "TAD Board") approved a reappraisal plan to appraise residential values every other year, instead of annually, with appraisals occurring in odd-numbered years beginning in tax year 2027. All other property types will be reappraised annually. The reappraisal plan will hold residential values for the 2025 tax year at 2024 levels, except for new construction and improvements. Additionally, the TAD Board approved a 5% "threshold" to residential market value increases, which would require "clear and convincing evidence" to support an increase higher than 5% to the market value of a residentially coded property over the prior year's appraisal roll.

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

Each respective Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Tarrant and Dallas Counties. Each Appraisal District is governed by a board of directors, certain members of which are appointed by the governing bodies of various political subdivisions that participate in the respective Appraisal District and certain of which are elected by voters within Tarrant and Dallas Counties. The District's taxes are collected by the District's Tax Office.

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

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

The District grants various State mandated homestead exemptions for disabled veterans and the surviving spouses of disabled veterans.

The District grants a local option, additional exemption of $29,600 for persons who are 65 years of age or older (but not disabled persons) above the amount of the State mandated exemption.

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

The District does not tax non-business personal property.

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

The District exempts "freeport property" from taxation.

The District has taken action to continue taxing "goods-in-transit."

The District is a participant in the City of Grapevine Tax Increment Reinvestment Zone Number Two and the City of Colleyville Tax Increment Reinvestment Zone Number One (collectively referred to as the "TIRZ"). For year 2024/25, the incremental property value within the TIRZ was $986,449,877. For maintenance and operations purposes, the District does not directly receive any ad valorem tax revenues generated from taxation on the incremental value of property located within the TIRZ. For interest & sinking fund purposes, the District does, directly and indirectly, receive ad valorem tax revenues generated from taxation on the incremental value of property located within the TIRZ.

The District is not currently a participant in any tax abatement or tax limitation agreements.

The Board has approved a resolution initiating an additional 15% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

Date	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge.

Property within the District is assessed as of January 1 of each year (except business inventories which may be assessed as of September 1 and mineral values which are assessed on the basis of a twelve-month average) and taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Split payments of taxes are not permitted. Discounts for the early payment of taxes are not permitted.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on March 19, 1970, in accordance with the provisions of Chapter 20, Texas Education Code (now codified at Section 45.003, 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 "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

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

I&S Tax Rate Limitations

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

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 50-cent 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 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code as new debt and are, therefore, subject to the 50-cent Test. In connection with the issuance of the Bonds, the District does not expect to use State assistance or projected property values to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), have assigned municipal bond ratings of "Aaa" and "AAA", respectively, to the Bonds based upon the Permanent School Fund Guarantee. Moody's and S&P generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa" and "AAA", respectively (see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are "Aa1" by Moody's and "AA+" by S&P.

An explanation of the significance of any rating may be obtained from the company furnishing the rating. Each rating reflects only the respective view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by either or both rating companies, if in the judgment of either or both companies, circumstances so warrant. Due to the ongoing political uncertainty regarding the United States of America debt limit, obligations issued by state and local governments in the United States, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the ratings of, market for, and market value of outstanding debt obligations, including the Bonds. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Bonds are (i) negotiable instruments, (ii) investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds (see "RATINGS"). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

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

Legal Investments

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

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

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

As a school district that qualifies as an "issuer" under Chapter 1371, Texas Government Code, as amended, the District may also invest up to 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in "AA-" or better rated corporate bonds with a remaining term of three years or less. Not more than 25% of its funds invested in corporate bonds may be invested in any single issuer and its affiliates. Corporate bonds must be sold if downgraded below the required rating or placed on negative credit watch.

Investment Policies

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

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

Current Investments

As of September 30, 2024 (unaudited), the District's investable funds were invested in the following investment instruments:

Investment Instrument	Book Value	Percentage
Texas Range Investment Program ("TexasDAILY")[(A)]	$ 48,384,073.22	56.57%
Texas Local Investment Pool ("TexPool")[(A)]	29,859,908.71	34.92%
Money Market Accounts	6,501,920.69	7.60%
Texas Short Term Asset Reserve Program ("TexSTAR")[(A)]	778,559.16	0.91%
Total	**$ 85,524,461.78**	**100.00%**

[(A)] TexasDAILY, TexPool and TexSTAR operate pursuant to Chapter 2256 of the Texas Government Code, as amended. TexasDAILY, TexPool and TexSTAR operate as a money market equivalent, in a manner consistent with the SEC's Rule 2a-7 under the Investment Company Act of 1940. 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.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the State's fiscal year ended August 31, 2023, the State contributed $5,880,812 to TRS on behalf of the District. For the District's fiscal year ended June 30, 2024, District employees paid $9,043,141 and other contributions into the Plan made from federal and private grants and the District for salaries above the statutory minimum were $4,169,690. For more detailed information concerning the Plan, TRS's net pension liability with respect thereto and the District's proportionate share of such net pension liability, see Note J to the District's audited financial statements attached hereto as Appendix D.

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

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

WEATHER EVENTS

If a future 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 (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"). There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will 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.

CYBERSECURITY

The District, like other school districts in the State, utilizes technology in conducting its operations. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the District may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the District. The District employs a multi-layered approach to combating cybersecurity threats. While the District deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the District's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a strain of coronavirus, was characterized as a pandemic by the World Health Organization for over three years (the "Pandemic") and negatively affected travel, commerce, the global supply chain, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide. On April 10, 2023, the President of the United States signed into law a bill that ended the national emergency declaration resulting from COVID-19 and on May 5, 2023, the World Health Organization declared the outbreak of COVID-19 over as a global health emergency. The Pandemic affected enrollment and attendance for many school districts.

With the changes made to the Finance System in House Bill 3 passed during the 2019 Legislative Session, school funding is increasingly tied to ADA. As a result, student enrollment and attendance will be an important factor for M&O funding for the District going forward. The District did not experience a reduction in its taxable assessed valuation during the Pandemic. The Bonds are secured by an unlimited ad valorem tax.

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1 through 18 in "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements") that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 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's current fiscal year end is June 30. Accordingly, the District must provide the Annual Operating Report by the last day of December in each year, and the Financial Statements for the preceding fiscal year must be provided by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by Rule 15c2-12.

Notices 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 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 debt service reserves, liquidity enhancement, or credit enhancement (except with respect to the Permanent School Fund Guarantee).

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

Availability of Information from MSRB

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 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 (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby 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 registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

Compliance with Prior Undertakings

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

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 or operations of the District.

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that 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.

FINANCIAL ADVISOR

BOK Financial Securities, Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

BOK Financial Securities, Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor 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 customary conditions, to purchase the Bonds at a price equal to the initial offering price to the public, as shown on page 2 of this Official Statement, less an underwriting discount of $____________, and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following paragraphs for inclusion in this Official Statement and the District makes no representation or warranty with respect to such information.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FORWARD-LOOKING STATEMENTS

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

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

CONCLUDING STATEMENT

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

MISCELLANEOUS

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

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 Rule 15c2-12.

____

Pricing Officer
Grapevine-Colleyville Independent School District

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

Table 1
ASSESSED VALUATION

2024/25 Total Assessed Valuation	$ 29,299,986,987
2024/25 Taxable Assessed Valuation	$ 22,505,644,693

Exemption	Total
Residential Homestead	$ 1,765,798,089
Homestead Cap Adjustment	1,235,625,610
20% Non-Homestead Property Cap	41,077,977
Over Age 65	265,566,441
Disabled Persons	4,304,600
Disabled/Deceased Veterans	77,988,012
Foreign Trade Zone	65,077,000
Freeport	3,198,714,235
Misc. Personal Property (Vehicles, etc.)	73,473,666
Nominal Value	714,198
Pollution Control	412,747
Productivity Loss	64,977,450
Other	609,752
Total (23.19% of Total Assessed Valuation)	$ 6,794,342,294

Note: The taxable assessed valuation above includes the incremental property tax value assessed with the District's participation in the City of Grapevine Tax Increment Reinvestment Zone Number Two and the City of Colleyville Tax Increment Reinvestment Zone Number One (collectively referred to as the "TIRZ"). For year 2024/25, the incremental property value within the TIRZ was $986,449,877. For maintenance and operations purposes, the District does not directly receive any ad valorem tax revenues generated from taxation on the incremental value of property located within the TIRZ. For interest and sinking fund purposes, the District does, directly and indirectly, receive ad valorem tax revenues generated from taxation on the incremental value of property located within the TIRZ.

Source: Tarrant Appraisal District and Dallas Central Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District and Dallas Central Appraisal District update records.

Table 2
UNLIMITED TAX DEBT OUTSTANDING [(A)(B)]

Unlimited Tax Debt Outstanding (As of February 1, 2025)	$ 272,665,659	(C)
Plus: The Bonds (Dated: February 1, 2025)	54,795,000	(D)
TOTAL UNLIMITED TAX DEBT OUTSTANDING	$ 327,460,659	(C)
Less: Interest & Sinking Fund Balance (As of June 30, 2024)	67,328,450	
NET UNLIMITED TAX DEBT OUTSTANDING	$ 260,132,209	(C)

(A) See discussion under "TAX RATE LIMITATIONS" in the Official Statement.
(B) Does not include any limited tax debt obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Leases Payable").
(C) Excludes interest accreted on outstanding capital appreciation bonds.
(D) Preliminary, subject to change.

2025 Population Estimate	80,767	Per Capita Total Assessed Valuation	$ 362,772
2024/25 Enrollment	13,537	Per Capita Taxable Assessed Valuation	$ 278,649
Area (square miles)	53.39	Per Capita Total Unlimited Tax Debt	$ 4,054

Table 3
ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

Taxing Body	Gross Dollar Amount [(A)]	As Of	Percent Overlap	Dollar Overlap
Bedford, City of [(B)]	$ 157,290,000	02/01/25	**	$ -
Colleyville, City of	11,370,000	02/01/25	81.07%	9,217,659
Coppell, City of	144,160,000	02/01/25	0.11%	158,576
Dallas County	198,645,000	02/01/25	0.46%	913,767
Dallas County Community College District	318,675,000	02/01/25	0.46%	1,465,905
Dallas County Hospital District	527,660,000	02/01/25	0.46%	2,427,236
Euless, City of	75,430,000	02/01/25	33.82%	25,510,426
Flower Mound, Town of	139,235,000	02/01/25	0.02%	27,847
Fort Worth, City of [(B)]	1,074,725,000	02/01/25	**	-
Grapevine, City of	162,865,000	02/01/25	90.63%	147,604,550
Hurst, City of	49,985,000	02/01/25	3.58%	1,789,463
Irving, City of	855,370,000	02/01/25	4.58%	39,175,946
Southlake, City of	67,151,000	02/01/25	3.23%	2,168,977
Tarrant County	345,130,000	02/01/25	7.38%	25,470,594
Tarrant County College District	569,915,000	02/01/25	7.38%	42,059,727
Tarrant County Hospital District	440,020,000	02/01/25	7.38%	32,473,476
Grapevine-Colleyville ISD	**$ 327,460,659** [(C)(D)]	**02/01/25**	**100.00%**	**$ 327,460,659** [(C)(D)]
Total Direct and Overlapping Debt				**$ 657,924,808**

Ratio of Direct Debt to Taxable Assessed Valuation	1.46%
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation	2.92%
Ratio of Direct and Overlapping Debt to Total Assessed Valuation	2.25%
Per Capita Direct and Overlapping Debt	$8,146

[(A)] Excludes interest accreted on outstanding capital appreciation bonds.
[(B)] Represents less than 0.01%.
[(C)] Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Leases Payable").
[(D)] Includes the Bonds. Preliminary, subject to change.
Source: The Municipal Advisory Council of Texas - Texas Municipal Reports.

Table 4
2024/25 TOTAL TAX RATES OF OVERLAPPING POLITICAL ENTITIES

Bedford, City of	$0.495726
Colleyville, City of	0.276204
Coppell, City of	0.458632
Dallas County	0.215500
Dallas County Community College District	0.105595
Dallas County Hospital District	0.212000
Euless, City of	0.446700
Flower Mound, Town of	0.387278
Fort Worth, City of	0.672500
Grapevine, City of	0.241165
Hurst, City of	0.591324
Irving, City of	0.589100
Southlake, City of	0.305000
Tarrant County	0.187500
Tarrant County College District	0.112280
Tarrant County Hospital District	0.182500

Source: Tarrant Appraisal District and Dallas Central Appraisal District.

Table 5
PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Taxable Assessed Valuation	Tax Rate	Percent Collections (A) Current	Total	Fiscal Year Ended
2019	$ 17,311,999,439	$1.3267	98.69%	99.14%	6-30-20
2020	17,963,085,082	1.3031	98.81%	99.97%	6-30-21
2021	17,874,528,151	1.2751	99.22%	100.53%	6-30-22
2022	19,325,711,850	1.1308	99.29%	100.05%	6-30-23
2023	20,746,117,589	0.9247	99.21%	99.97%	6-30-24
	Five Year Average…………………………		**99.04%**	**99.93%**	
2024	$ 22,505,644,693	$0.9233	(In Process of Collection)		6-30-25

(A) Excludes penalties and interest.
Source: District's Audited Financial Statements, Tarrant Appraisal District, Dallas Central Appraisal District and District records. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District and Dallas Central Appraisal District update records.

Table 6
TAX RATE DISTRIBUTION (A)

	2024/25	2023/24	2022/23	2021/22	2020/21
Local Maintenance (B)	$0.7369 (C)	$0.7290	$0.9091	$0.9534	$0.9664
Interest & Sinking	0.1864	0.1957	0.2217	0.3217	0.3367
Total	**$0.9233**	**$0.9247**	**$1.1308**	**$1.2751**	**$1.3031**

(A) See discussion under "TAX RATE LIMITATIONS" in the Official Statement.
(B) Beginning in year 2019/20, the District's Maintenance & Operations tax rate became subject to compression pursuant to House Bill 3 that was enacted during the 2019 legislative session (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" in the Official Statement).
(C) On November 5, 2024, the District successfully conducted a voter approval tax rate election at which the voters of the District authorized the District to levy a Maintenance & Operations tax in the amount of $0.7369 per $100 assessed valuation.
Source: District's Audited Financial Statements and District records.

Table 7
VALUATION AND UNLIMITED TAX DEBT HISTORY

Fiscal Year	Taxable Assessed Valuation	Percent Increase/ (Decrease) In Taxable Assessed Valuation Over Prior Year	Principal Amount Of Unlimited Tax Debt Outstanding At Year End (A)(B)	Ratio Of Unlimited Tax Debt To Taxable Assessed Valuation (A)(B)
2020/21	$ 17,963,085,082	3.76%	$ 390,625,437	2.17%
2021/22	17,874,528,151	(0.49%)	340,873,775	1.91%
2022/23	19,325,711,850	8.12%	304,876,018	1.58%
2023/24	20,746,117,589	7.35%	289,240,590	1.39%
2024/25	22,505,644,693	8.48%	327,460,659 (C)	1.46% (C)

(A) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Leases Payable").
(B) Excludes the interest accreted on outstanding capital appreciation bonds.
(C) Projected, as of June 30, 2025, subject to change. Includes the Bonds.
Source: District records, Tarrant Appraisal District and Dallas Central Appraisal District.

Table 8
HISTORICAL TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2024/25 TAXABLE ASSESSED VALUATIONS (A)

Name of Taxpayer	Type of Property	Taxable Assessed Valuation Outside TIRZ	Taxable Assessed Valuation Inside TIRZ	Total Taxable Assessed Valuation	Percent Of T.A.V.
American Airlines/Envoy Air Inc.	Airline	$ 642,013,826	$ -	$ 642,013,826	2.85%
Gaylord Opryland Hotel	Hotel	11,846,689	491,194,615	503,041,304	2.24%
Boeing Distribution, Inc.	Aviation Parts	233,869,571	-	233,869,571	1.04%
Grapevine Mills Ltd. Partnership	Shopping Mall	233,857,000	-	233,857,000	1.04%
EAN Holdings LLC	Passenger Car Rental	207,300,019	-	207,300,019	0.92%
Oncor Electric Delivery Co. LLC	Utility	194,480,841	-	194,480,841	0.86%
Great Wolf Lodge Grapevine LLC	Resort	151,250,000	-	151,250,000	0.67%
FUND Riverwalk LLC	Apartments	150,600,000	-	150,600,000	0.67%
Star Monticello LLC/Star Kensington LLC	Apartments	127,900,000	-	127,900,000	0.57%
Avis Budget Car Rental LLC	Passenger Car Rental	126,829,662	-	126,829,662	0.56%
Totals		**$ 2,079,947,608**	**$ 491,194,615**	**$ 2,571,142,223**	**11.42%**

PRINCIPAL TAXPAYERS AND THEIR 2023/24 TAXABLE ASSESSED VALUATIONS (A)

Name of Taxpayer	Type of Property	Taxable Assessed Valuation Outside TIRZ	Taxable Assessed Valuation Inside TIRZ	Total Taxable Assessed Valuation	Percent Of T.A.V.
American Airlines/Envoy Air Inc.	Airline	$ 518,216,607	$ -	$ 518,216,607	2.50%
Gaylord Opryland Hotel	Hotel	11,846,689	393,356,304	405,202,993	1.95%
Grapevine Mills Ltd. Partnership	Shopping Mall	219,375,791	-	219,375,791	1.06%
Boeing Distribution, Inc.	Aviation Parts	195,760,096	-	195,760,096	0.94%
EAN Holdings LLC	Passenger Car Rental	176,435,470	-	176,435,470	0.85%
FUND Riverwalk LLC	Apartments	150,000,000	-	150,000,000	0.72%
Great Wolf Lodge Grapevine LLC	Resort	143,369,310	-	143,369,310	0.69%
Oncor Electric Delivery Co. LLC	Utility	132,958,871	-	132,958,871	0.64%
Star Monticello LLC/Star Kensington LLC	Apartments	131,900,000	-	131,900,000	0.64%
1045 Edge LLC	Apartments	120,936,615	-	120,936,615	0.58%
Totals		**$ 1,800,799,449**	**$ 393,356,304**	**$ 2,194,155,753**	**10.58%**

PRINCIPAL TAXPAYERS AND THEIR 2022/23 TAXABLE ASSESSED VALUATIONS (A)

Name of Taxpayer	Type of Property	Taxable Assessed Valuation Outside TIRZ	Taxable Assessed Valuation Inside TIRZ	Total Taxable Assessed Valuation	Percent Of T.A.V.
American Airlines/Envoy Air Inc.	Airline	$ 557,205,459	$ -	$ 557,205,459	2.88%
Gaylord Opryland Hotel	Hotel	11,846,689	305,692,365	317,539,054	1.64%
Grapevine Mills Ltd. Partnership	Shopping Mall	236,257,000	-	236,257,000	1.22%
Boeing Distribution, Inc.	Aviation Parts	208,276,955	-	208,276,955	1.08%
Oncor Electric Delivery Co. LLC	Utility	136,584,146	-	136,584,146	0.71%
FUND Riverwalk LLC	Apartments	130,400,000	-	130,400,000	0.67%
Great Wolf Lodge Grapevine LLC	Resort	128,244,310	-	128,244,310	0.66%
Star Monticello LLC/Star Kensington LLC	Apartments	119,400,000	-	119,400,000	0.62%
WMCI Dallas IX LLC	Apartments	101,700,000	-	101,700,000	0.53%
Silver Oaks LP	Apartments	97,800,000	-	97,800,000	0.51%
Totals		**$ 1,727,714,559**	**$ 305,692,365**	**$ 2,033,406,924**	**10.52%**

(A) The District is a participant in the City of Grapevine Tax Increment Reinvestment Zone Number Two and the City of Colleyville Tax Increment Reinvestment Zone Number One (collectively referred to as the "TIRZ"). Certain of the top ten taxpayers detailed above have some of their property located within the TIRZ. For maintenance and operations purposes, the District does not directly receive any ad valorem tax revenues generated from taxation on the incremental value of property located within the TIRZ. For interest & sinking fund purposes, the District does, directly and indirectly, receive ad valorem tax revenues generated from taxation on the incremental value of property located within the TIRZ.
Source: Tarrant Appraisal District, Dallas Central Appraisal District and District records.

Table 9
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Property Use Category	2024/25	2023/24	2022/23	2021/22	2020/21
Real Property:					
Single-Family Residential	$ 14,306,046,312	$ 13,812,265,519	$ 11,514,631,149	$ 9,875,397,869	$ 9,510,730,566
Multi-Family Residential	2,968,978,519	2,927,427,816	2,493,170,127	2,116,002,934	1,956,402,686
Vacant Lots/Tracts	184,969,503	168,824,578	180,885,070	183,726,902	206,067,428
Acreage (Land Only)	65,242,582	77,327,921	79,680,430	77,028,803	76,350,577
Farm and Ranch Improvements	12,253,969	10,440,900	9,588,038	10,398,459	10,351,215
Commercial and Industrial	4,390,192,547	4,107,459,414	3,760,364,070	3,523,872,179	3,816,479,041
Minerals, Oil and Gas	2,450,220	9,789,636	5,451,520	1,580,270	1,406,920
Inventory	262,052,904	258,499,579	218,274,399	141,382,039	157,491,902
Tangible Personal Property:					
Business	6,766,784,194	6,384,493,478	5,997,133,404	6,245,534,527	5,865,602,782
Other	4,821,142	5,010,582	4,945,735	4,804,520	5,120,562
Real and Tangible Personal Property:					
Utilities	336,195,095	251,329,337	250,735,328	240,705,082	229,941,540
Total Assessed Valuation	**$ 29,299,986,987**	**$ 28,012,868,760**	**$ 24,514,859,270**	**$ 22,420,433,584**	**$ 21,835,945,219**
Less Exemptions:					
Residential Homestead	$ 1,765,798,089	$ 1,768,759,260 (A)	$ 708,222,484 (B)	$ 441,291,202	$ 440,386,038
Homestead Cap Adjustment	1,235,625,610	1,792,705,092	828,832,372	203,540,098	244,856,635
20% Non-Homestead Property Cap	41,077,977 (C)	-	-	-	-
Over Age 65	265,566,441	255,184,174	242,892,314	229,513,807	217,938,086
Disabled Persons	4,304,600	3,964,800	3,708,000	3,540,200	3,024,333
Disabled/Deceased Veterans	77,988,012	54,958,505	43,815,282	36,496,169	33,326,877
Disaster	-	-	180,314	4,170,092	-
Foreign Trade Zone	65,077,000	49,420,000	37,519,000	33,866,000	60,818,177
Freeport	3,198,714,235	3,192,988,713	3,156,572,198	3,421,284,923	2,696,889,529
Misc. Personal Property (Vehicles, etc.)	73,473,666	70,007,046	86,329,706	93,911,553	95,336,877
Nominal Value	714,198	717,513	839,356	187,104	101,526
Pollution Control	412,747	486,850	624,862	685,910	746,417
Productivity Loss	64,977,450	76,792,187	79,398,389	76,283,985	76,069,013
Prorated Exempt Property	2,517	17,297	82,274	1,053,573	3,366,622
Other	609,752	749,734	130,869	80,817	7
Total Exemptions	**$ 6,794,342,294**	**$ 7,266,751,171**	**$ 5,189,147,420**	**$ 4,545,905,433**	**$ 3,872,860,137**
Taxable Assessed Valuation	**$ 22,505,644,693**	**$ 20,746,117,589**	**$ 19,325,711,850**	**$ 17,874,528,151**	**$ 17,963,085,082**

(A) Increase in "Residential Homestead" is primarily due to the increase in the State-mandated general residence homestead exemption from $40,000 to $100,000 pursuant to a constitutional amendment approved at a statewide election held on November 7, 2023.
(B) Increase in "Residential Homestead" is primarily due to the increase in the State-mandated general residence homestead exemption from $25,000 to $40,000 pursuant to a constitutional amendment approved at a statewide election held on May 7, 2022.
(C) Three-year pilot program limiting growth in taxable value of non-residence homestead property valued at $5,000,000 or less to 20% annually pursuant to a constitutional amendment approved at a statewide election held on November 7, 2023.
Note: The taxable assessed valuation above includes the incremental property tax value assessed with the District's participation in the City of Grapevine Tax Increment Reinvestment Zone Number Two and the City of Colleyville Tax Increment Reinvestment Zone Number One (collectively referred to as the "TIRZ"). For year 2024/25, the incremental property value within the TIRZ was $986,449,877. For maintenance and operations purposes, the District does not directly receive any ad valorem tax revenues generated from taxation on the incremental value of property located within the TIRZ. For interest and sinking fund purposes, the District does, directly and indirectly, receive ad valorem tax revenues generated from taxation on the incremental value of property located within the TIRZ.
Source: Tarrant Appraisal District and Dallas Central Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District and Dallas Central Appraisal District update records.

Table 10
PERCENTAGE OF TOTAL ASSESSED VALUATION BY CATEGORY

Property Use Category	2024/25	2023/24	2022/23	2021/22	2020/21
Real Property:					
Single-Family Residential	48.83%	49.31%	46.97%	44.05%	43.56%
Multi-Family Residential	10.13%	10.45%	10.17%	9.44%	8.96%
Vacant Lots/Tracts	0.63%	0.60%	0.74%	0.82%	0.94%
Acreage (Land Only)	0.22%	0.28%	0.33%	0.34%	0.35%
Farm and Ranch Improvements	0.04%	0.04%	0.04%	0.05%	0.05%
Commercial and Industrial	14.98%	14.66%	15.34%	15.72%	17.48%
Minerals, Oil and Gas	0.01%	0.03%	0.02%	0.01%	0.01%
Inventory	0.89%	0.92%	0.89%	0.63%	0.72%
Tangible Personal Property:					
Business	23.09%	22.79%	24.46%	27.86%	26.86%
Other	0.02%	0.02%	0.02%	0.02%	0.02%
Real and Tangible Personal Property:					
Utilities	1.15%	0.90%	1.02%	1.07%	1.05%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: Tarrant Appraisal District and Dallas Central Appraisal District.

Table 11
OUTSTANDING UNLIMITED TAX DEBT SERVICE [A]

Year [B]	Outstanding Debt Requirements Principal	Outstanding Debt Requirements Interest	Plus: The Bonds - Debt Requirements [C] Principal	Plus: The Bonds - Debt Requirements [C] Interest	Total Debt Service Requirements	Percent Of Principal Retired
2024/25	$ 16,945,659.07	$ 24,690,165.93	$ -	$ -	$ 41,635,825.00	
2025/26	29,940,000.00	11,698,575.00	3,230,000.00	4,071,572.92	48,940,147.92	
2026/27	28,750,000.00	10,201,575.00	3,190,000.00	2,578,250.00	44,719,825.00	
2027/28	28,850,000.00	8,764,075.00	3,560,000.00	2,418,750.00	43,592,825.00	
2028/29	31,825,000.00	7,321,575.00	2,475,000.00	2,240,750.00	43,862,325.00	45.43%
2029/30	26,170,000.00	5,833,025.00	4,185,000.00	2,117,000.00	38,305,025.00	
2030/31	18,845,000.00	4,628,212.50	2,230,000.00	1,907,750.00	27,610,962.50	
2031/32	16,370,000.00	3,698,150.00	3,750,000.00	1,796,250.00	25,614,400.00	
2032/33	7,010,000.00	2,905,200.00	1,360,000.00	1,608,750.00	12,883,950.00	
2033/34	7,330,000.00	2,581,250.00	1,430,000.00	1,540,750.00	12,882,000.00	72.51%
2034/35	7,675,000.00	2,242,400.00	1,495,000.00	1,469,250.00	12,881,650.00	
2035/36	8,030,000.00	1,887,400.00	1,570,000.00	1,394,500.00	12,881,900.00	
2036/37	8,340,000.00	1,515,800.00	1,665,000.00	1,316,000.00	12,836,800.00	
2037/38	8,720,000.00	1,129,900.00	1,755,000.00	1,232,750.00	12,837,650.00	
2038/39	9,015,000.00	835,950.00	1,840,000.00	1,145,000.00	12,835,950.00	87.81%
2039/40	9,290,000.00	565,500.00	1,930,000.00	1,053,000.00	12,838,500.00	
2040/41	9,560,000.00	286,800.00	2,035,000.00	956,500.00	12,838,300.00	
2041/42	-	-	1,790,000.00	854,750.00	2,644,750.00	
2042/43	-	-	1,875,000.00	765,250.00	2,640,250.00	
2043/44	-	-	1,975,000.00	671,500.00	2,646,500.00	96.50%
2044/45	-	-	2,075,000.00	572,750.00	2,647,750.00	
2045/46	-	-	2,175,000.00	469,000.00	2,644,000.00	
2046/47	-	-	2,285,000.00	360,250.00	2,645,250.00	
2047/48	-	-	2,400,000.00	246,000.00	2,646,000.00	
2048/49	-	-	2,520,000.00	126,000.00	2,646,000.00	100.00%
TOTAL	**$ 272,665,659.07**	**$ 90,785,553.43**	**$ 54,795,000.00**	**$ 32,912,322.92**	**$ 451,158,535.42**	

[A] Preliminary, subject to change.
[B] Represents debt service payments from September 1 through August 31. The District's fiscal year ends on June 30. Due to timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31.
[C] Interest on the Bonds has been projected at an assumed interest rate for illustration purposes only. Preliminary, subject to change.

Note: Table 11 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of $3,035,956 for debt service in year 2024/25 and received State financial assistance in the amount of $3,104,055 for fiscal year ended June 30, 2024. The amount of State aid for debt service may substantially differ from year to year depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 11 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate.

Table 12
AUTHORIZED BUT UNISSUED BONDS [A]

After the issuance of the Bonds, the District will have $90,765,000 of authorized but unissued bonds remaining from an election held within the District on May 4, 2024 (i.e. $83,805,850 from Proposition A and $6,959,150 from Proposition B). Except for possible refundings for debt service savings, the District does not anticipate the issuance of additional unlimited tax bonds within the next 12 months.

In addition to unlimited tax bonds, the District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

[A] Preliminary, subject to change.

Table 13
INTEREST & SINKING FUND BUDGET INFORMATION [(A)]

Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2025		$ 41,365,210 [(B)]
Interest and Sinking Fund Balance at June 30, 2024	$ 67,328,450	
Estimated State Assistance	3,035,956	
Local Taxes and Other Revenues	38,329,254	$ 108,693,660
Projected Interest and Sinking Fund Balance at June 30, 2025		$ 67,328,450 [(C)]

[(A)] The District's fiscal year ends on June 30. Due to the timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31.
[(B)] Reflects the District's debt service payments in August 2024 and projected debt service payments in February 2025. Includes estimated paying agent/registrar fees and other bond related expenses.
[(C)] The District's projected Interest & Sinking Fund balance as of June 30, 2025 will be reduced by approximately $35,475,413 in August 2025 to make the District's scheduled debt service payments in August 2025.

Table 14
TAX ADEQUACY - UNLIMITED TAX DEBT SERVICE REQUIREMENTS [(A)]

Year 2024/25 Principal And Interest Requirements	$ 41,635,825
$0.1868 Tax Rate At 99.04% Collections Produces	$ 41,636,955 [(B)]
Maximum Principal And Interest Requirements, Year 2025/26	$ 48,940,148
$0.2196 Tax Rate At 99.04% Collections Produces	$ 48,947,941 [(B)]

[(A)] Represents debt service payments from September 1 through August 31.
[(B)] Based upon 2024/25 taxable assessed valuation of $22,505,644,693.

Note: Table 14 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of $3,035,956 for debt service in year 2024/25 and received State financial assistance in the amount of $3,104,055 for fiscal year ended June 30, 2024. The amount of State aid for debt service may substantially differ from year to year depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 14 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Leases Payable").

Table 15
LEASES PAYABLE

The District entered into several subscription arrangements with interest rates ranging from 1.7103% to 2.3657%. The District is required to make annual fixed payments ranging from $2,748 to $248,470.

Principal and interest requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2025	$ 471,334	$ 30,829	$ 502,163
2026	362,104	18,661	380,765
2027	271,067	8,329	279,396
Totals	$ 1,104,505	$ 57,819	$ 1,162,324

Source: District's Audited Financial Statements and District records.

Table 16
COMBINED GENERAL FUND BALANCE SHEET

	Fiscal Years Ending June 30, 2020 - 2024				
	2024	**2023**	**2022**	**2021**	**2020**
Assets:					
Cash and Cash Equivalents	$ 87,189,261	$ 124,698,545	$ 118,028,558	$ 105,091,120	$ 107,621,908
Property Taxes - Delinquent	5,017,662	4,897,537	4,993,502	5,858,058	5,806,721
Allowance for Uncollectible Taxes (Credit)	(752,649)	(734,631)	(749,025)	(878,709)	(871,008)
Due from Other Governments	10,758,197	2,500,995	5,491,583	1,762,511	10,813,125
Accrued Interest	35,741	29,180	44,022	-	626
Due from Other Funds	1,938,137	2,084,180	2,683,756	24,576,062	6,952,122
Other Receivables	430,370	1,456,234	1,071,858	1,718,939	1,032,018
Inventories	547,369	481,527	385,143	321,345	311,505
Prepaid Items	494,058	1,152,149	692,852	367,330	228,918
Other Current Assets	709	1,200	2,460	582	1,768
Total Assets	**$ 105,658,855**	**$ 136,566,916**	**$ 132,644,709**	**$ 138,817,238**	**$ 131,897,703**
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts Payable	$ 2,414,226	$ 1,057,218	$ 816,746	$ 1,078,404	$ 935,915
Payroll Deductions and Withholdings Payable	1,032,432	78,214	1,236,770	1,099,877	1,059,592
Accrued Wages Payable	14,725,644	12,325,779	12,630,211	12,397,517	12,043,842
Due to Other Funds	-	64,327	329,365	155,435	131,427
Due to Other Governments	39,073,461	71,976,208	64,053,698	62,798,326	54,704,350
Unearned Revenues	168,078	235,119	208,107	211,518	84,503
Total Liabilities	**$ 57,413,841**	**$ 85,736,865**	**$ 79,274,897**	**$ 77,741,077**	**$ 68,959,629**
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	$ 3,984,040	$ 3,866,514	$ 3,769,859	$ 4,553,737	$ 4,793,038
Unavailable Revenue - Leases	411,061	361,344	-	-	-
Total Deferred Inflows of Resources	**$ 4,395,101**	**$ 4,227,858**	**$ 3,769,859**	**$ 4,553,737**	**$ 4,793,038**
Fund Balances:					
Nonspendable Fund Balance:					
Inventories	$ 547,369	$ 481,527	$ 385,143	$ 321,345	$ 311,505
Prepaid Items	494,058	1,152,149	692,852	367,330	228,918
Committed Fund Balance:					
Maintenance	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Claims and Judgements	500,000	500,000	500,000	500,000	500,000
Self-Insurance	500,000	500,000	500,000	500,000	500,000
Other Committed Fund Balance	-	-	2,524,734	7,524,734	7,524,734
Assigned Fund Balance:					
Budget Deficit	-	-	-	7,506,138	6,280,823
Unassigned Fund Balance:	37,808,486	39,968,517	40,997,224	35,802,877	38,799,056
Total General Fund Balances (A)	**$ 43,849,913**	**$ 46,602,193**	**$ 49,599,953**	**$ 56,522,424**	**$ 58,145,036**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 105,658,855**	**$ 136,566,916**	**$ 132,644,709**	**$ 138,817,238**	**$ 131,897,703**

(A) The District estimates that its Total General Fund Balance as of June 30, 2025 will be approximately $44.6 million.
Source: District's Audited Financial Statements and District records.

Table 17
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ending June 30, 2020 - 2024				
	2024	2023	2022	2021	2020
Beginning General Fund Balance	**$ 46,602,193**	**$ 49,599,953**	**$ 56,522,424**	**$ 58,145,036**	**$ 57,119,723**
Revenues:					
Local and Intermediate Sources	$ 152,122,065	$ 181,828,408	$ 171,262,638	$ 172,036,076	$ 167,841,951
State Program Revenues	20,585,359	17,104,085	19,069,961	18,881,840	16,988,935
Federal Program Revenues	3,697,811	2,303,529	1,766,839	3,070,007	2,445,046
Total Revenues	**$ 176,405,235**	**$ 201,236,022**	**$ 192,099,438**	**$ 193,987,923**	**$ 187,275,932**
Expenditures:					
Instruction	$ 87,724,279	$ 84,024,535	$ 84,594,181	$ 81,399,573	$ 80,530,993
Instructional Resources and Media Services	1,542,617	1,429,964	1,637,687	1,609,359	1,557,670
Curriculum and Instructional Staff Development	482,814	318,935	515,648	440,298	413,026
Instructional Leadership	3,681,565	3,612,733	3,934,471	3,603,213	3,433,946
School Leadership	9,026,510	8,218,785	7,936,910	7,659,373	7,547,536
Guidance, Counseling and Evaluation Services	5,241,544	5,443,003	5,593,041	5,283,719	5,318,905
Social Work Services	397,486	396,458	422,868	473,093	335,644
Health Services	1,915,087	1,795,332	1,822,280	1,857,477	1,627,898
Student (Pupil) Transportation	3,964,662	3,921,593	3,689,371	2,916,996	3,046,277
Food Services	-	144,105	43,540	43,002	118,743
Extracurricular Activities	3,984,132	3,850,114	3,859,087	3,640,611	3,863,106
General Administration	4,771,862	4,680,714	4,591,831	4,519,798	4,527,291
Facilities Maintenance and Operations	15,801,495	10,859,302	13,423,513	14,024,588	12,139,879
Security and Monitoring Services	1,384,448	733,215	733,940	652,333	650,965
Data Processing Services	1,329,586	1,157,293	1,231,185	1,129,109	1,087,853
Community Services	3,166,008	2,154,359	1,072,923	1,610,509	2,041,687
Principal on Long Term Debt	575,174	319,027	-	-	-
Interest on Long Term Debt	21,237	556	-	-	-
Facilities Acquisition and Construction	48,223	44,770	66,577	38,172	69,325
Contracted Instructional Services Between Schools	29,706,703	63,857,323	56,552,407	56,502,582	49,715,634
Payments to Juvenile Justice Alternative Education	-	3,870	5,547	-	-
Payments to Tax Increment Fund	5,751,168	6,327,923	6,300,040	7,260,544	7,216,779
Other Intergovernmental Charges	951,918	997,122	1,025,488	1,059,164	1,076,238
Total Expenditures	**$ 181,468,518**	**$ 204,291,031**	**$ 199,052,535**	**$ 195,723,513**	**$ 186,319,395**
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (5,063,283)	$ (3,055,009)	$ (6,953,097)	$ (1,735,590)	$ 956,537
Other Resources and (Uses):					
Other Resources	$ 2,311,003	$ 57,249	$ 30,626	$ 112,978	$ 68,776
Other Uses	-	-	-	-	-
Total Other Resources (Uses)	**$ 2,311,003**	**$ 57,249**	**$ 30,626**	**$ 112,978**	**$ 68,776**
Net Change in General Fund Balance	$ (2,752,280)	$ (2,997,760)	$ (6,922,471)	$ (1,622,612)	$ 1,025,313
Ending General Fund Balance (A)(B)	**$ 43,849,913**	**$ 46,602,193**	**$ 49,599,953**	**$ 56,522,424**	**$ 58,145,036**

(A) Ending General Fund Balance includes Nonspendable, Committed, Assigned and Unassigned Fund Balance.
(B) The District estimates that its Ending General Fund Balance as of June 30, 2025 will be approximately $44.6 million.
Source: District's Audited Financial Statements and District records.

Table 18
CHANGE IN NET POSITION [(A)]

Revenues:	2024	2023	2022	2021	2020
	Fiscal Years Ending June 30, 2020 - 2024				
Program Revenues					
Charges for Services	$ 10,492,961	$ 9,901,037	$ 7,765,255	$ 9,716,429	$ 7,793,229
Operating Grants and Contributions	22,999,609	19,824,071	16,171,555	29,289,961	21,671,127
Total Program Revenues	$ 33,492,570	$ 29,725,108	$ 23,936,810	$ 39,006,390	$ 29,464,356
General Revenues					
Maintenance and Operations Taxes	$ 139,882,337	$ 169,185,908	$ 162,461,642	$ 157,939,772	$ 153,527,472
Debt Service Taxes	37,606,723	41,251,282	54,796,111	57,500,998	59,075,522
State Aid - Formula Grants	12,277,651	9,254,753	11,401,885	10,839,431	8,969,233
Investment Earnings	8,658,395	7,733,605	600,789	310,247	3,998,696
Gifts and Bequests	125,749	223,667	188,331	164,344	450,781
Miscellaneous Local and Intermediate Revenue	7,017,417	6,215,027	5,869,622	12,426,701	11,491,080
Special/Extraordinary Items	-	54,636	878,489	-	-
Total General Revenues	$ 205,568,272	$ 233,918,878	$ 236,196,869	$ 239,181,493	$ 237,512,784
Total Revenues	**$ 239,060,842**	**$ 263,643,986**	**$ 260,133,679**	**$ 278,187,883**	**$ 266,977,140**
Expenses					
Instruction	$ 110,569,446	$ 100,534,415	$ 100,076,179	$ 111,182,323	$ 110,536,490
Instruction Resources and Media Services	2,221,842	3,160,367	2,397,701	3,130,275	3,124,431
Curriculum and Instructional Staff Development	1,072,742	938,753	1,132,534	769,274	684,196
Instructional Leadership	3,854,930	3,687,292	3,956,227	4,117,835	4,052,701
School Leadership	9,365,254	8,222,646	7,411,475	8,217,670	8,326,230
Guidance, Counseling and Evaluation Services	6,069,767	6,051,496	5,720,286	6,279,295	6,546,014
Social Work Services	464,364	806,162	736,051	491,762	357,327
Health Services	2,014,091	1,894,877	1,903,774	2,095,539	1,764,796
Student (Pupil) Transportation	4,926,168	4,484,097	4,264,913	3,521,436	4,402,968
Food Service	5,615,733	5,568,839	5,447,515	5,646,757	6,304,103
Extracurricular Activities	6,777,648	6,198,542	6,023,715	6,236,644	5,915,880
General Administration	5,093,868	4,860,275	4,163,219	5,431,930	5,455,129
Facilities Maintenance and Operations	19,118,383	15,537,730	14,021,750	14,131,205	13,487,760
Security and Monitoring Services	4,459,815	1,235,721	1,410,926	969,486	817,868
Data Processing Services	4,429,697	4,544,766	4,669,818	7,379,293	3,632,409
Community Services	3,325,566	3,037,120	2,203,536	2,010,386	2,527,036
Debt Service - Interest on Long Term Debt	11,394,521	11,358,451	13,502,239	16,103,195	18,971,057
Debt Service - Bond Issuance Cost and Fees	-	111,605	337,295	101,447	-
Contracted Instructional Services Between Schools	29,706,703	63,857,323	56,552,407	56,502,582	49,715,634
Payments Related to Shared Services Arrangements	30,297	34,313	32,499	30,340	10,471
Payments to Juvenile Justice Alternative Education	-	3,870	5,547	-	-
Payments to Tax Increment Fund	5,751,168	6,327,923	6,300,040	7,260,544	7,216,779
Other Intergovernmental Charges	951,684	997,122	1,025,488	1,059,164	1,076,238
Business-Type Activities	1,673,327	1,551,029	1,225,671	-	-
Total Expenses	**$ 238,887,014**	**$ 255,004,734**	**$ 244,520,805**	**$ 262,668,382**	**$ 254,925,517**
Increase/(Decrease) in Net Position	$ 173,828	$ 8,639,252	$ 15,612,874	$ 15,519,501	$ 12,051,623
Beginning Net Position	47,735,524	39,096,272	23,483,398	7,963,897	(4,087,726)
Prior Period Adjustment	-	-	-	-	-
Ending Net Position	**$ 47,909,352**	**$ 47,735,524**	**$ 39,096,272**	**$ 23,483,398**	**$ 7,963,897**

[(A)] Financial operations for all governmental activities in accordance with GASB Statement No. 34.
Source: District's Audited Financial Statements and District records.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

The Grapevine-Colleyville Independent School District (the "District" or "GCISD") is located in the northeast corner of Tarrant County with a small portion extending into Dallas County to the east. The District encompasses an area of approximately 53.39 square miles and primarily includes the City of Grapevine and the City of Colleyville. The Dallas/Fort Worth International Airport lies within the District as well as a portion of Lake Grapevine.

The District is governed by a seven-member Board of Trustees (the "Board"). The members of the Board serve three-year staggered terms with at-large elections conducted annually on the May uniform election date. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

The District owns and operates 18 instructional facilities which are fully accredited by the Texas Education Agency. The number and types of instructional facilities are as follows:

Other Program Facilities	1
Elementary Schools	11
Middle Schools	4
High Schools	2
Total	**18**

DISTRICT ENROLLMENT INFORMATION

SCHOLASTIC ENROLLMENT HISTORY

YEAR	ENROLLMENT	INCREASE/ (DECREASE)	PERCENT CHANGE
2014/15	13,748	225	1.66%
2015/16	13,818	70	0.51%
2016/17	13,857	39	0.28%
2017/18	13,975	118	0.85%
2018/19	13,941	(34)	(0.24%)
2019/20	14,234	293	2.10%
2020/21	13,935	(299)	(2.10%)
2021/22	14,013	78	0.56%
2022/23	13,772	(241)	(1.72%)
2023/24	13,565	(207)	(1.50%)
2024/25[(A)]	13,537	(28)	(0.21%)

[(A)] Enrollment as of December 19, 2024.
Source: District records.

PROJECTED STUDENT ENROLLMENT

YEAR	ENROLLMENT	INCREASE/ (DECREASE)	PERCENT CHANGE
2025/26	13,504	(33)	(0.24%)
2026/27	13,262	(242)	(1.79%)
2027/28	13,177	(85)	(0.64%)
2028/29	13,113	(64)	(0.49%)
2029/30	12,982	(131)	(1.00%)

Source: District projections.

STUDENT ENROLLMENT BY GRADES – YEARS 2014/15 – 2024/25

YEAR	EE	PK	K	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
2014/15	45	190	888	914	947	960	969	1,017	1,124	1,069	1,078	1,112	1,178	1,136	1,121	13,748
2015/16	57	189	886	924	964	955	983	996	1,073	1,177	1,091	1,138	1,092	1,151	1,142	13,818
2016/17	69	250	926	922	921	963	961	1,012	1,033	1,126	1,191	1,176	1,119	1,068	1,120	13,857
2017/18	65	268	849	950	950	951	985	1,016	1,057	1,106	1,207	1,244	1,137	1,130	1,060	13,975
2018/19	67	305	849	865	920	935	957	1,017	1,036	1,099	1,157	1,228	1,254	1,140	1,112	13,941
2019/20	68	357	901	896	890	955	954	979	1,110	1,123	1,185	1,223	1,225	1,240	1,128	14,234
2020/21	54	292	740	871	867	880	937	1,008	1,077	1,169	1,154	1,228	1,209	1,225	1,224	13,935
2021/22	58	398	830	815	879	862	892	1,029	1,092	1,136	1,203	1,209	1,214	1,175	1,221	14,013
2022/23	77	394	800	884	827	886	868	971	1,053	1,090	1,141	1,210	1,204	1,207	1,160	13,772
2023/24	67	376	750	812	894	813	906	915	994	1,121	1,142	1,163	1,240	1,187	1,185	13,565
2024/25[(A)]	75	398	752	778	828	899	814	986	1,008	1,083	1,191	1,167	1,186	1,196	1,176	13,537

[(A)] Enrollment as of December 19, 2024.
Source: District records.

STUDENT ENROLLMENT BY SCHOOL TYPE

YEAR	ELEMENTARY SCHOOL (GRADES EE-5)	MIDDLE SCHOOL (GRADES 6-8)	HIGH SCHOOL (GRADES 9-12)	TOTAL ENROLLMENT
2014/15	5,930	3,271	4,547	13,748
2015/16	5,954	3,341	4,523	13,818
2016/17	6,024	3,350	4,483	13,857
2017/18	6,034	3,370	4,571	13,975
2018/19	5,915	3,292	4,734	13,941
2019/20	6,000	3,418	4,816	14,234
2020/21	5,649	3,400	4,886	13,935
2021/22	5,763	3,431	4,819	14,013
2022/23	5,707	3,284	4,781	13,772
2023/24	5,533	3,257	4,775	13,565
2024/25[(A)]	5,530	3,282	4,725	13,537

[(A)] Enrollment as of December 19, 2024.
Source: District records.

EMPLOYMENT OF THE DISTRICT

	DISTRICT EMPLOYEES	
STAFF INFORMATION	NUMBER	PERCENTAGE
Teachers	977	51.94%
Administrators	118	6.27%
Teacher Aides & Secretaries	292	15.52%
Auxiliary Staff	327	17.39%
Other	167	8.88%
Total Number of Employees	**1,881**	**100.00%**

The District employs a staff of approximately 1,881. Beginning with the 2024/25 school year, entry level teachers without advanced degrees earn $59,250 annually. Teachers with longevity or advanced degrees can earn between $59,250 and $77,217 annually. All teachers receive life and health insurance benefits worth approximately $285 monthly.

Source: District records.

PRESENT SCHOOL FACILITIES

LOCATION	GRADES SERVED	FUNCTIONAL CAPACITY[A]	PRESENT ENROLLMENT[B]	FUNCTIONAL CAPACITY LESS PRESENT ENROLLMENT
Colleyville Heritage High School	9 – 12	2,500	1,829	671
Grapevine High School	9 – 12	2,400	1,616	784
Collegiate Academy [C]	9 – 12	---	358	(358)
HIGH SCHOOL TOTAL		**4,900**	**3,803**	**1,097**
Colleyville Middle School	6 – 8	750	613	137
Cross Timbers Middle School	6 – 8	925	818	107
Grapevine Middle School	6 – 8	900	634	266
Heritage Middle School	6 – 8	1,000	718	282
MIDDLE SCHOOL TOTAL		**3,575**	**2,783**	**792**
Bear Creek Elementary School	PK – 5	706	529	177
Bransford Elementary School	PK – 5	460	456	4
Cannon Elementary School	K – 5	419	472	(53)
Colleyville Elementary School	PK – 5	621	418	203
Dove Elementary School	PK – 5	508	408	100
Glenhope Elementary School	K – 5	448	569	(121)
Grapevine Elementary School	PK – 5	513	533	(20)
Heritage Elementary School	PK – 5	476	539	(63)
Silver Lake Elementary School	PK – 5	467	455	12
O.C. Taylor Elementary School	PK – 5	462	513	(51)
Timberline Elementary School	PK – 5	606	594	12
ELEMENTARY SCHOOL TOTAL		**5,686**	**5,486**	**200**
Bridges Accelerated Learning Center	9 – 12	---	57	(57)
iUniversity Prep [D]	5 – 12	---	1,408	(1,408)
VISTA Disciplinary Alternative Education Program	1 – 12	---	---	---
OTHER PROGRAM TOTAL		**---**	**1,465**	**(1,465)**
	TOTALS	**14,161**	**13,537**	**624**

(A) Includes student capacity of any portable buildings on this campus.
(B) Enrollment as of December 19, 2024.
(C) Collegiate Academy, GCISD's early college high school, is a partnership with Tarrant County College and is located at Tarrant County College's Northeast campus in Hurst.
(D) iUniversity Prep is a GCISD virtual school and is accredited through the Texas Education Agency.
Source: District records.

DEMOGRAPHIC AND ECONOMIC INFORMATION

City of Grapevine

The City of Grapevine is located in the center of the Dallas/Fort Worth metropolitan complex, 21 miles northwest of downtown Dallas and 19 miles northeast of downtown Fort Worth, and has a total area of 35.8 square miles. The city is located in the northeast corner of Tarrant County and is home to the Dallas/Fort Worth International Airport, one of the busiest airports in the world. Two-thirds of the airport, including all terminal buildings, is located within the city's limits. Also located within the city is Lake Grapevine, a major water source for surrounding areas managed by the U.S. Army Corps of Engineers. The 2020 census population provided by the U.S. Census Bureau was 50,631, increasing 9.27% since 2010.

Three major freeways, State Highway 114, State Highway 121 and Interstate Highway 635, intersect the City of Grapevine and provide access to Dallas, Fort Worth and the area shopping, entertainment and employment centers. The cities of Colleyville, Southlake, Euless, Coppell and Lewisville are located adjacent to the City of Grapevine.

City of Colleyville

The City of Colleyville is a primarily residential-oriented community located 11 miles northeast of the City of Fort Worth, 22 miles northwest of Dallas and 5 miles west of Dallas/Fort Worth International Airport in northeast Tarrant County. The 2020 census population provided by the U.S. Census Bureau was 26,057, increasing 14.25% since 2010.

Tarrant County

Tarrant County is a north Texas county and a component of the Dallas-Fort Worth Metropolitan Statistical Area. The county seat and largest city is Fort Worth, established as a frontier army post in 1849 by Major Ripley Arnold and named for General William Jenkins Worth. Other primary cities include Arlington, Richland Hills, North Richland Hills, Bedford, Euless, Grapevine, Hurst, Haltom City, Mansfield and Southlake. The 2020 census population provided by the U.S. Census Bureau was 2,110,640, increasing 16.67% since 2010.

The county is a manufacturing and wholesale trade center for much of west Texas, with its economy closely tied in with the Dallas/Fort Worth urban area. Tarrant County is one of the largest manufacturing counties in the United States. Major institutions of higher education include The University of Texas at Arlington, Tarrant County College, Texas Christian University, Texas Wesleyan University, University of North Texas Health Science Center and Southwestern Baptist Theological Seminary.

Local Economy

Within the District's boundaries is home to the Dallas/Fort Worth (DFW) International Airport, providing outstanding global access to residents and visitors. In addition, major freeways within the District provide excellent access to retailers and entertainment venues.

The District's relationship with the cities of Grapevine and Colleyville assure that development projects selected by the cities are also highly desirable for the District. The continued economic growth and expansion of the District's commercial tax base will continue, due to the District's participation in several tax increment financing agreements with the cities of Grapevine and Colleyville. The tax increment financing agreements were used to attract commercial development, such as the Grapevine Mills retail mall, Gaylord Texan Resort and Convention Center, and the Village at Colleyville retail stores and restaurants.

The 27-mile commuter TEXRail provides benefits of economic vitality throughout the community. The project, completed in 2019, includes a train station and runs from Southwest Fort Worth through Grapevine into DFW Airport. One of the stops is on Grapevine Main Street, which includes a 42,000 square-foot, five-story rail station. Next to the rail station is a 121-room boutique hotel, a 38,000 square-foot outdoor plaza large enough to host 3,500 guests and a 552-space parking garage.

Major Employers

Company	Industry	Estimated Number of Employees
Dallas/Fort Worth International Airport	International Airport	14,000[(A)]
Gaylord Texas Resort & Convention Center	Hotel/Convention Center	2,000
Grapevine-Colleyville ISD	Public Education	1,881
Paycom	Human Resources Software	990
Baylor Medical Center	Hospital	660
Great Wolf Lodge	Hotel	600
City of Grapevine	City Government	590
Boeing Distribution	Aviation Parts and Distribution	500
Hyatt Regency DFW International Airport	Hotel	500
Kubota	Equipment	450

(A) Total employees based on Tarrant County figures.
Source: District records and the District's Annual Comprehensive Financial Report for the Year Ended June 30, 2024.

Comparative Unemployment Rates

Entity	2019	2020	2021	2022	2023	2024[(A)]
Grapevine, City of	2.8%	6.1%	4.1%	3.0%	3.2%	3.5%
Colleyville, City of	2.7	4.7	3.7	2.8	3.0	3.0
Tarrant County	3.3	7.4	5.3	3.7	3.7	4.0
Dallas County	3.5	7.8	5.6	3.8	3.8	4.1
State of Texas	3.5	7.7	5.6	3.9	3.9	4.2
United States of America	3.7	8.1	5.3	3.6	3.6	4.0

(A) As of November 2024.
Source: Labor Market Information Department, Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

MCCALL PARKHURST & HORTON

Focused on Public Finance since 1919.

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.

GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2025, DATED FEBRUARY 1, 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 mature and bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, with the Bonds being subject to redemption prior to maturity, 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 one of the executed Bonds (Bond No. T-1).

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 laws applicable to the Issuer relating to governmental immunity, federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, which rights may be limited by general 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 or corporate 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 therewith, 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

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Suite 1025
Houston, Texas 77046
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F 713.980.0510

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Suite 1310
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F 210.225.2984

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the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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 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.

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 any 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.

Very truly yours,

APPENDIX D

EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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

PATTILLO, BROWN & HILL, L.L.P.
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Waco, Texas 76710
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Grapevine-Colleyville Independent School District
Grapevine, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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 Grapevine-Colleyville Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 Grapevine-Colleyville Independent School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grapevine-Colleyville Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grapevine-Colleyville Independent School District's basic financial statements. The combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section 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 November 18, 2024 on our consideration of Grapevine-Colleyville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Grapevine-Colleyville Independent School 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 Grapevine-Colleyville Independent School District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
November 18, 2024

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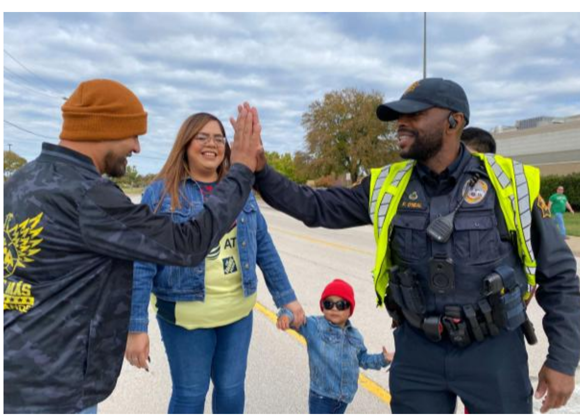
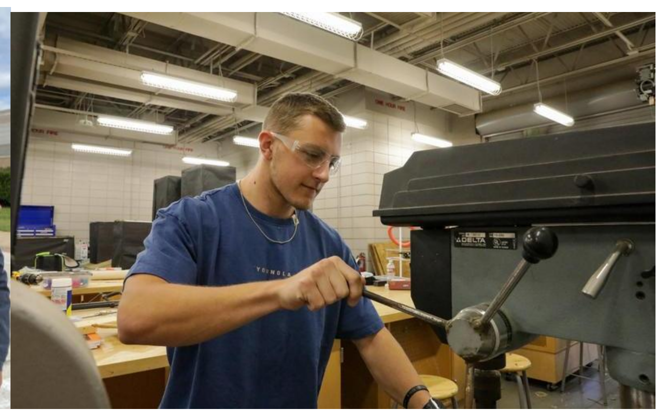
GRAPEVINE COLLEYVILLE
INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS





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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Grapevine-Colleyville Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of Grapevine-Colleyville Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $47,909,352.

- The District's total net position increased by $173,828 during the fiscal year as the result of current year operations.

- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of $138,639,549. Over 27.21% of this total amount $37,728,252 is unassigned and available for use within the District's commitments and policies.

- At the end of the current fiscal period, the unassigned and assigned fund balance of the general fund of $37,808,486 was 25.89% of the total general fund expenditures.

- The District is defined by Chapter 49 of the Texas Education Code (TEC) as a high wealth District. This means the local tax collections exceed the District's State entitlement and the excess local revenues must be sent to the State. For the 2024 fiscal year, the District owes $29,706,703 to the State due to this requirement.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

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. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The proprietary fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor Governmental funds and internal service funds contain even more information about the District's individual funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities. The primary purpose is to show whether the financial position of the District is improving or receding as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position 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 receding. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, information is divided into two kinds of activities:

- **Governmental activities**. Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

- **Business-type activities**. Activities in which the District charges a fee to "customers" to help cover the cost of services it provides are reported as business-type activities. The District reports one activity, the food service enterprise fund, as business-type activities. Those funds track the student revenues and related food service expenses at Grapevine High School and Colleyville Heritage High School.

Reporting the District's Most Significant Funds

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The fund financial statements provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District maintains twenty-eight governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

- **Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The District reports two types of proprietary funds. First, the Food Service enterprise fund reports revenues collected from students at the District's High Schools for food service and the related expenses of providing those services. The internal service funds report activities that provide supplies and services for the District's other programs and activities-such as the District's self-insurance programs and stadium rental.

- **Fiduciary funds.** The District reports one type of fiduciary fund. Custodial funds are used to account for resources held for the benefit of parties outside the government. Custodial funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or custodial, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's custodial activities are reported in a separate statement of custodial net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Government-wide Overall Financial Analysis

The following analysis presents both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities and business-type activities.

Governmental Activities

Net Position. The net position of the District's governmental activities at June 30, 2024 was $47,860,096. Investment in capital assets (e.g. land, building, furniture, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was $51,038,197 at June 30, 2024. 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 are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's governmental activities net position ($64,398,150) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position at June 30, 2024 was a $67,576,251 deficit. This deficit results from the recognition of the net pension liability and net OPEB liability related to TRS, as required by GASB, which will be funded with future revenues. This is not an indication that the District has insufficient resources available to meet financial obligations next year, but rather the result of having long-term commitments that are more than currently available resources.

TABLE I

NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Assets:						
Current and other assets	$ 213,880,521	$ 257,737,609	$ 135,251	$ 230,119	$ 214,015,772	$ 257,967,728
Capital assets	353,957,183	361,768,347	-	-	353,957,183	361,768,347
Total assets	567,837,704	619,505,956	135,251	230,119	567,972,955	619,736,075
Deferred Outflows of Resources:						
Deferred loss on bond refunding	3,134,271	3,634,624	-	-	3,134,271	3,634,624
Teach Retirement System	28,740,764	30,991,856	-	-	28,740,764	30,991,856
Total deferred outflows of resources	31,875,035	34,626,480	-	-	31,875,035	34,626,480
Liabilities:						
Long-term liabilities	434,131,660	459,675,402	-	-	434,131,660	459,675,402
Other liabilities	73,337,996	96,250,784	85,995	60,823	73,423,991	96,311,607
Total liabilities	507,469,656	555,926,186	85,995	60,823	507,555,651	555,987,009
Deferred Inflows of Resources:						
Deferred gain on bond refunding	4,104,347	4,767,941	-	-	4,104,347	4,767,941
Deferred inflow - leases	411,061	361,344	-	-	411,061	361,344
Teacher Retirement System	39,867,579	45,510,737	-	-	39,867,579	45,510,737
Total deferred inflows of resources	44,382,987	50,640,022	-	-	44,382,987	50,640,022
Net position:						
Net investment in capital assets	51,038,197	54,049,338	-	-	51,038,197	54,049,338
Restricted	64,398,150	59,737,343	-	-	64,398,150	59,737,343
Unrestricted	(67,576,251)	(66,220,453)	49,256	169,296	(67,526,995)	(66,051,157)
Total net position	$ 47,860,096	$ 47,566,228	$ 49,256	$ 169,296	$ 47,909,352	$ 47,735,524

There were some significant current year transactions that had an impact on net position of governmental activities.

The current and other assets decreased $43,857,088 from the prior year due to the following:

- The cash and cash equivalents decreased $49.5 million from the prior year, primarily due to the use of the payment of $72 million of recapture payments to the Texas Education Agency.

- The Other Receivables decreased $4.3 million for a reimbursement in the prior year due from the Tax Increment Finance agreement with the City of Grapevine.

Total liabilities decreased by $48,456,530 from the prior year due to the following:

- The District paid $27.6 million of outstanding bonds.

- The District had a liability of recapture payments to the Texas Education Agency of $71,976,208 in FY 23. That amount is $39,073,461 for the current fiscal year.

Also, the deferred outflows of resources decreased and deferred inflows of resources increased due to the entries related to GASB 68 and GASB 75 mentioned above, as well as the recognition of a deferred gain on bond refunding.

Changes in Net Position. The District's total revenues of its governmental activities were $237,507,555. A significant portion, approximately 74.73%, of the revenue comes from property taxes. Another 5.17% comes from state aid - formula grants while 3.76% relates to charges for services. This reflects a $24,560,052 decrease revenues from 2022-2023. The total revenues were used to fund the cost of all programs and services in the amount of $237,213,687, and to pay down the District's debt. This reflects a $16,240,018 decrease in expenses from 2022-2023.

Governmental Activities. The District's total net position of its governmental activities increased $293,868. The total cost of all government activities for the fiscal year ended June 30, 2024 was $237,213,687. Funding for these governmental activities is by specific program revenue or through general revenues such as property taxes, state aid and investment earnings. Program revenues directly attributable to specific activities funded some of the governmental activities costs. These program revenues amounted to $31,939,930 (grant revenues, tuition and facility leasing, for example). The remaining cost of governmental activities not directly funded by program revenues was $205,273,757, which were primarily funded by property taxes in the amount of $177,489,060 and state revenue of $12,277,651.

TABLE II

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
REVENUES						
Program revenues:						
Charges for services	$ 8,940,321	$ 8,325,409	$ 1,552,640	$ 1,575,628	$ 10,492,961	$ 9,901,037
Operating grants and contributions	22,999,609	19,824,071	-	-	22,999,609	19,824,071
General revenues:						
Maintenance and operations taxes	139,882,337	169,185,908	-	-	139,882,337	169,185,908
Debt service taxes	37,606,723	41,251,282	-	-	37,606,723	41,251,282
State aid - formula grants	12,277,651	9,254,753	-	-	12,277,651	9,254,753
Investment earnings	8,657,748	7,732,854	647	751	8,658,395	7,733,605
Gifts and bequests	125,749	223,667	-	-	125,749	223,667
Gain on sale of assets	-	54,636	-	-	-	54,636
Miscellaneous	7,017,417	6,215,027	-	-	7,017,417	6,215,027
Total revenues	237,507,555	262,067,607	1,553,287	1,576,379	239,060,842	263,643,986
EXPENSES						
Instruction, curriculum and media services	113,864,030	104,633,535	-	-	113,864,030	104,633,535
Instructional and school leadership	13,220,184	11,909,938	-	-	13,220,184	11,909,938
Student support services	13,474,390	13,236,632	-	-	13,474,390	13,236,632
Food services	5,615,733	5,568,839	1,673,327	1,551,029	7,289,060	7,119,868
Extracurricular activities	6,777,648	6,198,542	-	-	6,777,648	6,198,542
General administration	5,093,868	4,860,275	-	-	5,093,868	4,860,275
Plant maintenance, security and data process	28,007,895	21,318,217	-	-	28,007,895	21,318,217
Community services	3,325,566	3,037,120	-	-	3,325,566	3,037,120
Debt services	11,394,521	11,470,056	-	-	11,394,521	11,470,056
Intergovernmental charges	36,439,852	71,220,551	-	-	36,439,852	71,220,551
Total expenses	237,213,687	253,453,705	1,673,327	1,551,029	238,887,014	255,004,734
CHANGE IN NET POSITION	293,868	8,613,902	(120,040)	25,350	173,828	8,639,252
NET POSITION, BEGINNING	47,566,228	38,952,326	169,296	143,946	47,735,524	39,096,272
NET POSITION, ENDING	$ 47,860,096	$ 47,566,228	$ 49,256	$ 169,296	$ 47,909,352	$ 47,735,524

There were some significant current year transactions that had an impact on the changes in net position of governmental activities.

- Property tax revenue for FY 24 decreased significantly ($32,948,230) from FY 23. This was due to the District reducing the property tax rates from $1.1366 in FY 23 to $0.9247 in FY 24. These decreases were made due to State mandates concerning property tax rates.

- Intergovernmental charges decreased by $34.8 million over FY 23. This decrease was directly related to the decrease in property tax collections which is the driver of these State repayments.

The cost of all governmental activities for the current fiscal period was $237,213,687. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was only $177,489,060 because some of the costs were paid by those who directly benefited from the programs ($31,939,930) or by State funding ($12,277,651).

The District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $138,639,549 a decrease of $20,909,032. Approximately 32.38% of this total amount ($44,890,067) constitutes committed and unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because it is already restricted to pay debt service ($67,328,450), or for capital projects ($23,899,140), or for Federal grants ($1,084,477), or already spent on inventory and other prepaid items ($1,437,415).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $37,808,486, while the total fund balance was $43,849,913. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 21.52% of the total general fund expenditures, while the total fund balance represents 24.16% of that same amount.

The fund balance of the District's general fund decreased by $2,752,280 during the current fiscal year, compared to a $2,997,760 decrease in the previous year. Key factors related to this change are as follows:

- The overall reduction in property tax collections over FY 23 due to State mandates on property tax rates.

- An increase in overall compensation for teachers and employees of the District to offer competitive wages for staff.

The debt service fund has a total fund balance of $67,328,450, all of which is reserved for the payment of debt service. The net increase in fund balance during the period from current year operations was $5,522,739, compared to a $10,580,436 decrease in the previous year. Tax revenues were $1.7 million lower than the previous year due to a reduction in the tax rate. The District also saw an increase in the existing debt allotment from the State in FY 24. This increase over FY 23 amounted to $2.2 million.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by $21,282,372 due primarily to $24,259,226 spent on capital projects-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in the financial statements.

The Food Service enterprise fund, a proprietary fund, was established in fiscal year 2022 to track the food service revenues and expenses for Grapevine High School and Colleyville Heritage High School. These campuses solely rely on the charges from students to fund the provision of services. At the end of the year, the operating costs of $1.67 million exceeded the user charges of $1.55 million, resulting in an ending net position of $49,256.

General Fund Budgetary Highlights

The General Fund budget is approved by the Board prior to July 1. Over the course of the year, it may be necessary to amend the budget based on more accurate data such as tax collections, student counts, and final payroll salaries. All budget revisions that amend revenues and expenditures at the function level must be approved by the Board. A monthly budget amendment report and a fiscal year end final amended budget report are presented to the Board for approval.

The District's General Fund balance of $43,849,913 differs from the General Fund's budgetary fund balance of $41,222,436 reported in the schedule of revenues, expenditures and changes in fund balance. For the year ended June 30, 2024, actual general fund expenditures on a budgetary basis were $181,468,518, below the original budget expenditures of $215,231,020 and above the revised final budget of $180,607,224. The majority of the actual variance of $861,294 is due to increased expenditures in instruction for Career and Technical Education programs and for increased personnel costs for facilities maintenance and operations. Actual revenue on a budgetary basis was $176,405,235 compared to the original budget of $215,231,020 and a revised budget of $175,227,467. The variance was primarily due to the interest income and state revenue being higher than expected.

Capital Assets and Debt Administration

Capital Assets. At June 30, 2024, the District had $353,957,183 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of $7,811,164 compared to last year. This decrease resulted from depreciation expense being greater than current-year additions.

The total depreciation expense for the period was $18,329,521.

The following schedule presents capital asset balances net of depreciation for the year ended June 30, 2023:

GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT

DISTRICT'S CAPITAL ASSETS

	2024	2023
Land	$ 31,358,494	$ 31,358,494
Construction in progress	5,203,147	14,190,278
Building & improvements	588,491,080	571,077,872
Furniture & equipment	61,136,551	59,972,919
SBITAs	1,990,883	1,852,354
Less: depreciation	(334,222,972)	(316,683,570)
Totals	$ 353,957,183	$ 361,768,347

Additional information about the District’s capital assets are presented in the notes to the financial statements.

Long-term Liability Administration. At year-end, the District had $354,115,092 in bonds outstanding (including accreted interest on bonds) versus $383,803,205 last year - a decrease of 8%. This resulted from the District continuing to make bond payments without issuing any new debt.

Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) have assigned municipal bond ratings of “Aaa” and “AAA”, respectively, to Bonds based upon the Permanent School Fund Guarantee. The District’s underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are “Aa1” by Moody’s and “AA+” by S&P. In July 2017, Moody’s upgraded the District’s bond rating from Aa2 to Aa1. In September 2019, S&P upgraded the District’s bond rating from AA to AA+.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is $1,962,803,450, which is significantly in excess of the District’s outstanding general obligation debt.

Other obligations include accrued compensated absences and SBITAs payable. Additional information on the District’s long-term liabilities can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2024-2025 budget was adopted by the Board of Trustees on June 17, 2024.

The budget process involved input from parents, campus and administrative staff, the Superintendent and the Board of Trustees. The budget was aligned with the District's Balanced Scorecard (strategic plan), which will provide the structure for the future of our District.

The official budgets adopted by the Board included budgets for the General Fund, Child Nutrition Fund, Child Nutrition Enterprise Fund and Debt Service Fund. The budgets were prepared and approved at the fund and function levels, to comply with the State's legal level of control mandates. The General Fund budget was prepared using the state funding laws that were in place when the budget was adopted.

The adopted 2024-2025 General Fund budget includes estimated revenues and other sources of $185.2 million and expenditures of $184.8 million, resulting in a $0.47 million surplus. The State funding, which includes tax collections and state revenues, collectively, increased $1.6 million. The Chapter 49 wealth equalization payment or Recapture decreased $31.2 million due reduced tax collections attributed to the new 2023 $100,000 Homestead Exemption. The Tax Increment Finance (TIF) tax collections and the TIF expenditures both increased by $0.852 million.

The adopted 2024-2025 Child Nutrition Fund budget is separated into two different funds. The National Breakfast and Lunch Program fund budget includes estimated revenues $7.1 million and expenditures of $7 million. The Enterprise Program revenue budget, supported by user charges at Grapevine High School and Colleyville Heritage High School, is $1.9 million and expenditures of $1.66 million with a net operating surplus of $0.248 million.

The adopted 2024-2025 Debt Service Fund budget includes estimated revenues of $41.3 million and expenditures of $41.3 million. The tax revenue budget was reduced from the prior year based on a reduction in the 2024 Debt Service tax rate.

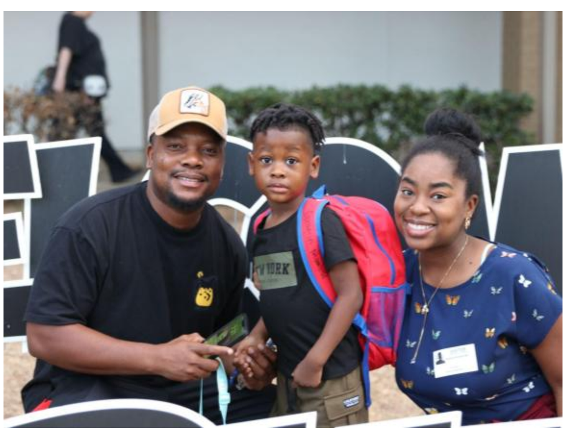
The total 2024 tax rate of $0.9233 was approved by the Board of Trustees in September 2024, and the rate decreased from the 2023 tax rate of $0.9247. The 2024 tax rate consists of a Maintenance & Operations (M&O) tax rate of $0.7369 and an Interest & Sinking tax rate of $0.1864. The M&O tax rate is broken into two tiers. Tier 1 tax rate of $0.6790 was calculated by the Texas Education Agency in August 2024 based on the July 25th certified tax appraisal property values. The Tier 2 tax rate of $0.08 was approved by the Board of Trustees and our community through a Voter Approved Tax Ratification Election (VATRE) on November 5, 2024.

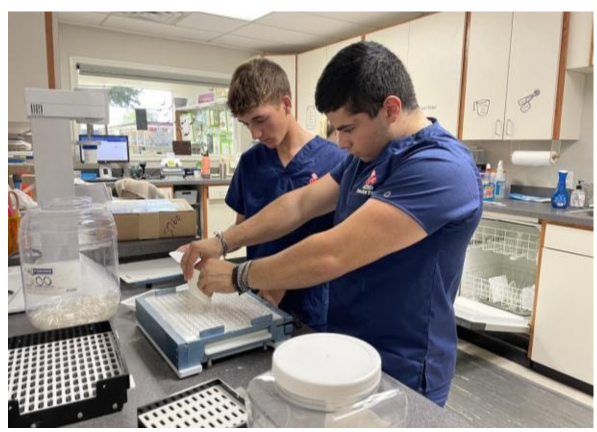
District's 2024 certified property values reflect a steady tax base for tax collections with the residential and commercial property values increasing 3% from 2023. In GCISD, about 50% of the tax base is commercial and 50% is residential.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the Financial Services, at Grapevine-Colleyville Independent School District, 3051 Ira E. Woods Avenue, Grapevine, Texas 76051.

BASIC FINANCIAL STATEMENTS





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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT **EXHIBIT A-1**

STATEMENT OF NET POSITION

JUNE 30, 2024

Data Control Codes		1 Governmental Activities	2 Business-type Activities	3 Total Primary Government
	ASSETS			
1110	Cash and cash equivalents	$ 192,354,500	$ 135,251	$ 192,489,751
1220	Property taxes receivable (delinquent)	6,429,266	-	6,429,266
1230	Allowance for uncollectible taxes	(964,390)	-	(964,390)
1240	Due from other governments	14,126,910	-	14,126,910
1250	Accrued interest receivable	35,741	-	35,741
1290	Other receivables, net	460,370	-	460,370
1300	Inventories	584,095	-	584,095
1410	Prepaid items	853,320	-	853,320
1490	Other current assets	709	-	709
	Capital assets:			
1510	Land	31,358,494	-	31,358,494
1520	Buildings and improvements, net	306,068,825	-	306,068,825
1530	Furniture and equipment, net	10,140,118	-	10,140,118
1550	SBITA assets, net	1,186,599	-	1,186,599
1580	Construction in progress	5,203,147	-	5,203,147
1000	Total assets	567,837,704	135,251	567,972,955
	DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred loss on bond refundings	3,134,271	-	3,134,271
1705	Deferred outflow related to pensions	21,018,398	-	21,018,398
1706	Deferred outflow related to OPEB	7,722,366	-	7,722,366
1700	Total deferred outflows of resources	31,875,035	-	31,875,035
	LIABILITIES			
2110	Accounts payable	11,151,007	11,345	11,162,352
2140	Accrued interest payable	5,049,542	-	5,049,542
2150	Payroll deductions and withholdings	1,080,207	3,760	1,083,967
2160	Accrued wages payable	15,609,376	24,518	15,633,894
2180	Due to other governments	39,073,461	-	39,073,461
2200	Accrued expenses	176,908	-	176,908
2300	Unearned revenue	1,197,495	46,372	1,243,867
	Noncurrent liabilities:			
	Due within one year:			
2501	Long-term debt	29,490,362	-	29,490,362
	Due in more than one year:			
2502	Long-term debt	326,601,513	-	326,601,513
2540	Net pension liability (proportionate share)	54,834,542	-	54,834,542
2545	Net OPEB liability (proportionate share)	23,205,243	-	23,205,243
2000	Total liabilities	507,469,656	85,995	507,555,651
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred gain on bond refundings	4,104,347	-	4,104,347
2606	Deferred inflow - leases	411,061	-	411,061
2607	Deferred inflow related to pensions	3,593,805	-	3,593,805
2608	Deferred inflow related to OPEB	36,273,774	-	36,273,774
2600	Total deferred inflows of resources	44,382,987	-	44,382,987
	NET POSITION			
3200	Net investment in capital assets	51,038,197	-	51,038,197
	Restricted for:			
3820	Federal and state programs	1,084,477	-	1,084,477
3850	Debt service	63,313,673	-	63,313,673
3900	Unrestricted	(67,576,251)	49,256	(67,526,995)
3000	Total net position	$ 47,860,096	$ 49,256	$ 47,909,352

The accompanying notes are an integral part of this financial statement.

GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues 3 Charges for Services
	Governmental activities:		
11	Instruction	$ 110,569,446	$ 1,784,749
12	Instructional resources and media services	2,221,842	10,595
13	Curriculum and staff development	1,072,742	1,760
21	Instructional leadership	3,854,930	27,434
23	School leadership	9,365,254	68,947
31	Guidance, counseling, and evaluation services	6,069,767	43,445
32	Social work services	464,364	3,529
33	Health services	2,014,091	712,573
34	Student transportation	4,926,168	23,389
35	Food service	5,615,733	2,045,748
36	Extracurricular activities	6,777,648	546,078
41	General administration	5,093,868	27,627
51	Facilities maintenance and operations	19,118,383	356,233
52	Security and monitoring services	4,459,815	2,965
53	Data processing services	4,429,697	4,910
61	Community services	3,325,566	3,280,339
72	Interest on long-term debt	11,394,521	-
91	Contracted instructional services between schools	29,706,703	-
93	Payments to fiscal agent/member districts of SSA	30,297	-
97	Payments to Tax Increment Fund	5,751,168	-
99	Other intergovernmental charges	951,684	-
TG	Total governmental activities	$ 237,213,687	$ 8,940,321
	Business-type activities:		
05	Food service	1,673,327	1,552,640
TB	Total business-type activities	1,673,327	1,552,640
TP	Total primary government	$ 238,887,014	$ 10,492,961
	General revenues:		
	Taxes:		
MT	Property taxes, levied for general purposes		
DT	Property taxes, levied for debt service		
SF	State aid - formula grants		
GC	Gifts and bequests		
IE	Investment earnings		
MI	Miscellaneous		
TR	Total general revenues		
CN	Change in net position		
NB	Net position, beginning		
NE	Net position, ending		

The accompanying notes are an integral part of this financial statement.

Program Revenues	Net (Expenses) Revenue and Changes in Net Position		
4	6	7	8
	Primary Government		
Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
$ 11,308,359	$ (97,476,338)	$ -	$ (97,476,338)
68,561	(2,142,686)	-	(2,142,686)
509,197	(561,785)	-	(561,785)
260,290	(3,567,206)	-	(3,567,206)
620,429	(8,675,878)	-	(8,675,878)
1,118,933	(4,907,389)	-	(4,907,389)
88,052	(372,783)	-	(372,783)
105,844	(1,195,674)	-	(1,195,674)
332,830	(4,569,949)	-	(4,569,949)
2,742,695	(827,290)	-	(827,290)
122,838	(6,108,732)	-	(6,108,732)
1,299,430	(3,766,811)	-	(3,766,811)
456,149	(18,306,001)	-	(18,306,001)
492,931	(3,963,919)	-	(3,963,919)
42,960	(4,381,827)	-	(4,381,827)
293,638	248,411	-	248,411
3,104,055	(8,290,466)	-	(8,290,466)
-	(29,706,703)	-	(29,706,703)
32,418	2,121	-	2,121
-	(5,751,168)	-	(5,751,168)
-	(951,684)	-	(951,684)
$ 22,999,609	$ (205,273,757)	$ -	$ (205,273,757)
-	-	(120,687)	(120,687)
-	-	(120,687)	(120,687)
$ 22,999,609	(205,273,757)	(120,687)	(205,394,444)
	139,882,337	-	139,882,337
	37,606,723	-	37,606,723
	12,277,651	-	12,277,651
	125,749	-	125,749
	8,657,748	647	8,658,395
	7,017,417	-	7,017,417
	205,567,625	647	205,568,272
	293,868	(120,040)	173,828
	47,566,228	169,296	47,735,524
	$ 47,860,096	$ 49,256	$ 47,909,352

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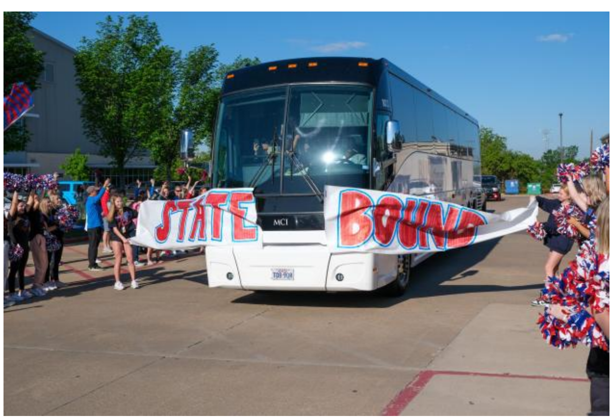
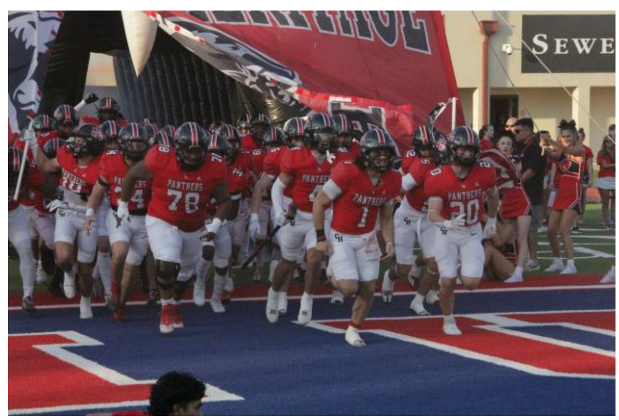
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS





GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2024

Data Control Codes		10 General Fund	50 Debt Service Fund
	ASSETS		
1110	Cash and cash equivalents	$ 87,189,261	$ 67,081,673
1220	Property taxes - delinquent	5,017,662	1,411,604
1230	Allowance for uncollectible taxes (credit)	(752,649)	(211,741)
1240	Due from other governments	10,758,197	81,679
1250	Accrued interest	35,741	-
1260	Due from other funds	1,938,137	-
1290	Other receivables	430,370	-
1300	Inventories	547,369	-
1410	Prepaid items	494,058	-
1490	Other current assets	709	-
1000	Total assets	105,658,855	68,363,215
	LIABILITIES		
2110	Accounts payable	2,414,226	-
2150	Payroll deductions and withholdings	1,032,432	-
2160	Accrued wages payable	14,725,644	-
2170	Due to other funds	-	-
2180	Due to other governments	39,073,461	-
2300	Unearned revenues	168,078	-
2000	Total liabilities	57,413,841	-
	DEFERRED INFLOWS OF RESOURCES		
2601	Unavailable revenue - property taxes	3,984,040	1,034,765
2601	Unavailable revenue - leases	411,061	-
2600	Total deferred inflows of resources	4,395,101	1,034,765
	FUND BALANCES		
	Nonspendable:		
3410	Inventories	547,369	-
3430	Prepaid items	494,058	-
	Restricted:		
3450	Federal or state programs	-	-
3470	Capital acquisition and contractual obligation	-	-
3480	Retirement of long-term debt	-	67,328,450
	Committed:		
3510	Maintenance	4,000,000	-
3520	Claims and judgements	500,000	-
3540	Self insurance	500,000	-
3545	Other	-	-
3600	Unassigned	37,808,486	-
3000	Total fund balances	43,849,913	67,328,450
4000	Total liabilities, deferred inflows and fund balances	$ 105,658,855	$ 68,363,215

The accompanying notes are an integral part of this financial statement.

60 Capital Projects	Other Funds	98 Total Governmental Funds
$ 32,068,686	$ 4,302,047	$ 190,641,667
-	-	6,429,266
-	-	(964,390)
-	3,287,034	14,126,910
-	-	35,741
-	-	1,938,137
-	30,000	460,370
-	36,726	584,095
319,664	39,598	853,320
-	-	709
32,388,350	7,695,405	214,105,825
8,163,340	560,168	11,137,734
-	47,775	1,080,207
6,206	877,526	15,609,376
-	1,938,137	1,938,137
-	-	39,073,461
-	1,029,417	1,197,495
8,169,546	4,453,023	70,036,410
-	-	5,018,805
-	-	411,061
-	-	5,429,866
-	36,726	584,095
319,664	39,598	853,320
-	1,084,477	1,084,477
23,899,140	-	23,899,140
-	-	67,328,450
-	-	4,000,000
-	-	500,000
-	-	500,000
-	2,161,815	2,161,815
-	(80,234)	37,728,252
24,218,804	3,242,382	138,639,549
$ 32,388,350	$ 7,695,405	$ 214,105,825

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

JUNE 30, 2024

Total fund balances - governmental funds	$ 138,639,549
Amounts reported for for governmental activities in the statement of net position are different because:	
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	353,957,183
2 Some receivables are reported as deferred inflows of resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	
Property taxes	5,018,805
3 Net position of the internal service fund is shown as part of the proprietary funds, but is reported as part of governmental activities on the statement of net position.	1,522,652
4 Long-term liabilities, including bonds and accreted interest, are not due and payable in the current period and therefore are not reported in the funds. Also, the gains and losses on refunding of bonds and the premium on issuance of bonds payable are not reported on the balance sheet in the funds.	
General and certificates of obligation	(289,401,438)
SBITAs payable	(1,104,505)
Compensated absences	(872,278)
Unamortized premium	(41,987,900)
Accreted interest	(22,725,754)
Deferred loss on refunding	3,134,271
Deferred gain on refunding	(4,104,347)
5 Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,049,542)
6 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68.	
Net pension liability - proportionate share	(54,834,542)
Deferred outflows related to pensions	21,018,398
Deferred inflows related to pensions	(3,593,805)
7 Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75.	
Net OPEB liability - proportionate share	(23,205,243)
Deferred outflows related to OPEB	7,722,366
Deferred inflows related to OPEB	(36,273,774)
29 Net position of governmental activities	$ 47,860,096

The accompanying notes are an integral part of this financial statement.

GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2024

Data Control Codes		10 General Fund	50 Debt Service Fund
	REVENUES		
5700	Local and intermediate sources	$ 152,122,065	$ 43,170,374
5800	State program	20,585,359	3,104,055
5900	Federal program	3,697,811	-
5020	Total revenues	176,405,235	46,274,429
	EXPENDITURES		
	Current:		
0011	Instruction	87,724,279	-
0012	Instructional resources and media services	1,542,617	-
0013	Curriculum and instructional staff development	482,814	-
0021	Instructional leadership	3,681,565	-
0023	School leadership	9,026,510	-
0031	Guidance, counseling and evaluation services	5,241,544	-
0032	Social work services	397,486	-
0033	Health services	1,915,087	-
0034	Student (pupil) transportation	3,964,662	-
0035	Food services	-	-
0036	Extracurricular activities	3,984,132	-
0041	General administration	4,771,862	-
0051	Facilities maintenance and operations	15,801,495	-
0052	Security and monitoring services	1,384,448	-
0053	Data processing services	1,329,586	-
0061	Community services	3,166,008	-
	Debt service:		
0071	Principal on long term debt	575,174	27,555,000
0072	Interest on long term debt	21,237	13,173,200
0073	Bond issuance costs and fees	-	23,490
	Capital Outlay:		
0081	Facilities acquisition and construction	48,223	-
	Intergovernmental:		
0091	Contracted instructional services between schools	29,706,703	-
0093	Payments to fiscal agent/member districts of SSA	-	-
0097	Payments to Tax Increment Fund	5,751,168	-
0099	Other intergovernmental charges	951,918	-
6030	Total expenditures	181,468,518	40,751,690
1100	Excess (deficiency) of revenues over (under) expenditures	(5,063,283)	5,522,739
	OTHER FINANCING SOURCES (USES)		
7912	Sale of real and personal property	111,003	-
7915	Transfers in	2,200,000	-
7949	Issuance of SBITA	-	-
8911	Transfers out	-	-
7080	Total other financing sources (uses)	2,311,003	-
1200	Net change in fund balances	(2,752,280)	5,522,739
0100	Fund balance - July 1 (beginning)	46,602,193	61,805,711
3000	Fund balance - June 30 (ending)	$ 43,849,913	$ 67,328,450

The accompanying notes are an integral part of this financial statement.

60 Capital Projects	Other Funds	98 Total Governmental Funds
$ 2,141,395	$ 4,016,281	$ 201,450,115
-	1,618,902	25,308,316
-	8,321,680	12,019,491
2,141,395	13,956,863	238,777,922
4,206,060	6,078,018	98,008,357
723,416	91,647	2,357,680
-	549,383	1,032,197
-	23,562	3,705,127
-	347,289	9,373,799
-	770,463	6,012,007
-	69,279	466,765
84,344	2,961	2,002,392
98,509	101,327	4,164,498
-	4,955,171	4,955,171
802,580	301,413	5,088,125
32,426	44,826	4,849,114
2,054,145	68,173	17,923,813
2,552,522	487,657	4,424,627
3,023,376	42,840	4,395,802
-	128,986	3,294,994
219,047	191,635	28,540,856
-	3,843	13,198,280
-	-	23,490
10,462,801	-	10,511,024
-	-	29,706,703
-	30,297	30,297
-	-	5,751,168
-	-	951,918
24,259,226	14,288,770	260,768,204
(22,117,831)	(331,907)	(21,990,282)
-	34,778	145,781
-	-	2,200,000
835,459	100,010	935,469
-	(2,200,000)	(2,200,000)
835,459	(2,065,212)	1,081,250
(21,282,372)	(2,397,119)	(20,909,032)
45,501,176	5,639,501	159,548,581
$ 24,218,804	$ 3,242,382	$ 138,639,549

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

FOR THE YEAR ENDED JUNE 30, 2024

Net change in fund balances - total governmental funds	$ (20,909,032)
Amounts reported for governmental activities in the statement of activities 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.	
Additions to capital assets	11,345,164
Depreciation on capital assets	(18,329,521)
Disposal of capital assets	(816,727)
Some receivables are not considered available revenues and are reported as deferred inflows in the governmental funds.	
Property taxes	(31,001)
The District uses an internal service fund to charge the cost of self-insurance and printing to the appropriate functions in other funds. The net income of the internal service fund is reported as a part of governmental activities which increases net position.	414,640
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repayment	28,540,856
Proceeds from SBITA issuance	(935,469)
Compensated absences	(379,296)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Amortization of premium and deferred loss on refunding of bonds payable	4,274,348
Accreted interest on capital appreciation bonds	(1,940,859)
Accrued interest payable	(468,624)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $3,516,627. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling $3,447,245. Finally, the proportionate share of pension expense on the plans as a whole had to be recorded. The net pension expense decreased the change in net position by $5,619,675. The net result is a decrease in the change in net position.	(5,550,293)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $743,156. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling $760,866. Finally, the proportionate share of OPEB expense on the plans as a whole had to be recorded. The net OPEB expense increased the change in net position by $5,097,392. The net result is an increase in the change in net position.	5,079,682
Change in net position of governmental activities	$ 293,868

The accompanying notes are an integral part of this financial statement.

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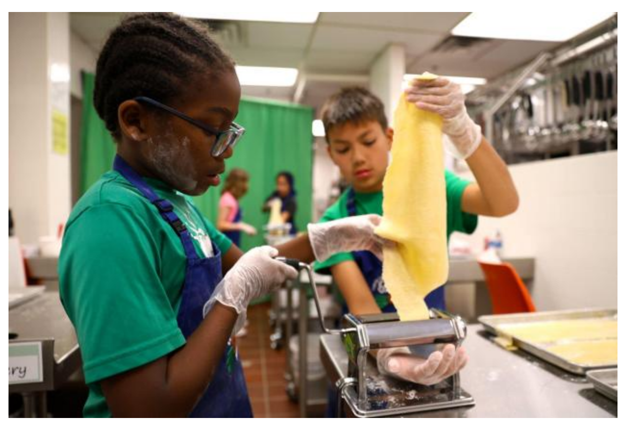
PROPRIETARY FUNDS FINANCIAL STATEMENTS



STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2024

	Business-type Activities	Governmental Activities
	Food Service Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	135,251	1,712,833
Total current assets	135,251	1,712,833
Total assets	135,251	1,712,833
LIABILITIES		
Current liabilities:		
Accounts payable	11,345	13,273
Payroll deductions and withholdings	3,760	-
Accrued wages payable	24,518	-
Accrued expenses	-	176,908
Unearned revenue	46,372	-
Total current liabilities	85,995	190,181
Total liabilities	85,995	190,181
NET POSITION - UNRESTRICTED	$ 49,256	$ 1,522,652

The accompanying notes are an integral part of this financial statement.

GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT **EXHIBIT D-2**

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2024

	Business-type Activities	Governmental Activities
	Food Service Fund	Internal Service Funds
OPERATING REVENUES		
Local and intermediate sources	$ 1,552,640	$ 508,360
Total operating revenues	1,552,640	508,360
OPERATING EXPENSES		
Payroll costs	576,462	64,661
Professional and contracted services	8,811	41,884
Supplies and materials	1,049,850	272
Capital outlay	33,174	-
Other operating costs	5,030	67,247
Total operating expenses	1,673,327	174,064
OPERATING INCOME (LOSS)	(120,687)	334,296
NONOPERATING REVENUES (EXPENSES)		
Earnings from temporary deposits & investments	647	80,344
Total nonoperating revenues (expenses)	647	80,344
CHANGE IN NET POSITION	(120,040)	414,640
NET POSITION, BEGINNING	169,296	1,108,012
NET POSITION, ENDING	$ 49,256	$ 1,522,652

The accompanying notes are an integral part of this financial statement.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2024

	Business-Type Activities: Food Service Fund	Governmental Activities: Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from assessments - other funds	$ -	$ 502,425
Cash receipts from customers	1,552,640	5,935
Cash payments to employees	(560,966)	(64,661)
Cash payments for insurance claims	-	(222,478)
Cash payments for contracted services	(8,811)	(41,884)
Cash payments for supplies and materials	(1,072,624)	-
Cash payments for other operating costs	-	(132,484)
Net cash provided (used) by operating activities	(89,761)	46,853
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	647	80,344
Net cash provided by investing activities	647	80,344
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(89,114)	127,197
CASH AND CASH EQUIVALENTS, BEGINNING	224,365	1,585,636
CASH AND CASH EQUIVALENTS, ENDING	135,251	1,712,833
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	(120,687)	334,296
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Decrease (increase) in other current assets	240	-
Decrease (increase) in inventories	5,514	-
Increase (decrease) in accounts payable	9,676	(64,965)
Increase (decrease) in payroll deductions and withholdings	1,620	-
Increase (decrease) in accrued wages payable	13,876	-
Increase (decrease) in accrued expenses	-	(222,478)
Net cash provided (used) by operating activities	$ (89,761)	$ 46,853

The accompanying notes are an integral part of this financial statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

JUNE 30, 2024

	Custodial Fund
ASSETS	
Cash and cash equivalents	$ 678,642
Total assets	678,642
LIABILITIES	
Accounts payable	34,075
Total liabilities	34,075
NET POSITION	
Restricted for student groups	644,567
Total net position	$ 644,567

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

FOR THE YEAR ENDED JUNE 30, 2024

	Custodial Fund
ADDITIONS	
Received from student groups	$ 1,286,423
Total additions	1,286,423
DEDUCTIONS	
Payments on behalf of student groups	1,327,105
Total deductions	1,327,105
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(40,682)
NET POSITION, BEGINNING	685,249
NET POSITION, ENDING	$ 644,567

The accompanying notes are an integral part of this financial statement.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grapevine-Colleyville Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. 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 it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the GASB. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Grapevine-Colleyville Independent School District's nonfiduciary activities with most of the interfund activities eliminated. Governmental activities, which normally are supported by taxes, State foundation funds, 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 how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The program revenues include charges for services and operating grants and contributions. The charges for services revenues include payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students attending the after-school program, school lunch charges, charges for athletic events, etc. The grants and contributions revenues include amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not labeled as a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds are included in the statement of net position as receivable or payable to external parties (consistent with the nature of the fiduciary fund). Interfund services provided and used are not eliminated in the process of consolidation.

The fund financial statements report on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in separate columns.

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

C. <u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u>

The government-wide, proprietary fund, and fiduciary fund financial statements use the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and related items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets, deferred outflows of resources and liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Compensated absences are reported in governmental funds only if they have matured (i.e, unused reimbursable leave still outstanding following an employee's resignation or retirement.) The District considers property taxes as available if they are collectible within 60 days after year end. A 90-day availability period is used for recognition of all other governmental fund revenues.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds 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 District reports the following major funds:

<u>General Fund</u> – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

<u>Debt Service Fund</u> –The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in the debt service fund.

<u>Capital Projects Fund</u> **–**The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the capital projects fund.

In addition, the District reports the following fund types:

<u>Governmental Funds - Special Revenue Funds</u> – The District accounts for resources restricted to, or committed for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds - Enterprise Fund – The District accounts for food service-related activities at Grapevine High School and Colleyville Heritage High School in an enterprise fund. Students are not eligible for free or reduced meals at these two campuses.

Proprietary Funds - Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Funds are Workers Compensation Insurance and Stadium Rentals.

Fiduciary Fund – Custodial Fund – The District accounts for resources held for others in a custodial capacity in custodial funds. The funds are accounted for on an accrual basis of accounting. The Campus Activity fund is considered a custodial fund, because the District does not have administrative control over the use of the resources accounted for here, disqualifying it as a special revenue fund.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, Net Position/Fund Balance, Revenues and Expenditures/Expenses

Deposits and Investments

For purposes of the statement of cash flows for proprietary fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll upon which the levy for the 2024 fiscal year was based, was $19,628,034,498. The tax rates assessed for the year ended June 30, 2024, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were $0.7290 and $0.1957 per $100 valuation, respectively, for a total of $0.9247 per $100 valuation.

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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The District has elected to participate in some tax increment financing (TIF) districts. The District entered into an agreement with the City of Grapevine in December 1998. By terms of the participation agreement with the City, the District will contribute 100% of the Maintenance and Operating ad valorem tax collections on the 1998 appraised value of real property in the reinvestment zone, public infrastructure improvements, school district improvements, and Grapevine Opryland additions. During 2024, the District paid $2,665,832 into the TIF.

The District also entered into an agreement with the City of Colleyville in December 1998. By terms of the participation agreement with the City, the District will contribute 100% of the Maintenance and Operating ad valorem tax collections on the 1998 appraised value of real property in the reinvestment zone. Seventy-four percent of the funds contributed by the District to the TIF shall be used for the Public Infrastructure Projects and 26% shall be used for School Improvement Projects. During 2024, the District paid $3,082,227 into the TIF.

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

Inventories and Prepaid Items

The District reports inventories of supplies at weighted average cost including consumable instructional, office, and transportation items. Supplies are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and revenue when received.

Prepaid balances are for payments made by the District in the current fiscal year to provide services occurring in the subsequent fiscal year, and the amount of prepayments has been recognized as nonspendable fund balance to signify that a portion of fund balance is not available for other subsequent expenditures. The consumption method is used to account for prepayments.

Interfund Receivables and Payable

As each fund is a separate self-balancing set of accounts, transactions between funds should be recorded properly in each fund affected. Interfund receivables and payables generally arise from interfund loans between different funds. All balances will be repaid within one year.

Capital Assets

Capital assets, which include, land, buildings, furniture, equipment, and SBITAs are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and related items, and capital assets received in a service concession arrangement are reported at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

SBITA assets are amortized over the length of the payment term. Buildings and improvements, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Asset Classification	Useful Life
Buildings	50
Buildings and improvements	30
Transportation fleet	10
Vehicles	7
Office equipment	5
Computer equipment	5
Food service equipment	7
Security systems	7
SBITA asset	5-10

Long-term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type 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 straight-line method effective September 1, 2001. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

It is the District's policy to permit employees separating from the District who have been employed by the District for ten or more consecutive years to receive a recognition payment based on their number of accumulated days of locally granted sick leave, up to a maximum of a hundred days. The payment is calculated by multiplying the number of accumulated local sick leave day's times $50. The expenditure is charged to operations in the General Fund when paid by the District. In the government-wide financial statements, sick leave is charged to operations when the liability is incurred. There is no liability for unpaid accumulated sick leave over the maximum one hundred days since the District does not have a policy to pay any amounts when employees separate from service with the District. Vacation pay does not accumulate.

Defined-Benefit Pension Plan

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

Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other 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.

Deferred Outflows/Inflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. It is deferred charge on refunding and deferred outflow related to TRS reported in the government-wide statement of net position. A 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. The item related to TRS represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension liability and net OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of inflows, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes their share of the unrecognized TRS plan deferred inflows of resources which TRS uses in calculating the ending net pension liability and net OPEB liability.

Leases

The District has entered into various lease agreements as lessor. 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, if available. 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 or lease asset.

***Lessor*.** The District is The District is a lessor in arrangements allowing the placement of a cellular tower on District property. In both the government-wide financial statements and the governmental fund financial statements, the District initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

Subscription-Based Information Technology Arrangements

The District is a lessee for subscription-based IT arrangements (SBITAs). The District recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

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

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

- The agreement term includes the noncancellable period of the SBITA.

- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net Position Flow Assumption

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

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Child Nutrition service resources are being restricted because their use is restricted pursuant to the mandates of the National School Lunch and Breakfast Program. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees committed resources as of June 30, 2024 for several purposes. The Board of Trustees also committed the total fund balance of Campus Activity Funds to projects related to campus activities and total fund balances of locally funded grants and donations to the purpose for which the funds were granted.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount.

However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The Board of Trustees has adopted a fund balance policy that expresses intent to maintain a level of assigned and unassigned fund balance in the General Fund equal to 20 percent of the total operating expenditures.

The chief financial officer annually prepares a report of the general operating fund balance addressing compliance of the assigned and unassigned fund balances with the minimum requirement of 20 percent level to the Board of Trustees for approval. If the assigned and unassigned fund balances fall below 20 percent of the total annual operating expenditures, the administration shall immediately prepare a plan for Board approval to restore the unassigned fund balance to the 20 percent level (CE-LOCAL).

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

General Fund - The General Fund has unassigned fund balance of $37,808,486 as of June 30, 2024. Prepaid expenditures of $494,058 and inventories of $547,369 are considered nonspendable fund balance. The Board of Trustees has committed $5,000,000 of fund balance resources as detailed below:

Maintenance	$ 4,000,000
Potential claims and judgements	500,000
Contribution to self-insurance plan	500,000
	$ 5,000,000

Other Major Funds - The Debt Service Fund has a fund balance of $67,328,450 that is shown as restricted fund balance for debt service payments on bonded debt at June 30, 2024. The Capital Projects Fund has a restricted fund balance of $23,899,140 for unspent bond funds and prepaid expenditures of $319,664 considered nonspendable fund balance.

Other Funds - The fund balance of $1,121,203 in the Child Nutrition Fund is shown as $1,084,477 restricted for food service operations and $36,726 nonspendable for inventories. The fund balance of $1,264,462 and $130,553 in the Campus Activity Fund and Technology Asset program is shown as committed, due to Board action. The fund balance of $768,084 of locally funded grants and donations are shown as committed to the purpose for which they are granted. Education Foundation Grants fund shows $600 in nonspendable fund balance for inventories, and the Corporate Sponsorship Fund shows an unassigned fund balance of ($41,920).

Fund Balance Flow Assumption

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

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. 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.

Use of Estimates

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.

Data Control Codes

The data control codes refer to the account code structure prescribed by the Texas Education Agency (the "Agency") in the *Financial Accountability System Resource Guide*. The Agency 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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess Expenditures Over Appropriations

As of the fiscal year ended June 30, 2024, the District exceeded budgeted General Fund expenditures in function 11 by $1,574,279; function 13 by $77,814; function 21 by $6,565; function 23 by $446,510; function 32 by $2,486; function 33 by $25,087; function 34 by $214,662; function 41 by $281,862; function 51 by $801,495; function 61 by $201,008; function 71 by $575,174; function 72 by $21,237; and function 81 by $3,223. These overages were funded with existing fund balance and greater than anticipated revenues.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. 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 returns, (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.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposits issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivision of any state having been rated as to investment quality no less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or on nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. 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.

Additional policies and contractual provision governing investments for the District are specified below:

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 letters of credit held in the District name and by a third-party custodian.

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. External investment pools are not subject to custodial credit risk because investments are not evidenced by securities that exist in physical or book entry form.

Credit Risk-Investments – The risk of loss due to the failure of the issuer or backer of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All investment pools policies require a rating of AA or better from a nationally recognized rating agency. Government agency securities are not considered to have credit risk in that the U.S. government explicitly guarantees them.

Interest-rate Risk - The risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. All the District's position in short-term investments pools are not exposed to significant interest rate risk; for investments in government securities and commercial paper, the District manages interest-rate risk by investing only in securities with an original maturity of one year or less. As of June 30, 2024, All the District's investments were scheduled for maturity within four months of year end.

Concentration Risk – This type of risk is defined as positions of 5 percent or more in the securities of a single issuer. At June 30, 2024 the District did not have concentration risk.

Investments for the District are reported at fair value, except for the position in investment pools. The District's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. Interest earned on pooled cash and investments is allocated to the participating funds on a pro rata basis according to the fund's percentage of the total pooled cash or investments. Funds with discrete bank accounts retain all investment earnings.

Investment Pools

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the external pooled funds. TexPool, Texas Range and TexStar have redemption notice periods of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

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

Investment Type	Reported Value	Percentage of Investments	Weighted Average Maturity (Days)
TexPool	$ 29,467,453	16.1%	36
Texas Range	153,249,368	83.5%	37
TexSTAR	768,352	0.4%	34
	$ 183,485,173	100.0%	

TexPool, TexStar and Texas Range investment pools are currently rated AAAm by Standard & Poor's (S&P). This is S&P's highest principal stability fund rating and is based on an analysis of the pool's investment portfolio and guidelines, market price exposure, and management.

B. Interfund Receivables and Payables

The following is a summary of amounts due to and due from other funds:

Due From Other Funds	Due To Other Funds	Amount	Use
General fund	Nonmajor governmental funds	$ 1,938,137	Short-term pooled cash loan
Total		$ 1,938,137	

Interfund receivables and payables generally arise from short-term cash advances between funds to cover timing between expenditures and revenue receipts. All balances will be repaid within one year.

C. Interfund Transfers

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

Transfers In	Transfers Out	Amount
General Fund	Technology Asset Program	$ 2,200,000
		$ 2,200,000

D. Receivables and Payable to Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District received entitlements from the State through the School Foundation and Per Capita Programs.

Amounts due from other governments as of June 30, 2024, are summarized below. All federal grants shown below are passed through TEA and are reported on the combined financial statements as Receivables from Other Governments.

	State Grants & Entitlements	Federal Grants	Total
General fund	$ 10,758,197	$ -	$ 10,758,197
Debt service	81,679	-	81,679
Special revenue	469,363	2,817,671	3,287,034
Total	$ 11,309,239	$ 2,817,671	$ 14,126,910

Amounts due to other governments as of June 30, 2024, are summarized below. The amount due to State Government is the state wealth equalization payment. The amount due to Local Governments is the Tax Increment Finance Zone payment from the state that is passed through the District to the cities, and tax collections on behalf of cities that are passed through. These amounts are reported on the combined financial statements as Due to Other Governments.

	State Government	Local Governments	Total
General fund	$ 37,363,318	$ 1,710,143	$ 39,073,461

E. Unearned Revenue

Unearned revenue at the fund level consisted of the following:

	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Total
PreK tuition receipts	$ 168,078	$ -	$ -	$ 168,078
Unspent federal/state grant funds	-	793,593	-	793,593
Child nutrition - unused commodities	-	71,578	-	71,578
Child nutrition - prepaid meals	-	164,246	46,372	210,618
Total Unearned Revenue	$ 168,078	$ 1,029,417	$ 46,372	$ 1,243,867

F. Other Receivables

Other receivables at the fund level consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Payroll - new employees	$ 1,800	$ -	$ 1,800
Grapevine Police Dept VAST Transportation	3,909	-	3,909
Corporate sponsorship	-	30,000	30,000
Total Other Receivables	$ 5,709	$ 30,000	$ 35,709

All receivables are expected to be collected within one year.

G. Leases Receivable

A summary of leases receivable as of June 30, 2024 is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Receivable	Revenue Current Year	Receivable 06/30/2024
Right to Use:					
Infrastructure - AT&T	4.75	2022	$ 85,935	$ 25,991	$ 119,046
Infrastructure - T-Mobile	3.0	2022	198,041	23,031	125,942
Infrastructure - Sprint CTMS	15.0	2022	125,354	5,314	102,589
Infrastructure - Sprint CHHS	15.0	2022	122,025	13,424	77,084
				$ 67,760	$ 424,661

H. Capital Assets

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

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 31,358,494	$ -	$ -	$ 31,358,494
Construction in progress	14,190,278	9,246,063	(18,233,194)	5,203,147
Total capital assets, not being depreciated/amortized	45,548,772	9,246,063	(18,233,194)	36,561,641
Capital assets, being depreciated/amortized:				
Buildings and improvements	571,077,872	-	17,413,208	588,491,080
Furniture and equipment	59,972,919	1,163,632	-	61,136,551
SBITA	1,852,354	935,469	(796,940)	1,990,883
Total capital assets, being depreciated/amortized	632,903,145	2,099,101	16,616,268	651,618,514
Less accumulated depreciation/amortization for:				
Buildings and improvements	(266,903,134)	(15,519,121)	-	(282,422,255)
Furniture and equipment	(49,093,438)	(1,902,995)	-	(50,996,433)
SBITA	(686,998)	(907,405)	790,119	(804,284)
Total accumulated depreciation/amortization	(316,683,570)	(18,329,521)	790,119	(334,222,972)
Total governmental activities capital assets, net	$ 361,768,347	$ (6,984,357)	$ (826,807)	$ 353,957,183

Depreciation expense was charged to governmental functions of the District as follows:

Governmental activities:	
Instruction	$ 12,575,503
Instruction Resources & Media Services	714,603
Curriculum & Instructional Staff Development	41,812
Instructional Leadership	198,708
School Leadership	71,473
Guidance, Counseling & Evaluation Services	105,118
Health Services	31,754
Student (Pupil) Transportation	803,695
Food Services	684,760
Extracurricular Activities	1,774,045
General Administration	275,456
Plant Maintenance & Operations	676,034
Security & Monitoring Services	77,197
Data Processing Services	232,351
Community Services	67,012
Total depreciation/amortization expense	$ 18,329,521

I. Long-Term Debt

Changes in the District's long-term liabilities for the year ended June 30, 2024 are as follows:

	Beginning Balance	Additions	Refundings / Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	$ 305,123,635	$ -	$ 15,722,197	$ 289,401,438	$ 12,155,000
Accreted interest	32,580,563	1,977,994	11,832,803	22,725,754	16,570,000
Bond premium/discount	46,099,007	-	4,111,107	41,987,900	-
SBITAs payable	1,162,861	935,469	993,825	1,104,505	471,334
Compensated absences	492,982	545,471	166,175	872,278	294,028
Total long-term debt	385,459,048	3,458,934	32,826,107	356,091,875	29,490,362
Net pension liability	48,199,635	10,738,287	4,103,380	54,834,542	-
Net OPEB liability	25,977,473	-	2,772,230	23,205,243	-
Total long-term liabilities	$ 459,636,156	$ 14,197,221	$ 39,701,717	$ 434,131,660	$ 29,490,362

Bonds Payable

Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in bonded indebtedness for the year ended June 30, 2024, are as follows:

Issue/Maturity Dates	Interest Rate	Original Amount	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Due in One Year
Unlimited tax school building and refunding bonds - series 1998	4.25-4.75%	$ 164,143,332	$ 13,518,635	$ -	$ 4,737,197	$ 8,781,438	$ 16,570,000
Unlimited tax refunding bonds - series 2013-B	2.00-5.00%	50,110,000	25,415,000	-	2,055,000	23,360,000	3,420,000
Unlimited tax refunding bonds - series 2016	2.00-5.00%	41,765,000	41,035,000	-	-	41,035,000	-
Unlimited tax refunding bonds - series 2016-A	3.00-5.00%	161,155,000	124,855,000	-	4,145,000	120,710,000	3,715,000
Unlimited tax refunding bonds - series 2019	3.00-5.00%	53,345,000	48,740,000	-	1,650,000	47,090,000	1,730,000
Unlimited tax refunding bonds - series 2021-A	5.00%	40,185,000	37,180,000	-	1,020,000	36,160,000	1,070,000
Unlimited tax refunding bonds - series 2021-B	5.00%	17,135,000	14,380,000	-	2,115,000	12,265,000	2,220,000
			$ 305,123,635	$ -	$ 15,722,197	$ 289,401,438	$ 28,725,000

The Debt Service fund balance as of June 30, 2024 is $67,328,450. This amount is reserved for long-term debt, including bond payments due in August 2024 in the amount of $28,725,000.

The General Fund has typically been used in prior years to liquidate the liability for compensated absences.

Since the 2015-2016 fiscal year, the District has issued the following bonds:

On April 12, 2016, the District issued $41,765,000 Unlimited Tax Refunding Bonds, Series 2016. Of this amount $50,322,451 was for the purpose of Refunding Unlimited Tax Refunding Bonds, Series 2006 which provided the District a gross savings of $14,647,747, and a present value debt savings of $11,399,339.

On August 18, 2016, the District issued $161,155,000 of Unlimited Tax School Building Bonds, Series 2016-A and, after receipt of premium on the bonds less issuance costs, received $188,655,000 in proceeds that will be used to fund construction and renovation cost related to new and existing campuses.

On July 26, 2017, the District approved the remarking of its Variable Rate Unlimited Tax School Building Bonds, Series 2012-B for a new interest rate period. A new interest rate term of 3-years was established for the Series 2012-B Bonds and the interest rate was set at 1.34% through August 2020. The new interest rate term and corresponding interest rate did not impact the original structure of the Series 2012-B Bonds, including the final maturity date. In addition, as part of the remarketing of Series 2012-B Bonds, the District elected to prepay $10.0 million of the Series 2012-B Bonds prior to scheduled maturity. By prepaying the District further reduced its interest cost by an estimated $15,019,000; a direct savings for taxpayers totaling $17,779,000.

On September 1, 2019, the District issued $53,345,000 of Unlimited Tax School Building Bonds, Series 2019 and, after receipt of premium on the bonds less issuance costs, received $60,320,000 in proceeds that will be used to fund construction and renovation costs related to new and existing campuses.

On December 29, 2021, the District issued $40,185,000 of Unlimited Tax Refunding Bonds, Series 2021-A for the purpose of refunding $48,880,000 of the Unlimited Tax School Building and Refunding Bonds, Series 2011. The bonds bear interest at 5% per annum and mature in stages through fiscal year 2032. The refunded bonds were called in January 2022 and are now extinguished. This provided the District a gross savings of $12,507,388, and a present value debt savings of $11,843,674. The net carrying amount of the old debt exceeded the reacquisition price by $4,833,247. This amount was recorded as a deferred gain on refunding and will be amortized over the life of the new bonds.

On December 29, 2021, the District issued $17,135,000 of Unlimited Tax Refunding Bonds, Series 2021-B for the purpose of refunding $19,305,000 of the Unlimited Tax Refunding Bonds, Series 2012-A. The bonds bear interest at either 3.25% or 5% per annum and mature in stages through fiscal year 2030. The refunded bonds were called in January 2022 and are now extinguished. This provided the District a gross savings of $3,077,001, and a present value debt savings of $2,947,478. The net carrying amount of the old debt exceeded the reacquisition price by $1,261,882. This amount was recorded as a deferred gain on refunding and will be amortized over the life of the refunded bonds.

Debt service principal requirements to maturity below exclude accumulated accretion of $22,725,754, bond premiums of $41,987,900, and compensated absences of $872,278.

Year Ended June 30,	Principal	Interest	Total Requirements
2025	$ 28,725,000	$ 12,958,950	$ 41,683,950
2026	32,015,000	12,351,450	44,366,450
2027	29,940,000	11,291,825	41,231,825
2028	31,435,000	9,757,450	41,192,450
2029	33,000,000	8,146,575	41,146,575
2030-2034	100,220,000	22,016,000	122,236,000
2035-2039	40,095,000	8,484,100	48,579,100
2040-2043	27,865,000	1,270,275	29,135,275
Totals	$ 323,295,000	$ 86,276,625	$ 409,571,625
Less: accreted interest on bonds	(11,167,808)		
Par value of bonds outstanding	$ 312,127,192		

The remaining bonds outstanding in the Series 1998 bond issue were capital appreciation bonds. These obligations had par values of $8,585,000 and maturity values of $33,140,000. The interest on these obligations will be paid in FY 25 and FY 26. The accreted value of these bonds at June 30, 2024 is $31,507,192 which has been recorded in the government-wide financial statements.

A summary of maturity dates for debt service obligations is as follows:

Description	Maturity Date
Refunding & School Building Series 1998	08/15/2025
School Refunding Series 2013B	08/15/2031
School Refunding Series 2016	08/15/2029
Unlimited Tax School Building Series 2016-A	08/15/2041
Unlimited Tax School Building Series 2019	08/15/2041
School Refunding Series 2021-A	08/15/2031
School Refunding Series 2021-B	08/15/2028

There are several limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2024. The District's outstanding bonds payable contain a provision that, in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund.

As of June 30, 2024, the District's outstanding bonds are rated "Aaa" and "AAA" by Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), respectively, based upon the Permanent School Fund Guarantee, while the District's underlying bond ratings are "Aa1" by Moody's and "AA+" by S&P. In July 2017, Moody's upgraded the District's bond rating from Aa2 to Aa1. In September 2019, S&P upgraded the District's bond rating from AA to AA+.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

SBITAs Payable

The District entered into several subscription arrangements with interest rates ranging from 1.7103% to 2.3657%. The District is required to make annual fixed payments ranging from $2,748 to $248,470.

A summary of changes in governmental long-term SBITAs payable for the year ended June 30, 2024, is as follows:

Purpose of Subscription	Interest Rate	Initial Year of Subscription	Amount of Initial SBITA Liability	Interest Current Year	Amounts Outstanding 06/30/2024	Amounts Due in One Year
Governmental activities:						
ENVMTH20 - GK - G5	2.2753	2022	$ 386,462	$ 6,520	$ 193,182	$ 95,504
Learning Without Tears	2.1843	2022	50,918	1,366	24,305	24,305
IXL Platform	2.0237	2022	188,742	2,529	63,118	63,118
Safari Montage	2.3657	2023	308,567	5,636	177,079	59,099
Studies Weekly	2.1843	2022	91,241	1,314	30,409	30,409
Texas Waggle ELA Student	3.2687	2022	835,459	-	616,412	198,899
					$ 1,104,505	$ 471,334

Principal and interest requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2025	$ 471,334	$ 30,829	$ 502,163
2026	362,104	18,661	380,765
2027	271,067	8,329	279,396
Totals	$ 1,104,505	$ 57,819	$ 1,162,324

J. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position - Detailed 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; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

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

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

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

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

	Contribution Rates	
	2023	2024
Member	8.00%	8.25%
Non-employer contributing entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Current fiscal year employer contributions		$ 4,169,690
Current fiscal year member contributions		9,043,141
2023 measurement year NECE on-behalf contributions		5,880,812

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, and 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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, 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 - The total pension liability in the August 31, 2022, actuarial valuation was rolled forward to August 31, 2023, and was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-Term Expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2023	4.13%
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95%
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate - A single discount rate of 7% 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%. 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 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. 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% percent. 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 weighing 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 System's 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			
U.S.	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	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return	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 and Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
Risk Parity			
Risk Parity	8.00%	4.50%	0.40%
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 FY2023 policy model.

[3] Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023).

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

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of net pension liability	$ 81,980,677	$ 54,834,542	$ 32,262,516

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2024, the District reported a liability of $54,834,542 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	$	54,834,542
State's proportionate share that is associated with the District		78,586,825
Total	$	133,421,367

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

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.0798285953% which was a decrease of 0.0013600915% from its proportion measured as of August 31, 2022.

Changes Since the Prior Actuarial Valuation.

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

For the year ended June 30, 2024, the District recognized pension expense of $20,932,851 and revenue of $11,865931 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,953,773	$ 663,986
Changes in actuarial assumptions	5,186,274	1,269,199
Difference between projected and actual investment earnings	7,979,757	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,381,967	1,660,620
Contributions subsequent to the measurement date	3,516,627	-
Total as of fiscal year-end	$ 21,018,398	$ 3,593,805

The $3,516,627 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2025. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30,	Pension Expense
2025	$ 3,156,429
2026	1,682,490
2027	6,818,900
2028	2,120,637
2029	129,508
Thereafter	2

K. Defined Other Post-Employment Benefit Plan

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan 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. Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

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

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

* or surviving spouse

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

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

	Contribution Rates	
	2023	2024
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		$ 890,727
Current fiscal year member contributions		718,008
2023 measurement year NECE on-behalf contributions		1,097,188

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.

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 of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 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:

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

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

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
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 claims costs.
Projected Salary Increases	2.95% to 8.95%
Election Rates	Normal Retirement 62% participation prior to age 65 and 25% after age 65, 30% of pre-65 retires are assumed to discontinue coverage at 65
Ad hoc post-employment benefit changes	None
Healthcare Trend Rates	The initial medical trend rates were 7.75% for Medicare retirees and 7.0% for non-Medicare retirees. The initial prescription drug trend rate was 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25%bover a period of 12 years.

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. 80.

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

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.13%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
Proportionate share of net OPEB liability	$ 27,330,944	$ 23,205,243	$ 19,838,573

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2024, the District reported a liability of $23,205,243 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	$ 23,205,243
State's proportionate share that is associated with the District	28,000,693
Total	$ 51,205,936

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

At August 31, 2023, the employer's proportion of the collective Net OPEB Liability was 0.1048194204%, which was a decrease of 0.0036731775% from its proportion measured as of August 31, 2022.

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	$ 19,108,356	$ 23,205,243	$ 28,475,902

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.

For the year ended June 30, 2024, the District recognized OPEB expense of ($10,322,483) and revenue of ($5,985,957) for support provided by the State.

At 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 actuarial experiences	$ 1,049,861	$ 19,522,816
Changes in actuarial assumptions	3,167,347	14,209,186
Differences between projected and actual investment earnings	10,026	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	2,751,976	2,541,772
Contributions subsequent to the measurement date	743,156	-
Total as of fiscal year-end	$ 7,722,366	$ 36,273,774

The $743,156 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending June 30, 2025. Other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended June 30,	OPEB Expense
2025	$ (6,119,575)
2026	(5,055,257)
2027	(3,614,356)
2028	(4,401,910)
2029	(4,026,474)
Thereafter	(6,076,992)

L. Workers Compensation Insurance

The District sponsors a self-insurance plan to pay workers compensation benefits. In previous years, the District contributed $68,868 to establish the plan. During the current year, the District made contributions to the fund in the amount of $724,902. The District fully funded actual claims and potential claims incurred during the year. Claims exceeding a limit for any one accident or occurrence are covered through insurance carried through Safety National Casualty Corporation. The self-insured retention is $450,000 per claim with an employer's liability maximum limit of indemnity of $3,000,000 per occurrence. Settled claims have not exceeded the commercial coverage in any of the last three years.

Estimates of claims payable and of claims incurred, but not reported at June 30, 2024 are reflected as accounts payable and accrued expenses in the workers compensation insurance fund. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The plan is funded to discharge liabilities of the Fund as they become due. Based on the lag claim history in the fund, the unpaid claims liabilities are shown as current liabilities in the accompanying financial statements and are expected to result in actual payments in the subsequent year.

Changes in the balances of claims liabilities for the workers compensation insurance fund during the past year are as follows:

	Year Ended June 30, 2023	Year Ended June 30, 2024
Unpaid claims, beginning	$ 85,295	$ 399,386
Incurred claims (including IBNR'S)	725,138	170,415
Claim payments	(411,047)	(392,892)
Unpaid claims, ending	$ 399,386	$ 176,909

M. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. One of the provisions of Medicare 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. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the years ended June 30, 2024, 2023, and 2022, the contributions made on behalf of the District were $627,458, $584,629, and $448,440, respectively.

N. Litigation

There are claims and pending actions incident to normal operations of the District. In the opinion of the District administration, the District's potential liability in these matters will not have a material impact on the financial statements.

O. Construction and Other Significant Commitments and Contingencies

Federal Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2024 may be impaired. In the opinion of the District administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

Construction

At year end, the District had several construction contracts for various projects. The amount of outstanding contracts as of June 30, 2024, was $3,788,597.

P. <u>Risk Management</u>

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for all other risks of loss including property, fleet, general liability, cybersecurity, boiler and crime covering all facilities, properties, equipment and personnel. Settled claims have not exceeded the commercial coverage in any of the last three years. There were no significant reductions in insurance coverage from coverage in the prior year.

During the year ended June 30, 2024, the District participated in the Texas Association of School Boards (TASB) Risk Management Fund's (the Fund's) Property Casualty Program with coverage in:

a) Auto liability
b) Auto physical damage
c) Crime
d) General liability
e) Sexual misconduct endorsement
f) School professional legal liability
g) Equipment breakdown

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the property casualty program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended June 30, 2024, the Fund anticipates the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31st. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available at the TASB offices, and have been filed with the Texas Department of Insurance in Austin, Texas.

During the year ended June 30, 2024, the District obtained cybersecurity insurance to provide protection for all major areas of cyber risks, which include the following:

- Network Security and Privacy
- Regulatory Investigations, Fines and Penalties
- Media Liability
- PCI DSS Assessment Expenses
- Breach Management Expenses
- Cyber Extortion and Ransomware Coverage
- System Failure Coverage
- Digital Asset Destruction, Data Retrieval and System Restoration
- Business Interruption
- Contingent Business Interruption
- Social Engineering and Cyber Crime Coverage
- Reputational Loss Coverage
- Court Attendance Costs

Q. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2024, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – 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. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund[(1)]

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

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

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

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

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

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

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

Investment Schedule – PSF(SLB)[1]

Investment Type	Fair Value (in millions) August 31, 2023 As of 8-31-23	
Investments in Real Assets		
Sovereign Lands	$ 276.14	
Discretionary Internal Investments	264.32	
Other Lands	167.97	
Minerals[2][3]	5,435.62	[6]
Total Investments[4]	6,144.05	
Cash in State Treasury[5]	508.38	
Total Investments & Cash in State Treasury	$ 6,652.44	

(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, a division of Standard & Poor's Financial Services LLC, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district's underlying rating and the enhanced rating applied to a given series of bonds.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

(1) SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports

that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.
(2) At August 31, 2023, mineral assets, sovereign and other lands and discretionary internal investments, and cash managed by the SLB had book values of approximately $13.4 million, $168.8 million, and $708.4 million, respectively, and market values of approximately $5,435.6 million, $678.4 million, and $508.4 million, respectively.

Permanent School Fund Guaranteed Bonds

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

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

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

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	Number of Issues	Principal Amount	Number of Issues	Principal Amount	Number of Issues	Principal Amount
2019	3,297	$ 82,537,755,203	49	$ 1,860,145,000	3,346	$ 84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023[(2)]	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682

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

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

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

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

Fund during the year as well as the interest and dividend income generated by the Fund's investments). See "Comparative Investment Schedule - PSF(CORP)" for the PSF(CORP) holdings as of August 31, 2023.

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

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

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

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this offering document under "Appendix E – 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 under 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.