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

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 17, 2025

NEW ISSUE - Book-Entry-Only

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

KLEIN INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)

$339,705,000* UNLIMITED TAX SCHOOLHOUSE AND REFUNDING BONDS, SERIES 2025	$5,910,000* UNLIMITED TAX REFUNDING BONDS, SERIES 2025A (NON-PSF)
Dated Date: July 1, 2025	**Due: August 1, as shown on page ii**

Interest Accrual Date: Delivery Date (as defined below)

Klein Independent School District (the "District") is issuing its $339,705,000* Unlimited Tax Schoolhouse and Refunding Bonds, Series 2025 (the "Series 2025 Bonds") and $5,910,000* Unlimited Tax Refunding Bonds, Series 2025A (non-PSF) (the "Series 2025A Bonds"). The Series 2025 Bonds and Series 2025A Bonds are collectively defined herein as the "Bonds". The Bonds will be issued as fully registered bonds only and, when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which initially will act as securities depository pursuant to a book-entry-only system described herein. **Beneficial owners of the Bonds will not receive physical delivery of the Bonds**. For so long as Cede & Co., as a nominee of DTC, is the exclusive registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent/registrar, initially BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to DTC on each applicable payment date. DTC will be responsible for distributing the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System".

The Series 2025 Bonds are being issued under the authority of the Constitution and laws of the State of Texas (the "State"), including Chapter 45 of the Texas Education Code, as amended, and Chapter 1207 and 1371 of the Texas Government Code, as amended. The Series 2025 Bonds are further authorized by an election held within the District on May 7, 2022, an order adopted by the District's Board of Trustees on May 19, 2025 (the "Bond Order"), and a pricing certificate to be executed by an authorized District official, which sets the final terms of the Series 2025 Bonds.

The Series 2025A Bonds are being issued under the authority of the Constitution and laws of the State, including Chapter 1207 and Chapter 1371 of the Texas Government Code, as amended. The issuance is further authorized by the Bond Order and a pricing certificate executed by an authorized District official, which sets the final terms of the Series 2025A Bonds.

Interest on the Bonds will accrue from the date of initial delivery (the "Delivery Date") to the underwriters named below (the "Underwriters") and will be payable semiannually on August 1 and February 1, commencing August 1, 2025, until stated maturity or prior redemption. See "THE BONDS – Description."

The District reserves the right, at its option, to redeem the Series 2025 Bonds maturing on or after August 1, 2036, in whole or from time to time in part, in integral multiples of $5,000 on August 1, 2035, and on any date thereafter at a price of par plus accrued interest to the date fixed for redemption. See "THE BONDS – Series 2025 - Optional Redemption". If the principal amounts designated in the serial maturity schedule on pages ii hereof are combined to create one or more term bonds (the "Series 2025 Term Bonds"), each such Series 2025 Term Bond shall be subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Sinking Fund Redemption".

The Series 2025A Bonds are not subject to optional redemption. See "THE BONDS – Series 2025A - No Optional Redemption". If the principal amounts designated in the serial maturity schedule on page iii hereof are combined to create one or more term bonds (the "Series 2025A Term Bonds"), each such Series 2025A Term Bond shall be subject to mandatory sinking fund redemption. See "THE BONDS – Mandatory Sinking Fund Redemption".

Proceeds from the sale of the Series 2025 Bonds will be used (i) for the construction, acquisition, renovation and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; (ii) to refund a portion of the District's outstanding debt, as more particularly described in "SCHEDULE I – Schedule of the Series 2025 Refunded Bonds" in order to achieve present value debt service savings; and (iii) to pay costs of issuing the Series 2025 Bonds.

Proceeds from the sale of the Series 2025A Bonds will be used (i) to refund a portion of the District's outstanding debt, as more particularly described in "SCHEDULE II – Schedule of the Series 2025A Refunded Bonds" in order to achieve present value debt service savings, and (ii) to pay costs of issuing the Series 2025A Bonds. See "PLAN OF FINANCING – Purpose".

The District has filed an application for and expects to receive conditional approval for the Series 2025 Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

The Series 2025A Bonds are <u>not guaranteed</u> by the Permanent School Fund Guarantee Program of the State of Texas.

See Maturity Dates, Principal Amounts, Interest Rates, Initial Yields and CUSIP Numbers on Pages ii and iii

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The Bonds are offered when, as and if issued, subject to the opinion of the Attorney General of Texas, and the opinion of Bracewell LLP, The Bates Law Firm PLLC, and Spalding, Nichols, Lamp, Langlois LLP., each of Houston, Texas (collectively, "Co-Bond Counsel"). Certain legal matters will be passed upon for the District by Spalding, Nichols, Lamp, Langlois LLP as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Houston, Texas as Underwriter's Counsel. The Bonds are expected to be available for delivery through the facilities of DTC on or about July 16, 2025.

RAYMOND JAMES

BOK FINANCIAL SECURITIES, INC. HILLTOPSECURITIES PIPER SANDLER & CO. SIEBERT WILLIAMS SHANK

* Preliminary, subject to change

CUSIP PREFIX [a]: 498531

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS AND CUSIPS

KLEIN INDEPENDENT SCHOOL DISTRICT (Harris County, Texas)

$339,705,000* UNLIMITED TAX SCHOOLHOUSE AND REFUNDING BONDS, SERIES 2025

Maturity Date (8/1)	Principal Amount*	Interest Rate	Initial Yield[b]	CUSIP Suffix[a]	Maturity Date (8/1)	Principal Amount*	Interest Rate	Initial Yield[b]	CUSIP Suffix[a]
2026	$25,195,000	%	%		2039	$6,095,000	%	%	
2027	19,310,000				2040	6,400,000			
2028	24,050,000				2041	6,720,000			
2029	24,205,000				2042	7,055,000			
2030	24,195,000				2043	7,410,000			
2031	26,235,000				2044	7,780,000			
2032	26,555,000				2045	8,170,000			
2033	20,895,000				2046	8,575,000			
2034	17,810,000				2047	9,005,000			
2035	17,635,000				2048	9,455,000			
2036	5,265,000				2049	9,930,000			
2037	5,530,000				2050	10,425,000			
2038	5,805,000								

(Interest Accrues from Delivery Date)

Redemption Provisions… Series 2025 Bonds maturing on and after August 1, 2036, shall be subject to redemption at the option of the District, in whole or from time to time in part, on August 1, 2035, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Series 2025 Optional Redemption." If principal amounts for any consecutive maturities are combined to create one or more term bonds ("Series 2025 Term Bonds"), each of such Series 2025 Term Bond shall be subject to mandatory sinking fund redemption. See "THE BONDS – Mandatory Sinking Fund Redemption."

*Preliminary, subject to change.

(a) CUSIP numbers have been assigned to the Series 2025 Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Series 2025 Bonds. Neither the District nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(b) The initial reoffering yields on the Series 2025 Bonds are established by and are the sole responsibility of the Underwriters (hereinafter defined) and may subsequently be changed.

CUSIP PREFIX [(a)]: 498531

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
INITIAL YIELDS AND CUSIPS**

**KLEIN INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)**

$5,910,000* UNLIMITED TAX REFUNDING BONDS, SERIES 2025A (NON-PSF)

Maturity Date (8/1)	Principal Amount*	Interest Rate	Initial Yield[(b)]	CUSIP Suffix[(a)]
2028	$2,850,000	%	%	
2029	3,060,000			

(Interest Accrues from Delivery Date)

Redemption Provisions…The Series 2025A Bonds are not subject to optional redemption prior to their stated maturity. See "THE BONDS – Series 2025A – No Optional Redemption." If principal amounts for any consecutive maturities are combined to create one or more term bonds ("Series 2025A Term Bonds"), each of such Series 2025A Term Bond shall be subject to mandatory sinking fund redemption. See "THE BONDS – Mandatory Sinking Fund Redemption".

*Preliminary, subject to change.

(a) CUSIP numbers have been assigned to the Series 2025A Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Series 2025A Bonds. Neither the District nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(b) The initial reoffering yields on the Series 2025A Bonds are established by and are the sole responsibility of the Underwriters (hereinafter defined) and may subsequently be changed.

KLEIN INDEPENDENT SCHOOL DISTRICT

ELECTED OFFICIALS

Board of Trustees	Occupation	Length of Service
Rob Ellis, President	Attorney, Noble Energy	6 Years
Doug James, Vice President	President/Creative Director The Doug James Group	8 Years
Dustin Qualls, Secretary	Civil Engineer, Qualls Design	2 Years
Cathy Arellano, Trustee	Owner, Dance Surge LLC and Jazzercise The Woodlands	11 Years
Denise Morrison, Trustee	Financial Analyst, HP, Inc.	1 Year
Nicole Peters, Trustee	Volunteer/Community Member	1 Year
Georgan Reitmeier, Trustee [1]	Retired/Volunteer	18 Years

[1] In May 2025 the Board voted to appoint Ms. Reitmeier to fill the vacated Position 3 seat. She will serve in this position until the November 2025 election. Ms. Reitmeier previously served on the Board from 2005 to 2023.

DISTRICT LEADERSHIP

Administration	Length of Service with District
Dr. Jenny McGown, Superintendent of Schools	22 Years
Dr. J. Robert Anderson, Chief of Human Resource Services	28 Years
Dr. Brian Greeney, Chief of Schools	17 Years
Dr. Anthony Indelicato, Chief Academic Officer	11 Years
Daniel Schaefer, CPA, Chief Financial Officer	7 Years
Dayna Hernandez, Chief of Staff	28 Years
Marlon Runnels, Chief of Police	12 Years
August Wunderlich, Chief of Operations	33 Years

CONSULTANTS AND ADVISORS

Bracewell LLP Houston, Texas	Co-Bond Counsel
The Bates Law Firm PLLC. Houston, Texas	Co-Bond Counsel
Spalding, Nichols, Lamp, Langlois LLP Houston, Texas	Co-Bond/Disclosure Counsel
Whitley Penn & Associates Conroe, Texas	Auditor
RBC Capital Markets, LLC. Houston, Texas	Financial Advisor

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), as amended, and in effect on the date of this Official Statement, 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, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized. Any information and expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed herein to keep the Official Statement current by amendment or sticker to reflect changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Underwriters and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION."

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

IN CONNECTION WITH 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 make 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 "THE BONDS – Book-Entry-Only System" or the affairs of the Texas Education Agency ("TEA") described under "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – 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 SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

TABLE OF CONTENTS

The cover page hereof, the section entitled "Official Statement Summary," this Table of Contents, Schedules I and II, and Appendices A, B, C, D and E attached hereto are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY

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

The Issuer	The Klein Independent School District (the "District"), is a political subdivision of the State of Texas (the "State") located in Harris County, Texas. The District is approximately 87.5 square miles in area. See "APPENDIX B – General Information Regarding the District."
The Series 2025 Bonds	The $339,705,000* Klein Independent School District's Unlimited Tax Schoolhouse and Refunding Bonds, Series 2025 (the "Series 2025 Bonds") are dated July 1, 2025. The Series 2025 Bonds mature on the dates, and in the amounts described on page ii of this Official Statement. The Series 2025 Bonds are offered in fully registered form in integral multiples of $5,000 principal amount. See "THE BONDS."
The Series 2025A Bonds	The $5,910,000* Klein Independent School District's Unlimited Tax Refunding Bonds, Series 2025A (non-PSF) (the "Series 2025A Bonds") are dated July 1, 2025. The Series 2025A Bonds mature on the dates, and in the amounts described on page iii of this Official Statement. The Series 2025A Bonds are offered in fully registered form in integral multiples of $5,000 principal amount. See "THE BONDS".
Authority for Issuance	The Series 2025 Bonds are being issued under the authority of the Constitution and laws of the State of Texas, including Chapter 45 of the Texas Education Code, as amended, and Chapter 1207 and 1371 of the Texas Government Code, as amended. The issuance is further authorized by an election held within the District on May 7, 2022, an order adopted by the District's Board of Trustees on May 19, 2025 (the "Bond Order"), and a pricing certificate to be executed by an authorized District official, which sets the final terms of the Series 2025 Bonds. The Series 2025A Bonds are being issued under the authority of the Constitution and laws of the State, including Chapter 1207 and Chapter 1371 of the Texas Government Code, as amended, and the Bond Order, and a pricing certificate to be executed by an authorized District official, which sets the final terms of the Series 2025A Bonds.
Interest	Interest on the Bonds accrues from the date of initial delivery (the "Delivery Date") and is payable semiannually on each August 1 and February 1, commencing August 1, 2025 until the earlier of maturity or prior redemption. See "THE BONDS – Description".
Redemption Provisions*	The Series 2025 Bonds maturing on August 1, 2036, shall be subject to redemption at the option of the District, in whole or from time to time in part, on August 1, 2035, and on any date thereafter at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Series 2025 Optional Redemption." **The Series 2025A Bonds are not subject to optional redemption prior to their stated maturity. See "THE BONDS – Series 2025A – No Optional Redemption".** Certain Bonds may be designated by the Underwriters as Term Bonds (as defined herein). The Term Bonds, if any, are additionally subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Sinking Fund Redemption."
Source of Payment	The Bonds constitute direct obligations of the District, payable as to principal and interest from a direct ad valorem tax levied, without limit as to rate or amount, against all taxable property in the District. 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. The Series 2025A Bonds are not guaranteed by the Permanent School Fund of the State of Texas.

Series 2025 Bond Ratings	The Series 2025 Bonds are expected to be rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by S&P Global Ratings ("S&P"), based upon the guarantee of the Series 2025 Bonds by the Permanent School Fund of the State of Texas. 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. The Series 2025 Bonds have been assigned underlying ratings of "Aa1" by Moody's and "AA" by S&P, respectively. See "RATINGS", "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."
Series 2025A Bond Ratings	The Series 2025A Bonds have been assigned ratings of "Aa1" by Moody's and "AA" by S&P, respectively. See "RATINGS." The Series 2025A Bonds are not guaranteed by the Permanent School Fund of the State of Texas.
Use of Proceeds	Proceeds from the sale of the Series 2025 Bonds will be used (i) for the construction, acquisition, renovation and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; (ii) to refund a portion of the District's outstanding debt, as more particularly described in "SCHEDULE I – Schedule of the Series 2025 Refunded Bonds" in order to achieve present value debt service savings; and (iii) to pay costs of issuing the Series 2025 Bonds. Proceeds from the sale of the Series 2025A Bonds will be used (i) to refund a portion of the District's outstanding debt, as more particularly described in "SCHEDULE II – Schedule of the Series 2025A Refunded Bonds" in order to achieve present value debt service savings, and (ii) to pay costs of issuing the Series 2025A Bonds. See "PLAN OF FINANCING – Purpose".
Permanent School Fund Guarantee Program	In connection with the sale of the Series 2025 Bonds, the District has applied for and expects to receive conditional approval for the Series 2025 Bonds to be guaranteed by the corpus of the Permanent School Fund of the State. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." **The Series 2025A Bonds are not guaranteed by the Permanent School Fund of the State.**
Tax Exemption	In the opinion of Bracewell LLP, The Bates Law Firm PLLC, and Spalding, Nichols, Lamp, Langlois LLP., each of Houston, Texas ("Co-Bond Counsel"), under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.
Book-Entry-Only	The Bonds are initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, which will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See "THE BONDS – Book-Entry-Only System."
Payment Record	The District has never defaulted in the timely payment of principal of or interest on its bonds.

* Preliminary, subject to change

PRELIMINARY OFFICIAL STATEMENT
Relating to

KLEIN INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)

$339,705,000*	**$5,910,000***
UNLIMITED TAX SCHOOLHOUSE AND REFUNDING BONDS SERIES 2025	**UNLIMITED TAX REFUNDING BONDS SERIES 2025A (NON-PSF)**

INTRODUCTION

The Official Statement provides certain information in connection with the issuance by the Klein Independent School District (the "District") of its $339,705,000* Unlimited Tax Schoolhouse and Refunding Bonds, Series 2025 (the "Series 2025 Bonds") and its $5,910,000* Unlimited Tax Refunding Bonds, Series 2025A (non-PSF) (the "Series 2025A Bonds"). The Series 2025 Bonds and Series 2025A Bonds are collectively defined herein as the "Bonds".

The Series 2025 Bonds are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), Chapter 45, Texas Education Code, as amended, Chapter 1207 and 1371, Texas Government Code, as amended, an election held within the District on May 7, 2022 (the "Election"), a bond order adopted by the Board of Trustees of the District (the "Board") on May 19, 2025 authorizing the issuance of the Bonds, (the "Bond Order") and a pricing certificate to be executed pursuant thereto evidencing the final terms of the Series 2025 Bonds (the "2025 Pricing Certificate").

The Series 2025A Bonds are being issued pursuant to the Constitution and laws of the State, including Chapter 1207, Texas Government Code, as amended, Chapter 1371, Texas Government Code, as amended, the Bond Order, and a pricing certificate to be executed pursuant thereto evidencing the final terms of the Series 2025A Bonds (the "Series 2025A Pricing Certificate"). The Bond Order and the applicable pricing certificate for a series of Bonds are collectively referred to herein as the "Order" when referencing the applicable series of Bonds.

The Official Statement includes descriptions of the Bonds, the Order, and certain information about the District and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon payment of duplication costs.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Series 2025 Bonds will be used (i) for the construction, acquisition, renovation and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes, (ii) to refund a portion of the District's outstanding debt, as more particularly described in "SCHEDULE I – Schedule of the Series 2025 Refunded Bonds" (the "Series 2025 Refunded Bonds") in order to achieve present value debt service savings, and (iii) to pay costs of issuing the Series 2025 Bonds.

Proceeds from the sale of the Series 2025A Bonds will be used (i) to refund a portion of the District's outstanding debt, as more particularly described in "SCHEDULE II – Schedule of the Series 2025A Refunded Bonds" (the "Series 2025A Refunded Bonds") in order to achieve present value debt service savings, and (ii) to pay costs of issuing the Series 2025A Bonds.

Refunded Bonds

Series 2025 Bonds. The Series 2025 Refunded Bonds and the interest due thereon are to be paid on the scheduled redemption date from funds and securities to be deposited with The Bank of New York Mellon Trust Company, National Association, (the "Escrow Agent") pursuant to an escrow agreement between the District and the Escrow Agent (the "Series 2025 Escrow Agreement").

The Order provides that the District will deposit with the Escrow Agent a portion of the proceeds from the sale of the Series 2025 Bonds, together with other lawfully available funds of the District, if any, in an amount which will be sufficient to accomplish the discharge and final payment of the Series 2025 Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in a special account (the "Series 2025 Escrow Account"). The funds held by the Escrow Agent in the Series 2025 Escrow Account will be used to purchase a portfolio of securities authorized under Section 1207.062, Texas Government Code, as amended, including direct noncallable obligations of the United States (the "Federal Securities"). Under the Series 2025 Escrow Agreement, the Series 2025 Escrow Account is irrevocably pledged to the payment of principal and interest of the Series 2025 Refunded Bonds.

*Preliminary, subject to change

Robert Thomas CPA, LLC (the "Verification Agent") will verify at the time of delivery of the Series 2025 Bonds to the Underwriters (as defined herein) the mathematical accuracy of the schedules that demonstrate the amount on deposit in the Series 2025 Escrow Account will be sufficient to pay, when due, the principal of and interest on the Series 2025 Refunded Bonds on their redemption date. The funds on deposit in the Series 2025 Escrow Account will not be available to pay the debt service on the Series 2025 Bonds. See "MISCELLANEOUS – Verification of Mathematical Computations".

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the Series 2025 Escrow Agreement, the District will have effected the defeasance of the Series 2025 Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the order authorizing the issuance of the Series 2025 Refunded Bonds.

It is the opinion of Co-Bond Counsel that as a result of such deposit and in reliance upon the report of the Verification Agent, firm banking and financial arrangements will have been made for discharge and final payment of the Series 2025 Refunded Bonds, and such Series 2025 Refunded Bonds will be deemed to be fully paid and no longer be outstanding except for the purpose of being paid from funds provided therefor in the Series 2025 Escrow Agreement.

Series 2025A Bonds. The Series 2025A Refunded Bonds and the interest due thereon are to be paid on the scheduled redemption date from funds and securities to be deposited with the Escrow Agent pursuant to an escrow agreement between the District and the Escrow Agent (the "Series 2025A Escrow Agreement").

The Order provides that the District will deposit with the Escrow Agent a portion of the proceeds from the sale of the Series 2025A Bonds, together with other lawfully available funds of the District, if any, in an amount which will be sufficient to accomplish the discharge and final payment of the Series 2025A Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in a special account (the "Series 2025A Escrow Account"). The funds held by the Escrow Agent in the Series 2025A Escrow Account will be used to purchase a portfolio of Federal Securities authorized under Section 1207.062, Texas Government Code, as amended. Under the Series 2025A Escrow Agreement, the Series 2025A Escrow Account is irrevocably pledged to the payment of principal of and interest of the Series 2025A Refunded Bonds.

The Verification Agent will verify at the time of delivery of the Series 2025A Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the amount on deposit in the Series 2025A Escrow Account will be sufficient to pay, when due, the principal of and interest on the Series 2025A Refunded Bonds on their redemption date. The funds on deposit in the Series 2025A Escrow Account will not be available to pay the debt service on the Series 2025A Bonds. See "MISCELLANEOUS – Verification of Mathematical Computations."

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the Series 2025A Escrow Agreement, the District will have effected the defeasance of the Series 2025A Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the order authorizing the issuance of the Series 2025A Refunded Bonds.

It is the opinion of Co-Bond Counsel that as a result of such deposit and in reliance upon the report of the Verification Agent, firm banking and financial arrangements will have been made for discharge and final payment of the Series 2025A Refunded Bonds, and such Series 2025A Refunded Bonds will be deemed to be fully paid and no longer be outstanding except for the purpose of being paid from funds provided therefor in the Series 2025A Escrow Agreement.

Sources and Uses of Funds

The proceeds of the Series 2025 Bonds, together with other lawfully available funds of the District, if needed, are expected to be applied approximately as follows:

Sources:	
Principal Amount	$
[Net] Original Issue Premium	
Total Sources of Funds	**$**
Uses:	
Deposit to Construction Fund	$
Deposit to Series 2025 Escrow Account	
Underwriters' Discount	
Costs of Issuance[(a)]	
Total Uses of Funds	**$**

[(a)] Includes the District's legal fees, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar and Escrow Agent and other costs of issuance, including contingency.

The proceeds of the Series 2025A Bonds, together with other lawfully available funds of the District, if needed, are expected to be applied approximately as follows:

Sources:	
Principal Amount	$
[Net] Original Issue Premium	
Total Sources of Funds	**$**
Uses:	
Deposit to Series 2025A Escrow Account	$
Underwriters' Discount	
Costs of Issuance[a]	
Total Uses of Funds	**$**

[a] Includes the District's legal fees, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar and Escrow Agent, and other costs of issuance, including contingency.

THE BONDS

Description

The Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District. Copies of the Order may be obtained upon request to the District and payment of the cost of duplication.

The Bonds are dated July 1, 2025 (the "Dated Date"). Interest payable 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 initial delivery (the "Delivery Date") to the Underwriters (as defined herein) and will be payable on August 1, 2025, and each February 1 and August 1 thereafter until maturity or prior redemption.

Initially, the definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity for each series and will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Only-Entry System described below. No physical delivery of the Bonds will be made to the beneficial owners. Principal of, premium, if any, and interest on the Bonds 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 "THE BONDS – Book-Entry-Only System" below for a more complete description of such system.

Series 2025 - Optional Redemption

The Series 2025 Bonds maturing on and after August 1, 2036, shall be subject to redemption at the option of the District, in whole or from time to time in part, on August 1, 2035, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of such Series 2025 Bonds are to be redeemed, the District may select the maturities (or mandatory sinking fund redemption amounts within a maturity) to be redeemed. If such Series 2025 Bond (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption has been given, such Series 2025 Bond (or the principal sum thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Series 2025A – No Optional Redemption

The Series 2025A Bonds are <u>not</u> subject to optional redemption prior to their stated maturity.

Mandatory Sinking Fund Redemption

If principal amounts for any consecutive maturities of Series 2025 Bonds are combined to create one or more term bonds ("Series 2025 Term Bonds"), each of such Series 2025 Term Bond shall be subject to mandatory sinking fund redemption. If principal amounts for any consecutive maturities of Series 2025A Bonds are combined to create one or more term bonds ("Series 2025A Term Bonds" and, together with the Series 2025 Term Bonds, the "Term Bonds"), each of such Series 2025A Term Bond shall be subject to mandatory sinking fund redemption. Term Bonds are subject to mandatory redemption commencing on August 1 of the first such year which has been combined to form a Term Bond and continuing on August 1 in each year thereafter until the stated maturity date of such Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the respective serial maturity schedule. Term Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot, or by any other customary method that results in random selection from and among the Term Bonds then subject to redemption.

The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of the Series 2025 Term Bonds or the Series 2025A Term Bonds, respectively, which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, or (ii) for the Series 2025 Bonds, shall have been redeemed pursuant to the optional redemption provisions in the Order and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption

The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by United States mail, first class, postage prepaid, not less than 30 days before the date fixed for redemption, to the owner of each Bond (or part thereof) to be redeemed, at the address shown in the Register, as defined herein, at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The District reserves the right, in the case of an optional redemption of the Series 2025 Bonds, to give notice of its election or direction to redeem the Series 2025 Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected owners. Any Series 2025 Bonds subject to conditional redemption for which such redemption has been rescinded shall remain outstanding.

Paying Agent/Registrar

BOKF, NA, 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 commercial bank, a trust company organized under the laws of the State, or any other entity duly qualified and legally authorized to serve as 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.

Transfer, Exchange and Registration

For so long as any Bonds remain outstanding, the District shall cause the Paying Agent/Registrar to keep at its designated office a bond register as required by the Order (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the Order.

In the event the Book-Entry-Only System should be discontinued, the ownership of a Bond may be transferred only upon the presentation and surrender of the Bond to the Paying Agent/Registrar at its designated office with such endorsement or other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register. The Bonds shall be exchangeable upon the presentation and surrender thereof at the designated office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any denomination or denominations of any integral multiple of $5,000 and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange.

A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond 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 owner or the owner's designee. Each Bond delivered by the Paying Agent/Registrar in accordance with this provision shall constitute an original contractual obligation of the District and shall be entitled to the benefits and security of the Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

No service charge shall be made to an owner for the initial registration, any subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require an owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

See "THE BONDS – Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the Record Date (the fifteenth day of the preceding month) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class, postage prepaid, to the address of the registered owner recorded in the registration and transfer 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. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

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

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond during the period beginning at the close of business on any Record Date and ending with the next interest payment date, or with respect to any Bonds or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of a substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them, (c) upon paying such expenses and charges as the Paying Agent/Registrar may incur in connection therewith and (d) satisfying any other reasonable requirements imposed by the District and the Paying Agent/Registrar.

Authority

The Series 2025 Bonds are being issued pursuant to the Constitution and laws of the State, including Chapter 45, Texas Education Code, as amended, Chapter 1207 and 1371, Texas Government Code, as amended, the Election, and the Order.

The Series 2025A Bonds are being issued pursuant to the Constitution and laws of the State, including Chapter 1207 and 1371, Texas Government Code, as amended, and the Order.

Security and Source of Payment

The Bonds constitute direct obligations of the District, payable as to principal, premium, if any, and interest from a continuing annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property in the District.

The District has made application for and received preliminary approval for the payment of the Series 2025 Bonds to be guaranteed by the corpus of the Permanent School Fund of the State. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM".

The Series 2025A Bonds are <u>not guaranteed</u> by the Permanent School Fund of the State.

Permanent School Fund Guarantee of the Series 2025 Bonds

In connection with the sale of the Series 2025 Bonds, the District has submitted an application to the Texas Education Agency and expects to receive conditional approval from the Commissioner of Education, for the guarantee of the Series 2025 Bonds under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code). Following the receipt of such approval and subject to satisfying certain conditions, the payment of the Series 2025 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 Series 2025 Bonds from the Permanent School Fund. See "Appendix C – 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 C is incorporated herein and made a part hereof for all purposes.

In the event the District defeases any of the Series 2025 Bonds, the payment of such defeased Series 2025 Bonds will cease to be guaranteed by the Permanent School Fund Guarantee. See "THE BONDS – Defeasance of Bonds."

The Series 2025A Bonds are <u>not guaranteed</u> by the Permanent School Fund of the State.

Registered Owners' Remedies

The Order does not provide for the appointment of a trustee to represent the interests 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, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order.

Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of governmental immunity. Chapter 1371, upon which the District is relying in its issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds, 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 outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as they become due or perform other material terms and covenants contained in the Order. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

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

See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Series 2025 Bonds by the Permanent School Fund in the event the District fails to make a payment on the Series 2025 Bonds when due.

Initially, the only registered owner of the Bonds will be Cede & Co. on behalf of DTC. See "THE BONDS – Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of Bonds.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, 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 Purchaser believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar of each series, 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 one or both series of the Bonds at any time by giving reasonable notice to the District or the respective Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

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

*Use of Certain Terms in Other Sections of this Official Statemen*t . . . 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 of the Bonds is discontinued, printed Bonds will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS – Transfer, Exchange and Registration" below.

Defeasance*

The District reserves the right to defease, refund or discharge the Bonds in any manner now or hereafter permitted by law. Upon defeasance, the Series 2025 Bonds would no longer be guaranteed by the Permanent School Fund of the State.

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes. See "Current Public School Finance System – 2025 Legislative Session" for a discussion of certain legislation affecting ad valorem taxation.

Valuation of Taxable Property

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

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and

* Preliminary, subject to change

(c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

State Mandated Homestead Exemptions

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

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

Local Option Homestead Exemptions

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

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

State Mandated Freeze on School District Taxes

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

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

Personal Property

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

House Bill 9, approved by the 89th Texas Legislature, increases the exemption for tangible personal property used in the "production of income" from the current $2,500 to $250,000. This legislation is effective September 1, 2025 but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election. In addition, the Governor may veto any legislation passed in the 89th Legislative Session by June 22, 2025.

Freeport 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 Property Tax Code. Section 11.35 of the Property Tax Code provides that "damage" for the purpose of the statute is limited to physical damage.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value.

For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts").

During the Regular Session of the 88th Texas Legislature, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403T") was enacted into law. Chapter 403T is intended as a replacement of former Chapter 313, Texas Tax Code ("Chapter 313"), but it contains significantly different provisions than the prior program under Chapter 313. Under Chapter 403T, a school district may offer a 50% abatement on taxable value for M&O property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403T also provides a 100% abatement of M&O taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt services taxes securing the Bonds cannot be abated under Chapter 403T. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as 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.

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

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.

DISTRICT APPLICATION OF PROPERTY TAX CODE

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

The District grants a State mandated $100,000 general residence homestead exemption[(1)]

The District grants a State mandated $10,000 residence homestead exemption for persons 65 years of age or older and the disabled.[(1)]

The District grants a State mandated residence homestead exemption for disabled veterans.[(1)]

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

The District has granted a local option, additional exemption for persons 65 years of age or older above the amount of the State mandated exemption.

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

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

The District does not tax Freeport Property.

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

The District is not currently a participant in any tax increment reinvestment zones.

[(1)] Subject to the Governor's signing of the relevant legislation and contingent on voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) the State mandated general homestead exemption from $100,000 to $140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - 2025 LEGISLATIVE SESSION" herein.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on May 19, 1962, in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The maximum M&O tax rate per $100 of taxable value that may be adopted by a school district is the sum of $0.17 (subject to compression of the nine available copper pennies in a year in which the state increases the guaranteed yield on those pennies) and the school district's Maximum Compressed Tax Rate ("MCR"). A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State and is subject to recalculation annually. For any year, the highest possible MCR for a school district is $0.93. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein.

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

I&S Tax Rate Limitations

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

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 Existing Debt Allotment ("EDA") and Instructional Facilities Allotment ("IFA") allotments to the school district, which effectively reduces the school district's local share of debt service and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Taxes levied to pay 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 are included in maximum annual debt service for calculation of the $0.50 threshold tax rate test when applied to subsequent bond issues. The Series 2025A Bonds and a portion of the Series 2025 Bonds are being issued for refunding purposes and are not subject to the 50-Cent Test. The portion of the Series 2025 Bonds that is being issued for school building purposes pursuant to Chapter 45, Texas Education Code, as "new debt" is subject to the 50-cent Test. 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 (subject to the compression of the nine available copper pennies in a year in which the state increases the guaranteed yield on these pennies) 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.

WEATHER EVENTS

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

EXPOSURE TO OIL AND GAS INDUSTRY

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

CYBERSECURITY

The District relies on technology to conduct its operations, similar to other school districts in the State, and is therefore exposed to cybersecurity risks, including hacking, phishing, viruses, malware, and ransomware. Cybersecurity threats could disrupt the District's operations and finances, potentially resulting in significant costs to mitigate such breaches, restore systems, or prevent future attacks. While the District employs a multi-layered approach to address cybersecurity risks, including deploying layered technologies and requiring employee training as mandated by State law, there is no assurance that these efforts will prevent all cyber-attacks. Additionally, cybersecurity breaches could expose the District to litigation, regulatory actions, and other legal risks, which could lead to additional costs. Further, there is no guarantee that the costs associated with cybersecurity breaches or preventive measures will be covered by insurance.

EMPLOYEE BENEFIT PLANS

Pension and Other Post-Employment Benefit Plans

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"). TRS generally is charged with the responsibility of administering pension funds for all school district employees. The State and the individual employee participate in the retirement system on a joint basis, and each local district is responsible only for funding contributions for salary amounts in excess of the State foundation level. For more information concerning TRS and the District's pension plan, see "APPENDIX D – ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024, Note 4.C."

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Plan"), a cost-sharing multiple-employer defined OPEB health care plan. The TRS-Care Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. The TRS-Care Plan is administered through a trust by the TRS Board of Trustees. Contribution rates are legally established in state statute by the 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 the TRS-Care Plan is provided by retiree premium contributions and contributions from the State, active employees, and school districts based upon public school district payroll. See "APPENDIX D – ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024, Note 4.D" for additional information regarding the TRS-Care Plan and the District's contributions thereto.

In June 2015, Government Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions – which supersedes GASB Statement No. 45) was issued to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions ("OPEB"). GASB Statement No. 75 requires reporting entities, such as the District, to recognize their proportionate share of the net OPEB liability in the TRS-Care Plan and a deferred outflow for the contributions made by the District subsequent to the measurement date in the Statement of Net Position, a government-wide financial statement. Such reporting began with the District's fiscal year ended August 31, 2018. To date, the District has met all funding requirements of the TRS-Care Plan.

Accumulated Sick Leave

Payment of locally allocated unused sick leave days is made by the District to certain employees upon their retirement (in accordance with guidelines established by the Teachers Retirement System of Texas) for any unused accumulation of local sick leave up to 30 days, for all employees hired prior to September 3, 1974. The District records unused sick leave as a liability in its financial statements. In addition, upon retirement from the District, employees with minimum of ten years of consecutive service with the District immediately preceding retirement and who are eligible to receive TRS benefits on an unreduced pension/annuity immediately upon separation from the District, shall be entitled to reimbursement for an unlimited amount of unused state personal and sick leave or local leave days at a fixed rate.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Series 2025 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. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current public school finance system.

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

2025 LEGISLATIVE SESSION . . . The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System (as defined herein) and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Subject to the Governor's signing of the relevant legislation and contingent on voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) the State mandated general homestead exemption from $100,000 to $140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000. Additionally, subject to the Governor's signing of the relevant legislation, both houses of the Legislature passed legislation that would authorize roughly $8.5 billion in funding for public schools and would provide districts with a $55 per-student increase to their base funding, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or are homeschooled. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

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

2023 LEGISLATIVE SESSIONS . . . The regular session of the 88th Texas Legislature (the "88th Regular Session") began on January 10, 2023, and adjourned on May 29, 2023. The Governor called and the Legislature concluded four special sessions during the 88th Texas Legislature (such special sessions, together with the 88th Regular Session, the "2023 Legislative Sessions").
During the 88th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System, ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation enacted by the Legislature fully-funded the Foundation School Program for the 2024-2025 State fiscal biennium and increased the State guaranteed yield on the first $0.08 cents of tax effort beyond a school district's Maximum Compressed Tax Rate (as defined herein) to $126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from $98.56 in 2023) and $129.52 per penny of tax effort per student in WADA in 2025. See "– State Funding for School Districts – Tier Two." The Legislature also provided for an increase in funding for the school safety allotment to $10.00 (from $9.72 in the prior year) per ADA (as defined herein) and $15,000 per campus. The Legislature set aside approximately $4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions. However, the Legislature did not take action on such funding during the 2023 Legislative Sessions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Rate and Funding Equity. The 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 Finance System prior to the enactment of certain legislation passed during the 86th Texas Legislature are entitled to an equalized wealth transition grant on an annual basis, which was be phased out in the 2023-2024 school year, in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. Furthermore, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds $400 million, the Education Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

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

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

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

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THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

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

A district's status as to any excess local revenue in Tier One and its wealth per student for Copper Penny purposes in Tier Two must be tested for each future school year and, if it exceeds the maximum permitted levels, the excess must be reduced by exercising one of the permitted wealth equalization options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's 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.

For the State fiscal year ending in 2025 (the 2024-2025 school year), the State compression percentage was set at \$0.6855 per \$100 of taxable value. The District's compression percentage was lower than the State Compression Percentage resulting in a total maintenance and operations tax rate of \$0.6669.

The 2024-2025 original General Fund budget reflected a planned draw down of fund balance of \$33.7M. Fund balance as a percentage of expenditures totaled 45.63%, which was well above District policy of 25%, therefore the decision was made to utilize a portion to bridge current staffing formulas until the 89th Legislative session. During the year, budget amendments approved by the board reduced the anticipated deficit to \$25.3M and the latest budget vs actual variances show lower spending compared to budget. Fund balance as of June 30, 2025 is anticipated to exceed 40% of expenditures. Based on improved state funding approved in the 89th Legislative session, along required additional spending, the District proposed a \$21M deficit for 2025-2026 with the goal of bringing balanced budget for 2026-27.

TAX MATTERS

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

Tax Exemption

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

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

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

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

Co-Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel's knowledge of facts as of the date thereof. Co-Bond Counsel assumes no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Co-Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Co-Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such 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 District as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

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

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

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

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

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

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

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

In the event of the redemption, sale or other taxable disposition of such 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.

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

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

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

Tax Legislative Changes

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

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

The District may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the District or obligations under a lease, installment sale, or other agreement of the District) in investments authorized by State law in accordance with investment policies approved by the governing body of the District. Both State law and the District's investment policies are subject to change.

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance

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

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

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-l et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

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

Current Investments

As of March 31, 2025, the District's investable funds were invested in the following categories[1]:

	Market Value	Percent
Cash and Checking Accounts	$18,619,780	3%
TexPool Investment Pool	132,892,287	22%
Lone Star Investment Pool – Gov't	54,458,239	9%
Lone Star Investment Pool – Corporate	180,333,416	29%
Texas Class Investment Pool (Commercial Paper)	162,186,464	26%
Money Market Funds (Royal Bank of Canada)	66,631,327	11%
Total Portfolio	**$ 615,121,513**	**100%**

[1] As of the District's Unaudited March 2025 Monthly Investment Report.

RATINGS

The Series 2025 Bonds are expected to be rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by S&P Global Ratings ("S&P"), based upon the guarantee of the Series 2025 Bonds by the Permanent School Fund of the State of Texas. See "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." 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. The underlying rating on the Series 2025 Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is "Aa1" by Moody's and "AA" by S&P.

The Series 2025A Bonds are rated "Aa1" by Moody's and "AA" by S&P. The Series 2025A Bonds do not carry any enhanced rating.

The ratings reflect only the respective views of such organizations, and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. A credit rating on a security is not a recommendation to buy, sell or hold such securities and may be subject to revision or withdrawal at any time.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Series 2025 Bonds will be guaranteed by the corpus of the Permanent School Fund of the State. 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 C – 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 C is incorporated herein and made a part hereof for all purposes.

The Series 2025A Bonds are not secured by the Permanent School Fund of the State.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("EMMA") at http://emma.msrb.org/.

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Annual Reports

The District will provide to the MSRB (1) within six (6) months after the end of each Fiscal Year of the District ending in and after 2025, financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1 through 11 in "APPENDIX A - FINANCIAL INFORMATION REGARDING THE DISTRICT", and (2) if not provided as part of such financial information and operating data, audited financial statements of the District, when and if available, and in any event within 12 months. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as the District may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. 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 statements becomes available.

The District may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC").

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

Event Notices

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 of the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material, (14) appointment of a successor or additional paying agent/registrar or the change of a name of a paying agent/registrar, if material, (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide information, data or financial statements in accordance with its agreement described above under "Annual Reports".

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

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 material events only as described above. The District shall be obligated to provide such information so long as, but only so long as, it remains an "Obligated Person" with respect to the Bonds within the meaning of Rule 15c2-12. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. The District may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or any court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, and the District also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of Rule 15c2-12. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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.

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UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2025 Bonds from the District at a price of $_____ (representing the principal amount of the Series 2025 Bonds, plus a net premium/discount of $_____, less an underwriting discount of $_____). The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Series 2025 Bonds if any of the Series 2025 Bonds are purchased. The Series 2025 Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2025A Bonds from the District at a price of $_____ (representing the principal amount of the Series 2025A Bonds, plus a premium/discount of $_____, less an underwriting discount of $_____). The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all the Series 2025A Bonds if any of the Series 2025A Bonds are purchased. The Series 2025A Bonds may be offered and sold to certain dealers and others at prices lower than such 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:

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

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

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivatives) of its customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

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

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

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LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property in the District and the approving legal opinions of Co-Bond Counsel, in substantially the form attached hereto as APPENDIX E.

Co-Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in their capacity as Co-Bond Counsel, such firms have reviewed the information in this Official Statement appearing under the captions and subcaptions "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee of the Series 2025 Bonds," "Book-Entry-Only System," and "Registered Owners' Remedies"), and "CONTINUING DISCLOSURE OF INFORMATION" and Co-Bond Counsel is of the opinion that the information contained therein conforms to the provisions of the Order; further, such firms have reviewed the information in this Official Statement appearing under the captions and subcaptions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only), "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE FUNDS IN TEXAS," "MISCELLANEOUS – Registration and Qualification of Bonds for Sale," and "LEGAL MATTERS" (excluding the last two sentences of the second paragraph thereof), and such firms are of the opinion that the information contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein. The legal fees to be paid Co-Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Co-Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton LLP.

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.

FINANCIAL ADVISOR

RBC Capital Markets, LLC is employed as Financial Advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on the amount of Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

AUDITED FINANCIAL STATEMENTS

Whitley Penn & Associates (the "Auditor"), the District's independent auditor in connection with the District's audited financial statements for fiscal year ended June 30, 2024, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of the Auditor relating to the District's financial statements for the fiscal year ended June 30, 2024 is included in this Official Statement in APPENDIX D; however, the Auditor has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement. The District has engaged Whitley Penn & Associates as its auditor in connection with the audited financial statements that will be prepared for the fiscal year ended June 30, 2025. Whitley Penn & Associates has not reviewed, commented on, or approved, and is not associated with this Official Statement or the financial statements attached hereto.

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MISCELLANEOUS

Registration and Qualification of Bonds for Sale

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

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

Verification of Mathematical Computations

Robert Thomas CPA, LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, as applicable, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Series 2025 Refunded Bonds and the Series 2025A Refunded Bonds. Robert Thomas CPA, LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Robert Thomas CPA, LLC has relied on any information provided to it by the District's retained advisors, consultants and legal counsel.

Litigation

Except as disclosed in this Official Statement, the District is not a party to any litigation or other proceedings pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition of the District. No litigation, administrative action, or proceeding seeks to restrain or enjoin the issuance or delivery of the Bonds, or contests or questions the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed, and delivered or the validity of the Bonds.

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 or security of the Bonds or in any other manner questions the issuance, sale and delivery of the Bonds.

Official Statement

This Official Statement was duly authorized by the Board. In the Order, the Board authorized the Authorized Officer (as defined in the Order) to approve the final form and content of the Official Statement. The Order authorizing the issuance of the Bonds approves the use of this Official Statement and any addenda, supplement or amendment thereto in the reoffering of the Bonds by the Underwriters in accordance with the provisions of Rule 15c2-12.

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SCHEDULE I

SCHEDULE OF THE SERIES 2025 REFUNDED BONDS

SCHEDULE I
SCHEDULE OF REFUNDED BONDS

Bonds Refunded by the Series 2025 Bonds (the "Series 2025 Refunded Bonds")*

Series	Maturity Date	Principal Outstanding	Principal Refunded*	Redemption Date*
Unlimited Tax Schoolhouse Refunding Bonds, Series 2013A	02/01/2030	$ 4,210,000	$ 4,210,000	08/01/2025
	02/01/2031	4,395,000	4,395,000	08/01/2025
	02/01/2032	4,590,000	4,590,000	08/01/2025
	02/01/2033	1,275,000	1,275,000	08/01/2025
Total		**$ 14,470,000**	**$ 14,470,000**	

To be redeemed at a price of par plus accrued interest to the redemption date.

Series	Maturity Date	Principal Outstanding	Principal Refunded*	Redemption Date*
Unlimited Tax Schoolhouse Refunding Bonds, Series 2015A	08/01/2026	$ 9,025,000	$ 9,025,000	08/01/2025
	08/01/2027	4,470,000	4,470,000	08/01/2025
	08/01/2028	4,695,000	4,695,000	08/01/2025
	08/01/2029	4,930,000	4,930,000	08/01/2025
	08/01/2030	5,125,000	5,125,000	08/01/2025
	08/01/2031	5,330,000	5,330,000	08/01/2025
	08/01/2032	5,545,000	5,545,000	08/01/2025
	08/01/2033	5,765,000	5,765,000	08/01/2025
	08/01/2034	5,995,000	5,995,000	08/01/2025
	08/01/2035	6,235,000	6,235,000	08/01/2025
Total		**$ 57,115,000**	**$ 57,115,000**	

To be redeemed at a price of par plus accrued interest to the redemption date.

Series	Maturity Date	Principal Outstanding	Principal Refunded*	Redemption Date*
Unlimited Tax Refunding Bonds, Series 2016A	08/01/2026	$ 5,025,000	$ 5,025,000	08/01/2025
	08/01/2029	10,900,000	10,900,000	08/01/2025
	08/01/2030	11,495,000	11,495,000	08/01/2025
	08/01/2031	12,110,000	12,110,000	08/01/2025
	08/01/2032	12,630,000	12,630,000	08/01/2025
	08/01/2033	10,135,000	10,135,000	08/01/2025
	08/01/2034	8,565,000	8,565,000	08/01/2025
	08/01/2035	7,185,000	7,185,000	08/01/2025
Total		**$ 78,045,000**	**$ 78,045,000**	

To be redeemed at a price of par plus accrued interest to the redemption date.

* Preliminary; subject to change. Additional maturities may be included.

SCHEDULE II

SCHEDULE OF THE SERIES 2025A REFUNDED BONDS

SCHEDULE II
SCHEDULE OF REFUNDED BONDS

Bonds Refunded by the Series 2025A Bonds (the "Series 2025A Refunded Bonds")*

Series	Maturity Date	Principal Outstanding	Principal Refunded*	Redemption Date*
Unlimited Tax Refunding Bonds, Series 2016B (non-PSF)	08/01/2028	$ 2,990,000	$ 2,990,000	08/01/2025
	08/01/2029	3,205,000	3,205,000	08/01/2025
	08/01/2031	3,620,000	3,620,000	08/01/2025
Total		**$ 9,815,000**	**$ 9,815,000**	

To be redeemed at a price of par plus accrued interest to the redemption date.

* Preliminary; subject to change. Additional maturities may be included.

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1
SELECTED FINANCIAL INFORMATION

2024 Certified Taxable Assessed Valuation	$ 30,221,298,804	(a)
Total Outstanding Debt	$1,328,185,000	(b) (c)
Less: The Bonds Refunded by Series 2025 Bonds	149,630,000	(d)
Less: The Bonds Refunded by Series 2025A Bonds	6,195,000	(d)
Plus: The Series 2025 Bonds	339,705,000	(d)
Plus: The Series 2025A Bonds	5,885,000	(d)
Total Direct Debt	$ 1,829,600,000	(d) (e)
Interest and Sinking Fund Balance (as of June 30, 2024)	$ 110,426,100	(f)
Net Direct Debt	$ 1,719,173,900	(d) (e)
Ratio of Direct Debt to 2024 Assessed Valuation	6.05%	

2025 Estimated Population:		303,425	(g)
Per Capita Direct Debt:	$	6,030	
Per Capita 2024 Assessed Valuation:	$	99,601	
2024/2025 Enrollment:		52,437	(g)
Per Student Direct Debt:	$	34,891	
Per Student 2024 Assessed Valuation:	$	576,335	

(a) Net of exemptions. Provided by the Harris Central Appraisal District ("HCAD"), based on 2024 tax roll data.
(b) As of June 17, 2025.
(c) A portion of the debt service payable on the District's outstanding bonds has been paid with funds received by the District from the state pursuant to the Instructional Facilities Allotment and the Tier III state assistance for outstanding debt service. For the fiscal year ending June 30, 2025, the District expects to receive $15,267,812 in Additional State Aid for Homestead Exemption for Facilities, based on the 2024-2025 Summary of Finances Report from the Foundation School Program dated November 8, 2024.
(d) Preliminary; subject to change.
(e) Unaudited.
(f) As provided by the Texas Municipal Advisory Council.
(g) As of January 16, 2025.

TABLE 2
AD VALOREM TAX BONDS AUTHORIZED BUT UNISSUED

Date Authorized	Purpose	Amount Authorized	Issued to Date[(a)]	The Schoolhouse Bonds[(b)]	Authorized but Unissued[(c)]
05/07/2022	Construction of and Purchase of Necessary Sites for School Buildings and Purchase and Retrofitting of School Buses	$ 843,840,000	$ 441,180,000	$ 205,000,000	$ 197,660,000
	Total	$ 843,840,000	$ 441,180,000	$ 205,000,000	$ 197,660,000

(a) Includes premium charged against the voted authorization.
(b) Includes the par amount of the Bonds plus any premium deposited to the Project Fund; preliminary, subject to change.
(c) Preliminary, subject to change.

TABLE 3
MAINTENANCE AND OPERATIONS TAX DEBT

The District currently has no outstanding maintenance and operations tax supported debt.

TABLE 4
TAX RATE DISTRIBUTION

	2024/25	2023/24	2022/23	2021/22	2020/21
Maintenance and Operations [(a)]..	$0.6669	$0.6716	$0.8550	$0.9201	$0.9573
Debt Service……………………	0.3450	0.3600	0.3750	0.3800	0.3800
TOTAL………………………	**$1.0119**	**$1.0316**	**$1.2300**	**$1.3001**	**$1.3373**

[(a)] See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of the compression of maintenance and operations tax rates under HB3.

TABLE 5
CLASSIFICATIONS OF ASSESSED VALUATION

	Total Tax Roll for Fiscal Years				
Type of Property	**2024/25[(a)]**	**2023/24[(b)]**	**2022/23[(b)]**	**2021/22[(b)]**	**2020/21[(b)]**
Residential	$28,263,862,721	$ 26,663,877,707	$24,264,334,964	$ 19,138,434,160	$18,423,703,505
Commercial	6,419,623,967	6,447,939,792	6,201,679,581	4,575,887,443	5,543,181,073
Acreage	59,375,165	65,839,292	49,018,312	38,159,574	48,108,490
Lots	345,203,578	421,402,604	430,053,505	271,340,753	62,194,834
Utilities	367,711,618	332,223,084	310,290,339	283,098,878	263,249,686
Minerals	-	501,970	1,866,805	271,400	859,520
Other	2,697,204,466	2,523,875,357	2,285,417,110	2,035,486,502	2,086,178,119
Total Appraised Value	$38,152,981,515	$36,455,659,806	$33,542,660,616	$26,342,678,710	$ 26,427,475,227
Exempt Property[(c)]	(9,549,413,711)	(8,961,648,083)	(5,380,952,884)	(3,960,881,876)	(4,081,642,110)
Uncertified Taxable Value	1,617,731,000	1,365,173,432	-	3,318,483,497	1,858,855,804
Total Taxable Value	$30,221,298,804	$28,859,185,155	$28,161,707,732	$25,700,280,331	$24,204,688,921

	Percent of Total Tax Roll for Fiscal Years				
Type of Property	**2024/25[(a)]**	**2023/24[(b)]**	**2022/23[(b)]**	**2021/22[(b)]**	**2020/21[(b)]**
Residential	74.08%	73.14%	72.34%	72.65%	69.71%
Commercial	16.83%	17.69%	18.49%	17.37%	20.98%
Acreage	0.16%	0.18%	0.15%	0.14%	0.18%
Lots	0.90%	1.16%	1.28%	1.03%	0.24%
Utilities	0.96%	0.91%	0.93%	1.07%	1.00%
Minerals	0.00%	0.00%	0.01%	0.00%	0.00%
Other	7.07%	6.92%	6.81%	7.73%	7.89%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

[(a)] Provided by HCAD, based on the 2024 tax roll date of September 6, 2024.
[(b)] Source: the District. Taxable Assessed Valuations are from the adjusted certified tax rolls.
[(c)] Includes the application of a $100,000 state-mandated general homestead exemption. See "AD VALOREM TAX PROCEDURES – State Mandated Homestead Exemption." See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" herein for a discussion of a potential increase in the general State mandated homestead exemption from $100,000 to $140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from $10,000 to $60,000.

TABLE 6
TAX COLLECTIONS

Fiscal Year	Taxable Assessed Valuation[(a)]	Total Tax Rate	Tax Levy	Current Collections Amount	Current Collections %	Total Collections Amount	Total Collections %
2020	$22,822,906,765	$1.3600	$300,881,490	$ 295,367,956	98.17%	$296,578,308	98.57%
2021	24,204,688,921	1.3373	307,351,968	304,553,767	99.09%	306,342,902	99.67%
2022	25,700,280,331	1.3001	318,174,142	314,819,693	98.95%	316,800,470	99.57%
2023	28,161,707,732	1.2300	334,250,166	332,193,700	99.38%	332,080,023	99.35%
2024	28,859,185,155	1.0316	273,787,853	267,463,565	97.69%	267,463,565	97.69%
2025	30,221,298,804	1.0119	283,271,342	272,259,689 [(b)]	96.11% [(b)]	272,518,678 [(b)]	96.20% [(b)]

[(a)] Net of exemptions. Provided by HCAD.
[(b)] In process of collections; as of March 31, 2025.
[(c)] See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" herein for a discussion of a potential increase in the general State mandated homestead exemption from $100,000 to $140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from $10,000 to $60,000.

TABLE 7
PRINCIPAL TAXPAYERS

Taxpayer	Type of Property	2024	%TAV
CenterPoint Energy Inc	Electric Utility	$ 241,356,809	0.80%
Eastgroup Properties LP	Real Estate	105,992,200	0.35%
DXC Technology Services LLC	Electronic Manufacturing	103,700,122	0.34%
HEB Grocery Co LP	Grocery Store	97,931,352	0.32%
GP Market Place 1750 LLC	Commercial	87,354,070	0.29%
Vintage Dunhill LLC	Real Estate	83,905,264	0.28%
Liberty Property	Real Estate	78,823,541	0.26%
St Lukes Hospital at the Vintage LLC	Healthcare	70,235,059	0.23%
Vale Luxury Apartments LLC	Real Estate	68,507,880	0.23%
Walmart	Grocery Store/Commercial	64,945,242	0.21%
Total		$ 1,002,751,539	3.32%

Taxpayer	Type of Property	2023	%TAV
CenterPoint Energy Inc.	Electric Utility	$ 205,861,861	0.71%
DXC Technology Services LLC	Electronic Manufacturing	144,730,524	0.50%
Eastgroup Properties LP	Real Estate	105,264,222	0.36%
HEB Grocery Co LP	Grocery Store	95,947,522	0.33%
Liberty Property	Real Estate	83,521,311	0.29%
Vintage Dunhill LLC	Real Estate	80,744,597	0.28%
GP Market Place 1750 LLC	Commercial	80,591,131	0.28%
Broadstone Sparrows Point LLC	Real Estate	70,067,983	0.24%
St Lukes Hospital at the Vintage LLC	Healthcare	69,997,593	0.24%
Walmart	Grocery Store/Commercial	69,251,874	0.24%
Total		$ 1,005,978,618	3.49%

TABLE 8
DEBT SERVICE REQUIREMENTS

Tax Rate Budgeting Period Ending 8/31	Outstanding Debt Service [(a)] Principal	Outstanding Debt Service [(a)] Interest	Total Outstanding Debt Service [(a)]	Less: The Refunded PSF Bonds Debt Service [(b)]	Less: The Refunded Non-PSF Bonds Debt Service [(b)]	Plus: The Series 2025 Bonds Debt Service [(c)]	Plus: The Series 2025A Bonds Debt Service [(c)]	Total Annual Debt Service [(c)]
2025	$ 56,820,000	$ 55,925,247	$ 112,745,247	$ 287,010	$ 154,875	$ 707,719	$ 12,260	$ 113,907,112
2026	49,330,000	53,185,535	102,515,535	20,491,300	309,750	42,180,250	294,250	165,791,085
2027	51,820,000	50,808,484	102,628,484	10,208,800	309,750	35,035,500	294,250	148,476,784
2028	53,015,000	48,441,832	101,456,832	10,210,300	3,299,750	38,810,000	3,134,250	156,911,132
2029	55,355,000	46,123,097	101,478,097	21,110,550	3,365,250	37,762,500	3,197,250	166,913,647
2030	59,140,000	43,592,612	102,732,612	25,284,150	-	36,542,250	-	164,559,012
2031	61,030,000	40,913,787	101,943,787	25,337,300	-	37,372,500	-	164,653,587
2032	61,120,000	38,314,750	99,434,750	25,390,000	-	36,380,750	-	161,205,500
2033	57,250,000	35,795,766	93,045,766	18,955,700	-	29,393,000	-	141,394,466
2034	57,660,000	33,441,425	91,101,425	15,679,200	-	25,263,250	-	132,043,875
2035	59,815,000	31,051,281	90,866,281	13,956,800	-	24,197,750	-	129,020,831
2036	62,320,000	28,596,606	90,916,606	-	-	10,946,000	-	101,862,606
2037	64,935,000	26,034,334	90,969,334	-	-	10,947,750	-	101,917,084
2038	67,675,000	23,355,784	91,030,784	-	-	10,946,250	-	101,977,034
2039	61,100,000	20,556,399	81,656,399	-	-	10,946,000	-	92,602,399
2040	61,765,000	18,116,932	79,881,932	-	-	10,946,250	-	90,828,182
2041	58,270,000	15,602,508	73,872,508	-	-	10,946,250	-	84,818,758
2042	56,365,000	13,208,756	69,573,756	-	-	10,945,250	-	80,519,006
2043	56,275,000	11,013,653	67,288,653	-	-	10,947,500	-	78,236,153
2044	56,675,000	8,801,475	65,476,475	-	-	10,947,000	-	76,423,475
2045	56,580,000	6,443,525	63,023,525	-	-	10,948,000	-	73,971,525
2046	44,145,000	4,310,406	48,455,406	-	-	10,944,500	-	59,399,906
2047	36,625,000	2,578,288	39,203,288	-	-	10,945,750	-	50,149,038
2048	29,350,000	1,148,006	30,498,006	-	-	10,945,500	-	41,443,506
2049	5,125,000	106,931	5,231,931	-	-	10,947,750	-	16,179,681
2050	-	-	-	-	-	10,946,250	-	10,946,250
TOTAL	$ 1,339,560,000	$ 657,467,422	$ 1,997,027,422	$ 186,911,110	$ 7,439,375	$ 507,841,469	$ 6,932,260	$ 2,706,151,637

[(a)] A portion of the debt service payable on the District's outstanding bonds has been paid with funds received by the District from the state pursuant to the Instructional Facilities Allotment and the Tier III state assistance for outstanding debt service. For the fiscal year ending June 30, 2025, the District expects to receive $15,267,812 in Additional State Aid for Homestead Exemption for Facilities, based on the 2024-2025 Summary of Finances Report from the Foundation School Program dated November 8, 2024.
[(b)] Preliminary, subject to change.
[(c)] Total Annual Debt Service in FY2025 includes District contributions to the Series 2025 Bonds and the Series 2025A Bonds; preliminary, subject to change.

TABLE 9
TAX ADEQUACY

Average Annual Debt Service Requirements (2025 - 2050)	$ 104,082,755 [(a)]
Less: Estimated State Funding for Debt Service	(15,267,812) [(b)]
Net Average Annual Debt Service Requirements	$ 88,814,943
$0.2144 tax rate on 2024/25 taxable assessed valuation @ 95% collection rate produces	$ 88,814,943
Maximum Annual Debt Service Requirements (2025)	$ 166,913,647 [(a)]
Less: Estimated State Funding for Debt Service	(15,267,812) [(b)]
Net Maximum Annual Debt Service Requirements	$ 151,645,835
$0.3395 tax rate on 2024/25 taxable assessed valuation @ 95% collection rate produces	$ 151,645,835

[(a)] Includes the Series 2025 Bonds and the Series 2025A Bonds. Excludes the Refunded Bonds. Preliminary, subject to change.
[(b)] A portion of the debt service payable on the District's outstanding bonds has been paid with funds received by the District from the state pursuant to the Instructional Facilities Allotment and the Tier III state assistance for outstanding debt service. For the fiscal year ending June 30, 2025, the District expects to receive $15,267,812 in Additional State Aid for Homestead Exemption for Facilities, based on the 2024-2025 Summary of Finances Report from the Foundation School Program dated November 8, 2024.

TABLE 10
COMPARISON OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES

	Fiscal Year Ended [a]				
	06/30/2024	06/30/2023	06/30/2022	06/30/2021	06/30/2020
Revenues:					
Local/Intermediate Sources	$ 194,815,397	$ 246,861,331	$ 231,272,956	$ 226,177,330	$ 218,161,928
State Program Revenues	313,725,782	239,943,136	244,632,018	243,950,806	220,691,394
Federal Program Revenues	10,877,590	13,282,413	19,123,089	10,681,395	10,814,895
Total Revenues	$ 519,418,769	$ 500,086,880	$ 495,028,063	$ 480,809,531	$ 449,668,217
Expenditures:					
Instruction	$ 336,486,112	$ 306,751,235	$ 293,605,533	$ 293,718,902	$ 248,002,573
Resources and Media Services	4,764,866	4,724,567	4,445,352	4,760,162	4,084,218
Staff Development	12,385,319	12,117,074	11,513,562	11,189,579	10,148,443
Instructional Leadership	6,066,033	5,011,461	4,768,121	4,695,383	3,442,391
School Leadership	34,932,285	33,335,493	32,563,917	32,406,637	27,693,579
Guidance and Counseling	33,095,374	28,509,385	26,619,586	26,235,601	22,565,679
Social Work Services	503,111	598,225	562,573	573,714	509,766
Health Services	6,780,996	6,218,616	5,964,139	6,154,085	5,569,517
Transportation	17,838,798	17,836,547	16,794,189	13,085,742	12,214,887
Food Services	-	-	-	299,022	3,720
Extracurricular Activities	11,415,908	10,594,740	9,657,364	8,659,234	8,044,292
General Administration	12,319,556	12,212,911	11,884,675	10,838,980	8,565,587
Maintenance and Operations	40,701,661	35,229,078	33,904,251	36,758,512	29,092,983
Security and Monitoring Services	8,854,280	7,465,491	6,687,535	6,677,438	5,334,365
Data Processing	10,118,672	11,418,608	9,582,846	9,964,274	8,814,183
Community Services	627,288	564,604	409,926	353,237	262,572
Debt Services	1,463,449	1,070,323	1,189,772	-	-
Acquisition and Construction	1,252,558	764,887	5,925	10,868	3,470
Intergovernmental Charges	3,534,026	3,395,050	3,046,437	3,135,788	2,231,047
Total Expenditures	$ 543,140,292	$ 497,818,295	$ 473,205,703	$ 469,517,158	$ 396,583,272
Excess (Deficiency) Revenues Over Expenditures	$ (23,721,523)	$ 2,268,585	$ 21,822,360	$ 11,292,373	$ 53,084,945
Other Financing Sources					
Sale of Property	$ 138,474	$ 62,548	$ 128,198	$ 117,441	$ 100,707
Proceeds Leases/Subscriptions	3,437,456	1,287,751	-	-	-
Transfers In	28,930,683 [b]	74,878	28,333	52,983	-
Loss from Tornado/Fire	-	-	-	-	-
Transfers Out	-	-	(249)	(28,930,683) [b]	(72,500)
Total Other Fin Sources (Uses)	$ 32,506,613	$ 1,425,177	$ 156,282	$ (28,760,259)	$ 28,207
Beginning Fund Balance	$ 239,074,997	$ 235,381,235	$ 213,402,593	$ 230,870,479	$ 177,757,327
Increase (Decrease) in Fund Balance	$ 8,785,090	$ 3,693,762	$ 21,978,642	$ (17,467,886)	$ 53,113,152
Ending Fund Balance	$ 247,860,087	$ 239,074,997	$ 235,381,235	$ 213,402,593	$ 230,870,479

Source: District's Audited Financial Statements and District Records.
[a] The District adopted a change in the date of its fiscal year end from August 31 to June 30. The change in fiscal year end began in connection with the fiscal year beginning September 1, 2019 and ending June 30, 2020. Given the change in fiscal year end, the numbers for fiscal year ended June 30, 2020, reflect only ten months of expenditures.
[b] The transfer out in fiscal 2020/21 reflects a transfer from the general fund to the capital projects fund for future construction and improvement projects within the District. The District's approved a reimbursement resolution for projects funded by the 2022 bond authorization, including the $28,930,683, in connection with the May 7, 2022 bond election. The transfer in in fiscal year 2023/24 reflects the reimbursment from the capital project fund to the general fund.

TABLE 11
DEBT SERVICE FUND

	Fiscal Years Ended				
	06/30/2024	06/30/2023	06/30/2022	06/30/2021	06/30/2020
Revenues					
Local and Intermediate Sources	$ 100,100,885	$ 110,216,846	$ 93,667,053	$ 88,174,605	$ 86,904,490
State Program Revenues	16,174,502	3,717,793	1,647,115	1,645,953	1,670,524
Federal Program Revenues	-	-	-	447,657	842,742
Total Revenues	$ 116,275,387	$ 113,934,639	$ 95,314,168	$ 90,268,215	$ 89,417,756
Expenditures					
Total Expenditures	$ 111,113,127	$ 88,466,072	$ 89,366,903	$ 91,423,449	$ 43,102,868
Excess (Deficiency) Revenues Over Expenditures	$ 5,162,260	$ 25,468,567	$ 5,947,265	$ (1,155,234)	$ 46,314,888
Beginning Fund Balance	$ 103,747,100	$ 77,131,570	$ 70,891,375	$ 71,585,172	$ 24,315,173
Other Financing Sources/(Uses)	1,516,740	1,146,963	292,930	461,437	955,111
Increase/(Decrease) in Fund Balance	6,679,000	26,615,530	6,240,195	(693,797)	47,269,999
Ending Fund Balance	$ 110,426,100	$ 103,747,100	$ 77,131,570	$ 70,891,375	$ 71,585,172

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

TABLE 12
ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Jurisdiction	Gross Debt	As of	Overlapping Debt	
			Percent (%)	Amount ($)
Bilma PUD	$ 20,390,000	05/31/2025	100.00%	$ 20,390,000
Bridgestone MUD	111,335,000	05/31/2025	100.00%	111,335,000
Charterwood MUD	11,000,000	05/31/2025	100.00%	11,000,000
CNP UD	41,925,000	05/31/2025	**	-
Cypresswood UD	5,860,000	05/31/2025	100.00%	5,860,000
Dowdell PUD (Defined Area No. 1)	4,025,000	05/31/2025	100.00%	4,025,000
Dowdell PUD	94,135,000	05/31/2025	100.00%	94,135,000
Encanto Real UD	39,055,000	05/31/2025	100.00%	39,055,000
Fountainhead MUD	6,795,000	05/31/2025	72.47%	4,924,337
Harris Co	2,424,019,039	05/31/2025	4.88%	118,292,129
Harris Co Dept of Ed	28,960,000	05/31/2025	4.88%	1,413,248
Harris Co Flood Control Dist	968,445,000	05/31/2025	4.88%	47,260,116
Harris Co Hosp Dist	867,820,000	05/31/2025	4.88%	42,349,616
Harris Co Imp Dist # 18	96,480,000	05/31/2025	0.04%	38,592
Harris Co Imp Dist # 18	117,035,000	05/31/2025	0.03%	35,111
Harris Co MUD # 1	62,160,000	05/31/2025	73.81%	45,880,296
Harris Co MUD # 24	11,050,000	05/31/2025	100.00%	11,050,000
Harris Co MUD #104	5,135,000	05/31/2025	100.00%	5,135,000
Harris Co MUD #118	8,015,000	05/31/2025	66.71%	5,346,807
Harris Co MUD #119	15,764,999	05/31/2025	65.25%	10,286,662
Harris Co MUD #150	16,330,000	05/31/2025	35.05%	5,723,665
Harris Co MUD #180	29,279,995	05/31/2025	100.00%	29,279,995
Harris Co MUD #202	10,980,000	05/31/2025	100.00%	10,980,000
Harris Co MUD #367	4,820,000	05/31/2025	100.00%	4,820,000
Harris Co MUD #368	58,940,000	05/31/2025	100.00%	58,940,000
Harris Co MUD #383	32,280,000	05/31/2025	100.00%	32,280,000
Harris Co MUD #401	34,020,000	05/31/2025	100.00%	34,020,000
Harris Co MUD #468	33,120,000	05/31/2025	100.00%	33,120,000
Harris Co MUD # 480	25,120,000	05/31/2025	43.56%	10,942,272
Harris Co MUD # 530	28,240,000	05/31/2025	100.00%	28,240,000
Harris Co MUD # 551	12,185,000	05/31/2025	100.00%	12,185,000
Harris Co WC&ID #109	12,260,000	05/31/2025	93.01%	11,403,026
Harris Co WC&ID #110	19,180,000	05/31/2025	40.53%	7,773,654
Harris Co WC&ID #116	8,630,000	05/31/2025	29.25%	2,524,275
Harris Co WC&ID #119	45,645,000	05/31/2025	100.00%	45,645,000
Harris Co WC&ID #132	2,520,000	05/31/2025	100.00%	2,520,000
Harris Co WC&ID #133	6,755,000	05/31/2025	100.00%	6,755,000
Harris-Montgomery Cos MUD #386	149,935,000	05/31/2025	0.31%	464,799
Heatherloch MUD	12,840,000	05/31/2025	100.00%	12,840,000
Houston, City of	3,537,180,000	05/31/2025	0.24%	8,489,232
Kleinwood MUD	14,289,992	05/31/2025	100.00%	14,289,992
Lone Star College Sys	471,270,000	05/31/2025	10.63%	50,096,001
Louetta North PUD	1,690,000	05/31/2025	100.00%	1,690,000
Louetta Road UD	2,900,000	05/31/2025	100.00%	2,900,000
Meadowhill Reg MUD	29,255,000	05/31/2025	79.96%	23,392,298
Northampton MUD - Defined Area	17,680,000	05/31/2025	100.00%	17,680,000
Northampton MUD	34,000,000	05/31/2025	100.00%	34,000,000
NW Harris Co MUD # 6	21,520,000	05/31/2025	66.81%	14,377,512
NW Harris Co MUD # 19	58,215,000	05/31/2025	100.00%	58,215,000
NW Harris Co MUD # 28	1,535,000	05/31/2025	100.00%	1,535,000
NW Harris Co MUD # 30	14,615,000	05/31/2025	100.00%	14,615,000
NW Harris Co MUD # 32	16,380,000	05/31/2025	100.00%	16,380,000
NW Harris Co MUD # 36	9,435,000	05/31/2025	100.00%	9,435,000

TABLE 12
ESTIMATED OVERLAPPING DEBT STATEMENT (continued)

Taxing Jurisdiction	Gross Debt	As of	Overlapping Debt Percent (%)	Overlapping Debt Amount ($)
NW Park MUD	$ 21,210,000	05/31/2025	30.26%	$ 6,418,146
Oakmont PUD	18,945,000	05/31/2025	100.00%	18,945,000
Pt of Houston Auth	406,509,397	05/31/2025	4.88%	19,837,659
Shasla PUD	2,165,000	05/31/2025	100.00%	2,165,000
Spring Creek Forest PUD	2,250,000	05/31/2025	100.00%	2,250,000
Spring West MUD	20,560,000	05/31/2025	35.70%	7,339,920
The Woodlands RUD # 1	19,715,000	05/31/2025	**	-
The Woodlands Township	15,280,000	05/31/2025	0.07%	10,696
Tomball, City of	64,330,000	05/31/2025	3.32%	2,135,756
Total Net Overlapping Debt				$ 1,254,465,810
Klein ISD Outstanding Debt [(a)]				$ 1,517,950,000
Total Direct and Overlapping Debt				$ 2,772,415,810
Ratio of Total Direct and Overlapping Debt to 2024/25 Taxable Valuation				9.17%
Per Capita Direct and Overlapping Debt				$ 9,137

Source: Texas Municipal Advisory Council.

(a) Includes the Bonds. Excludes the Refunded Bonds. Preliminary, subject to change.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT

GENERAL INFORMATION REGARDING THE DISTRICT

District Description

Klein Independent School District, encompassing approximately 87.5 square miles, is located in northwestern Harris County, and its southern portion is within the corporate limits of the City of Houston. Most of the District is located between IH 45 on the east and SH 249 on the west. The southern boundary follows Cypress Creek for a considerable distance and a portion of the northern boundary of the District is coterminous with the northern boundary of Harris County. Access to downtown Houston is provided by Stuebner-Airline Road, Kuykendahl Road, SH 249, or FM Road 1960 to IH 45.

District Administration

Dr. Jenny McGown, Superintendent of Schools

Superintendent Dr. Jenny McGown is a passionate and student-focused leader at Klein ISD. Serving the Klein community, she has held various roles including chief learning officer, executive director, principal, assistant principal, and classroom teacher, before her appointment as superintendent in 2019. Dr. McGown has been recognized for her leadership, receiving accolades such as the 2022 Region 4 Superintendent of the Year and State Finalist for Texas Superintendent of the Year (2022), Teacher of the Year (2004), Top 40 Professionals under 40 by the Houston Business Journal (2017), Houston BizWoman Headliner in Education (2018), Outstanding Woman in Education by the American Association of University Women (2019), Sam Houston State University Distinguished Educator of the Year (2020), Women Who Mean Business award recipient (2021), Distinguished Administrator by the Texas Music Educators Association (2021), Most Admired CEO by the Houston Business Journal (2023), Top 30 Influential Women of Houston by the D-Mars Business Journal (2023), and the Empowered Superintendent Award from the Texas Education Technology Leaders (2024). Dr. McGown has contributed to the development of innovative educational pathways, such as the first-in-the-state Geospatial Engineering and Land Surveying Pathway, leading to improved student performance in Academics, the Arts, and Athletics. Under her leadership, Klein ISD was honored as the National District of the Year by Districts of Distinction (2021). She serves on the LEARN Superintendent Advisory Board, the Google for Education North America K-12 Advisory Board, the Pearl Fincher Museum of Fine Arts Board, the Northwest Assistance Ministries Board, and is a member of both the Klein Education Foundation Board of Directors and the Lone Star College Chancellor's Advisory Council. Additionally, Dr. McGown was elected to Position 3 on the Harris County Safe School Commission for Precinct 3. Dr. McGown completed her undergraduate studies at Texas A&M University and received her Master's and Doctorate in Education from Sam Houston State University. Outside of professional life, Dr. McGown enjoys spending time with her husband, Brian, and two children, both Klein ISD students. She and her husband are active members of their church, supporters of the Klein Education Foundation, and are involved in the work of Bridging for Tomorrow.

J. Robert (Bob) Anderson, Chief of Human Resource Services

Bob Anderson is a third-generation educator. He is especially proud of the legacy his father and mother both left in San Antonio when they retired with more than 60 years of education experience between the two of them. Bob started his career in Lamar CISD and Humble ISD as an elementary teacher before joining Klein ISD in 2004 as an Assistant Principal at Mittelstadt Elementary. In the summer of 2007, Bob was selected to participate in Raise Your Hand Texas Principal professional development at Harvard University. In that same year, he was named principal of Epps Island Elementary. In 2009, Bob was selected as the Klein ISD Elementary Principal of the Year. Bob joined Klein Intermediate as Principal in the summer of 2009. During his time at Klein Intermediate, the campus invested in creating a strong parent partnership. In 2014, Parent University was developed to celebrate parents for intentional involvement in their child's school. In 2017, Bob was named principal at Vistas High School. During his time at Vistas, the students were encouraged to exceed high school expectations and began taking college courses. In 2019, Vistas was selected to be Klein's first Early College High School. In 2019, Bob was selected as the Klein ISD Secondary Principal of the year. In the spring of 2020, Bob was promoted to Executive Director of Human Resources. Bob completed his undergraduate degree at Texas Lutheran University and received his master's at the University of Houston. He earned his Doctorate in Education from Sam Houston State University.

Dr. Brian Greeney, Chief of Schools

Brian Greeney began his teaching career in Aldine ISD and Spring Branch ISD before joining Klein ISD in 2001. Brian taught government and coached swimming at Klein Oak High School before being named an assistant principal in 2005. Brian became the proud principal of Wunderlich Intermediate in 2011, and Klein Oak High School in 2013. During this time Klein Oak was designated a Model PLC Campus and he was named the KISD Secondary Principal of the Year in 2013. Brian was named Assistant Superintendent of Innovation, Teaching, and Learning of Willis ISD in 2017. After spending 5 years in Willis, Brian gratefully returned to Klein in 2022 as Klein ISD's new Chief of Schools. Dr. Greeney is an educational leader who has been recognized as a 2021 TASA Inspiring leader (2021), N2Learning Transforming School Leader (2017), and a Model PLC School principal. Brian is married to Jessica, and they have two girls who both attended Klein schools, Paige and Tori. He is an avid Star Wars fan and loves to spend time with his family or reading a good book.

Dr. Anthony Indelicato, Chief Academic Officer
Dr. Indelicato is a proud graduate of Klein Forest High School and attended Kaiser Elementary and Wunderlich Intermediate. After teaching in Conroe ISD and Aldine ISD, he started his administrative career in Klein having the opportunity to serve as an assistant principal at Klein Intermediate and Klein High School and then principal at Klein Intermediate. He was the 2009 Klein ISD Secondary Principal of the Year. Anthony went on to serve as a leadership consultant at Region 4 for a year and then transitioned to Fort Bend ISD where he served as a high school principal, an assistant superintendent, and most recently as Chief of Staff and Collaborative Communities. Anthony married Kimberly, a fellow Klein Forest graduate, and they have a daughter named Grace. His hobbies include spending time with family and friends, exercising, and reading. Anthony is excited and feels very blessed to support our vision of every Klein student Entering with a Promise and Exiting with a Purpose.

Daniel Schaefer, CPA, Chief Financial Officer
Mr. Schaefer is a Certified Public Accountant and has over 22 years of accounting and finance experience. He began his career in public accounting where he worked for national, regional and local accounting firms before accepting the CFO position at Brazosport ISD in 2007. He has been in public education finance for 17 years and joined the Klein ISD team September 1, 2018.

August Wunderlich, Chief of Operations
After graduating from Sam Houston State University, August taught at his alma mater Klein High School before moving to Klein Oak High School. He later transitioned to the maintenance department where he served in several leadership roles before becoming the Executive Director of Facilities and School Services. Since becoming a district administrator, August has earned the Commitment to Excellence award from the Gulf Coast Maintenance and Operations Association and the FM for Excellence award from Building Operation Management magazine.

Dayna Hernandez, Chief of Staff
Dayna Hernandez is a positive and innovative educational leader with 28 years of experience right here in Klein ISD. She is a homegrown testament to the tradition of excellence and innovation in our district. Dayna is a proud K-12 alumnus of the Klein schools and has proudly served the school community in a variety of leadership capacities. Dayna has made it her life's work to harness the gifts of public speaking, establishing strong partnerships of trust, and commitment to serving others. As an educator, she has wholeheartedly poured these gifts into her career. Before serving for four years as a Teaching and Learning Executive Director, in coaching and supporting principals across the district, her career began in Klein ISD as a student teacher. Later, she was selected in 1999 as Teacher of the Year and then furthered her leadership as an elementary principal, becoming Principal of the Year in 2016. As a forever learner, Dayna has completed the Rice Education Entrepreneur Program to apply business theories to the public education setting.

Marlon Runnels, Chief of Police
Chief Marlon Runnels is a Houston native and a Klein ISD parent. He is a seasoned police administrator with 18 years of experience providing protection, safety, and security to students throughout the greater Houston area. His time working in Klein has afforded him the unique opportunity to be keenly aware of the specific needs of Klein ISD. As a Klein ISD parent and law enforcement professional, he relishes the opportunity to support the growth, needs, and overall safety of the Klein Family every day. His former roles include Assistant Chief of Police and Police Sergeant for Klein ISD, Montgomery ISD Chief of Police, Galveston County Sheriff's Deputy, and time as a Police Officer for the City of Conroe. Chief Runnels is a United States Marine Corp Reserve Veteran who bravely served our country and was deployed during the Operation Iraqi Freedom War.

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District Enrollment Data

The tables that follow have been prepared from information provided by District officials to set forth the historical increase in student enrollment for the period 2014/2015-2024/2025, and the estimated future increases for the periods 2025/2026-2029/2030.

Actual Enrollment

School Year	Fall Enrollment	% of Increase/ Decrease
2014/2015	49,366	2.56%
2015/2016	50,611	2.52%
2016/2017	51,810	2.37%
2017/2018	53,051	2.40%
2018/2019	53,328	0.49%
2019/2020	54,096	1.44%
2020/2021	52,824	-2.35%
2021/2022	53,294	0.89%
2022/2023	52,246	-1.97%
2023/2024	53,121	1.67%
2024/2025[a]	52,437	-1.29%

[a] As of 01/16/2025.

Projected Enrollment

School Year	Projected Enrollment	% of Increase/ Decrease
2025/2026	52,044	(0.75%)
2026/2027	51,909	(0.20%)
2027/2028	51,527	(0.70%)
2028/2029	51,265	(0.50%)

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Enrollment Data Per School

School Year	Year Constructed	Operational Student Capacity	Enrollment 2024/2025
Klein High School	1963/2014	3,429	3,366
Klein Forest High School	1982	3,842	3,418
Klein Oak High School	2001	3,497	3,766
Klein Collins High School	2017	3,487	3,360
Klein Cain High School	1984	3,858	3,922
Alternative Education Programs	N/A	N/A	201
Klein Intermediate	1973	1,282	1,050
Hildebrandt Intermediate	1975	1,409	1,071
Wunderlich Intermediate	1977	1,600	1,319
Strack Intermediate	1993	1,402	1,237
Kleb Intermediate	1984	1,300	1,232
Doerre Intermediate	2002	1,326	1,188
Schindewolf Intermediate	2007	1,169	1,087
Krimmel Intermediate	2010	1,175	1,172
Ulrich Intermediate	2002	1,295	1,178
Hofius Intermediate	2018	1,250	1,313
Kohrville Elementary	1971	872	671
Northampton Elementary	1971	857	623
Haude Elementary	1970	819	532
Greenwood Forest Elementary	1971	667	557
Epps Island Elementary	1973	786	764
Theiss Elementary	1974	786	637
Benfer Elementary	1977	860	683
Kaiser Elementary	1978	802	724
Brill Elementary	1978	797	653
Ehrhardt Elementary	1979	839	713
Lemm Elementary	1980	691	618
Nitsch Elementary	1980	837	612
Krahn Elementary	1983	1,082	802
Roth Elementary	1984	830	683
Kuehnle Elementary	1989	908	687
Mittelstädt Elementary	1991	914	693

School Year	Year Constructed	Operational Student Capacity	Enrollment 2024/2025
Klenk Elementary	1992	795	717
Eiland Elementary	1993	570	564
Schultz Elementary	1994	963	707
Hassler Elementary	1999	814	625
Kreinhop Elementary	2004	904	787
McDougle Elementary	2004	813	612
Metzler Elementary	2005	889	846
Benignus Elementary	2006	781	753
Frank Elementary	2007	794	692
Mueller Elementary	2009	908	477
Blackshear Elementary	2011	932	722
Zwink Elementary	2012	938	840
Bernshausen Elementary	2013	958	695
Grace England Early Childhood	2012	1,075	314
French Elementary	2015	979	786
Mahaffey Elementary	2016	971	860
Fox Elementary	2020	850	908
TOTAL		**59,602**	**52,437**

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APPENDIX C

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.

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

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

Fiscal Year Ending	2015	2016	2017	2018	2019	2020	2021	2022	2023[(2)]	2024
PSF(CORP) Distribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$2,076	$2,156
PSF(SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	-	-	-	-	300	600	600[3]	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	432	440	430

(1) In millions of dollars. Source: Annual Report for year ended August 31, 2024.
(2) Reflects the first fiscal year in which distributions were made by the PSF Corporation.
(3) In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

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

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

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

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

PSF Corporation Strategic Asset 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. The IPS includes a combined asset allocation for all Fund assets (consisting of assets transferred for management to the PSF Corporation from the SBOE and the SLB). The IPS provides that the Fund's investment objectives are as follows:

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2024 and 2023

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

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

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

Investment Schedule - PSF(SLB)[(1)]

Fair Value (in millions) August 31, 2024

	As of 8-31-24	
Investment Type		
Investments in Real Assets		
Sovereign Lands	$ 277.47	
Discretionary Internal Investments	457.01	
Other Lands	153.15	
Minerals [(2), (3)]	4,540.61	[(6)]
Total Investments[(4)]	5,428.23	
Cash in State Treasury [(5)]	0	
Total Investments & Cash in State Treasury	$ 5,428.23	

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

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

The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

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

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

The 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 January 31, 2025 the cost value of the Guarantee Program was $48,560,433,760 (unaudited), thereby producing an IRS Limit of $242,802,168,800 in principal amount of guaranteed bonds outstanding.

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

[2] At August 31, 2024, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately $13.4 million, $0.8 million, $37.2 million, and $318.9 million, respectively, and market values of approximately $4,540.6 million, $277.4 million, $153.1 million, and $457.0 million, respectively.

Permanent School Fund Guaranteed Bonds

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

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

[2] At August 31, 2024 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $196,294,405,488, of which $70,478,423,885 represents interest to be paid. As shown in the table above, at August 31, 2024, there were $125,815,981,603 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $169,961,518,160 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of January 31, 2025, 7.69% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

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

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

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

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2024

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

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

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

PSF Returns Fiscal Year Ended 8-31-2024[1]

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

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

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

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

APPENDIX D

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024

The information contained in this appendix has been excerpted from the annual financial report of the Klein Independent School District for the fiscal year ended June 30, 2024. Certain information not considered to be relevant to this financing has been omitted; however, complete financial reports are available upon request.

In the past, the District has applied for and been awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada ("GFOA") and the Certificate of Excellence in Financial Reporting Award from the Association of School Business Officials International ("ASBO"). The District expects to apply for and receive these awards in future years.

KLEIN INDEPENDENT SCHOOL DISTRICT
Independent School District

Annual Comprehensive Financial Report

For the Year Ended June 30, 2024

Prepared by the Finance Department
Klein Independent School District
7200 Spring Cypress Road
Klein, Texas 77379

KLEIN INDEPENDENT SCHOOL DISTRICT
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INTRODUCTORY SECTION

KLEIN ISD
PROMISE2PURPOSE

INTRODUCTORY SECTION

November 11, 2024

Board of Trustees and Citizens of
Klein Independent School District
7200 Spring Cypress Rd.
Klein, TX 77379-3299

Dear Board of Trustees and Citizens:

State law requires that each school district must have its fiscal accounts audited annually. A copy of the annual financial report, approved by the Board of Trustees, must be filed with the Texas Education Agency (TEA) by the 150th day after the end of the fiscal year. The Annual Comprehensive Financial Report (ACFR) of the Klein Independent School District (the District) is published to fulfill that requirement for the year ended June 30, 2024.

The independent audit of the financial statements is part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District’s separately issued Single Audit Report.

The ACFR consists of management’s representations concerning the finances of the District. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District's administration. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework. The framework is designed to protect the District’s assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District’s financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Because the cost of internal controls should not outweigh their benefits, the District’s comprehensive framework of internal controls is designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Whitley Penn, a firm of licensed certified public accountants, has issued an unmodified opinion based upon the audit of the District’s financial statements for the year ended June 30, 2024. The independent auditors’ report is presented as the first component of the financial section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction.

PROFILE OF THE DISTRICT

The area was settled in 1845 by German immigrants and later named after immigrant Adam Klein. In July 1928, the present boundary lines of the school district were established with the consolidation of five common school districts, and the official name became Rural High School District Number One. The total enrollment was 582. In March 1938, the school district was incorporated and renamed the Klein Independent School District. The District is not included in any other governmental reporting entity and there are no component units.

A seven-member Board of Trustees (the Board) governs the District and has governance responsibilities over all activities related to public elementary and secondary education. Each member is elected to an at-large position for three years in a nonpartisan election. An election is held each November for either two or three positions. Based on legislative authority codified in the Texas Education Code, the Board (1) has exclusive power to manage and govern the District; (2) can acquire and hold real and personal property; (3) shall have power to levy and collect taxes and to issue bonds; (4) can contract for appointed officers, teachers, and other personnel as well as for goods and services; and (5) has the right of eminent domain to acquire real property.

Klein Independent School District, encompassing approximately 87.5 square miles, is located in northwestern Harris County, Texas. Most of the District is located between Interstate Highway 45 (IH 45) on the east and State Highway 249 (SH 249) on the west. The southern boundary follows Cypress Creek for a considerable distance and a portion of the northern boundary of the District is coterminous with the northern boundary of Harris County. The District is comprised of five high schools, ten intermediate schools, 33 elementary schools, and three alternative program campuses. The ages of the school buildings range from three to 50 or more years.

The District provides a full range of educational services appropriate to grade levels Pre-Kindergarten (PK) through 12. These include on-level and advanced academic education, special education, career and technical education, linguistic training for emergent bilingual learners, a disciplinary alternative education program, and an alternative high school program offering an accelerated and individualized curriculum. These academic programs are supplemented by a wide variety of offerings in the fine arts and athletics.

The annual budget serves as the foundation for the District's financial planning and control. The Board adopts an appropriated budget for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund on a basis consistent with GAAP. Prior to June 20 each year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the Board is called for the purpose of adopting the proposed budget after a ten-day public notice of the meeting has been given. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. The appropriated budget is prepared by fund, function, and campus/department. Transfers of appropriations between campuses/departments require the approval of the District's management. However, transfers of appropriations between functions require the approval of the Board as recommended by the Superintendent.

LOCAL ECONOMY

Home sales continue to face pressure, primarily due to high mortgage rates. In the first half of 2024, single-family home sales remained sluggish, with inventory constraints still playing a role. However, the rate of decline has eased, and Houston continues to adapt to the new mortgage environment(Greater Houston Partnership).

Office vacancies remain near record highs as remote work trends persist. Meanwhile, the retail sector has been more resilient. Occupancy rates for small and regional retail centers continue to climb, particularly in areas with strong residential demand (Greater Houston Partnership).

Employment trends in the Houston metro area have improved. By May 2024, unemployment had dropped to 4.0%, down from 4.6% in early 2024, largely due to seasonal patterns. The region's labor force is growing, with 38,000 new workers added in the first five months of the year (Greater Houston Partnership).

The oil and gas sector remains strong, with record-high global demand expected to surpass 103 million barrels per day in 2024. Prices have fluctuated between $80 and $100 per barrel this year, influenced by global economic conditions and a weaker U.S. dollar. Oil production in Texas is holding steady, and future growth is expected as global demand continues to rise (Texas Oil & Gas Association).

Overall, while the Houston economy continues to face challenges in certain sectors, particularly office real estate, the broader picture shows resilience, especially in energy and retail sectors.

LONG-TERM FINANCIAL PLANNING

The District remains one of the largest school districts in Texas; however, the disruption due to Hurricane Harvey and COVID-19 along with limited land availability have led to a slower growth rate. Enrollment was projected to return to pre-pandemic levels of approximately 53,600 students during the 2023-24 school year. The level of student enrollment is expected to be stable over the next several years. The square footage of the District's schools ranges from 65,500 to 679,289 square feet. Based on the District's current total of forty-eight schools and three alternative program campuses, the District has reached approximately 90% of its permanent classroom facility requirements. The students per square mile are based on an enrollment that would stabilize after a peak in excess of 55,000 students.

In May 2015, the District passed a $498.1 million bond issue as part of a five-year plan that will address growth and facility needs for our students in five general areas: growth, technology, renovations, school buses, and safety and security. The District has sold all of the 2015 bond authorization and is currently closing out a few remaining projects.

In May 2022, the District passed an $895.35 million bond election that represents the approval of two propositions. The bond projects that were ratified by the voters represent $843.8 million for improved safety and security at all schools, build a new school, address growth and capacity challenges, modernize and restore aging schools (50+ years old), renovate all schools, upgrade academic, arts, and athletic/PE spaces, and purchase additional buses. Funds would also be used for additional safety and security measures at every school. In addition, $51.5 million will be used for technology devices for classroom instruction, including student, teacher, and staff devices. This proposition would allow for students and teachers on every campus – from elementary to high school – to learn on the technology used for preparation for college and career. The District sold $152.69 million in bonds in 2022-23 to begin bond programs prioritizing initial funding toward safety and security projects. The District sold $340 million in 2023-24 for the next round of projects which should cover the planned construction costs for two years.

The District approach to managing increased academic standards in a fluctuating funding environment is to ensure the budget process is instructionally driven and guided by the Strategic Plan. The major budget priorities in 2023-24 are to create and offer a competitive compensation package for District employees, align budget requests to build on strong academic performance in the state accountability system, and to support campus and program requests to address learning losses resulting from disruption caused by COVID-19.

The Board and administration review the Strategic Plan at least annually, focusing on aligning the allocation of resources, both personnel and financial, with the accomplishment of the goals and objectives. This facilitates identification of target areas for both operating cost reductions and increases.

RELEVANT FINANCIAL POLICIES

Budget planning is an integral part of overall program planning so that the budget effectively reflects the District's programs and activities and provides the resources to implement them. In the budget planning process, general educational goals, specific program goals, and alternatives for achieving program goals are considered, as well as input from the District and campus-level planning and decision-making committees. Budget planning and evaluation are continuous processes and are a part of monthly activities.

MAJOR INITIATIVES

Klein Independent School District shares a vision that every student enters with a promise and exits with a purpose. During the 2023-24 school year, the District continued aligning workstreams and resources to three strategic priorities: Reimagine Learning, Cultivate Talent, and Build Community.

Students engaging in rigorous and advanced coursework is paramount to every student exiting with a purpose; to that end, the District offers high school advanced placement courses, an international baccalaureate program, and classes with dual high school and college credit through the Lone Star College System. The District continues to offer a pre-advanced placement program in intermediate and high schools in all core subject areas to support student preparation for academic success. In 2023-24, advanced offerings and pathways were expanded and increased, as more students expressed a desire to participate. Additionally, Klein ISD currently offers 50 industry-level certifications and nearly 200 pathway courses. Klein ISD educators are continually provided personalized professional learning and development focusing on research-based instructional strategies and leadership and technical competencies necessary to fulfill the District's promise to its students.

AWARDS AND ACKNOWLEDGEMENTS

Klein Independent School District received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for its ACFR for the fiscal year ended June 30, 2023. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. Such an ACFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report will conform to the Certificate of Achievement Program requirements and is being submitted to the GFOA for review. The District received the Association of School Business Officials' (ASBO) Certificate of Excellence in Financial Reporting for the prior year. This award certifies that the ACFR for the fiscal year ended June 30, 2023 substantially conforms to the principles and standards of financial reporting as recommended and adopted by the ASBO. We believe our current report will conform to the Certificate of Excellence Program requirements and is being submitted to the ASBO for review. In addition, the District was awarded the ASBO Meritorious Budget Award for its 2023-24 adopted budget document. To receive this award, a school district must publish a budget document that substantially conforms to the principles and standards of this organization. Likewise, the District has received the Award of Merit for Purchasing Operations from the Texas Association of School Business Officials for the fourth consecutive year.

We would like to express our appreciation to the Board of Trustees for their attention in providing fiscal accountability to the patrons of our District and for their expertise in financial decisions. Special appreciation goes to the District's Finance Department and the independent auditors' staff. The preparation of this report could not have been accomplished without their efficient and dedicated service.

Respectfully submitted,

Dr. Jenny McGown
Superintendent

Daniel A. Schaefer, CPA
Chief Financial Officer

Jason Gossett, RTSBA
Executive Director – Business Services

Earl Taylor, CPA
Director - Accounting

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

The Certificate of Excellence in Financial Reporting is presented to

Klein Independent School District

for its Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

The district report meets the criteria established for ASBO International's Certificate of Excellence in Financial Reporting.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Ryan S. Stechschulte
President

James M. Rowan, CAE, SFO
CEO/Executive Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Klein Independent School District
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

KLEIN INDEPENDENT SCHOOL DISTRICT
Principal Officials and Advisors

Elected Officials - Board of Trustees

Cathy Arellano	President
Dustin Creager	Vice President
Doug James	Secretary
Ronnie Anderson	Trustee
Rob Ellis	Trustee
Dustin Qualls	Trustee
Chris Todd	Trustee

Appointed Administrators

Dr. Jenny McGown	Superintendent of Schools
Daniel A. Schaefer, CPA	Chief Financial Officer
Dr. Bob Anderson	Chief of Human Resource Services
Dr. Brian Greeney	Chief of Schools
Dayna Hernandez	Chief of Communications & Planning
Dr. Anthony Indelicato	Chief Academic Officer
Marlon Runnels	Chief of Police
August Wunderlich	Chief of Operations

Consultants and Advisors

Whitley Penn, LLP	Houston, Texas - Independent Auditors
Rogers, Morris, & Grover, LLP	Houston, Texas - General Counsel
Spalding Nichols Lamp Langlois	Houston, Texas - General Counsel
Bracewell LLP	Houston, Texas - Bond Counsel
RBC Capital Markets	Houston, Texas - Financial Advisor

ORGANIZATIONAL CHART

Revised: JULY 2024

BOARD OF TRUSTEES

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  - PURCHASING — Adam Stearns, *Director*
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  - CAPITAL PROJECTS & ENGINEERING — Chad Corbitt, *Director*
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  - INFORMATION TECHNOLOGY — Chad Greene, *Director*
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  - Leslie Kompellen, *Director*

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- **KLEIN ISD POLICE**
  - LOGISTICAL OPERATIONS — Jon Turner, *Assistant Chief*
  - PATROL OPERATIONS — Nathan Polansky, *Assistant Chief*

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DR. BRIAN GREENEY, *Chief of Schools*

- **ATHLETICS & STUDENT SERVICES** — Brandon Baker, *Executive Director*; Darby Young, *Director*
- **COUNSELING** — Kayla Shaw, *Director*
- **GENERAL EDUCATION BEHAVIOR SUPPORT & PROGRAMS** — Stacy Hall, *Director*
- **HEALTH SERVICES & NURSING** — Dr. Yvonne Clarke, *Director*
- **STUDENT SERVICES** — Nicole Patin & Ron Webster, *Executive Directors*

INTERNAL AUDIT
Warren Settles, *Director*

54,000 STUDENTS
15TH LARGEST DISTRICT IN TEXAS
7,000+ EMPLOYEES
1 KLEIN FAMILY

KLEIN ISD
PROMISE 2 PURPOSE

CERTIFICATE OF BOARD

Klein Independent School District	Harris	101-915
Name of School District	County	Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended June 30, 2024, at a meeting of the Board of Trustees of such school district on November 11, 2024.

President of the Board

Secretary of the Board

FINANCIAL SECTION

KLEIN ISD
PROMISE2PURPOSE

FINANCIAL SECTION

KLEIN ISD

PROMISE2PURPOSE

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3737 Buffalo Speedway
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Klein Independent School District

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

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

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

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

Required Supplementary Information

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

To the Board of Trustees
Klein Independent School District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules and the compliance schedules required by the Texas Education Agency are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and compliance schedules required by the Texas Education Agency are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
November 11, 2024

As management of the Klein Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2024.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by $124,644,929 (net position).
- The District's total net position decreased by $15,367,731.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of $644,314,209, an increase of $136,272,786 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance in the general fund was $156,321,244, or 28.8% of total general fund expenditures.
- The District's bonded debt, at par, increased by $261,250,000, or 23.3%, during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

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

The *Statement of Net Position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The government-wide financial statements are referenced as Exhibits A-1 and B-1 in this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into 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 assessing 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 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds. Data from the other 23 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts annual appropriated budgets for its general fund, debt service fund, and the *National School Breakfast and Lunch Program* special revenue fund. Budgetary comparison statements have been provided in this report to demonstrate compliance with those appropriated budgets.

The basic governmental fund financial statements are referenced as Exhibits C-1, C-1R, C-2, and C-2R in this report.

Proprietary Fund. The District maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for early childhood programs and employee child care programs. The proprietary fund financial statements provide separate information for the District's enterprise activities.

The basic proprietary fund financial statements are referenced as Exhibits D-1, D-2, and D-3 in this report.

Fiduciary Fund. The District's fiduciary fund is used to account for resources held for the benefit of students. The fiduciary fund is not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements are referenced as Exhibits E-1 and E-2 in this report.

*Notes to the Basic Financial Statements***.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements immediately follow the basic financial statements in this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds during the current fiscal year; therefore, only the general fund is presented as required supplementary information. The required supplementary information also provides information on the District's cost-sharing multiple employer pension and OPEB plans of which the District is a participant. The required supplementary information is referenced as Exhibits G-1 through G-5 and the associated notes immediately following the exhibits in this report.

The combining and individual fund statements, schedules, and compliance schedules required by the Texas Education Agency (TEA) comprise additional *supplementary information*. The additional supplementary information is presented immediately following the required supplementary information in this report. The additional supplementary information is referenced as Exhibits G-6, H-1, H-2, H-3, J-1, and J-4 in this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $124,644,929 at the close of the most recent fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	$ 774,882,196	$ 612,980,754	$ 156,908	$ 3,838	$ 775,039,104	$ 612,984,592
Capital assets	1,339,192,791	1,203,037,469	39,956	42,086	1,339,232,747	1,203,079,555
Total Assets	2,114,074,987	1,816,018,223	196,864	45,924	2,114,271,851	1,816,064,147
Total Deferred Outflows of Resources	133,028,004	132,583,618	-	-	133,028,004	132,583,618
Liabilities						
Long-term liabilities	1,826,879,611	1,458,439,130	-	-	1,826,879,611	1,458,439,130
Other liabilities	136,947,772	165,975,482	1,220	57,003	136,948,992	166,032,485
Total Liabilities	1,963,827,383	1,624,414,612	1,220	57,003	1,963,828,603	1,624,471,615
Total Deferred Inflows of Resources	158,826,323	184,163,490	-	-	158,826,323	184,163,490
Net Position						
Net investment in capital assets	95,919,397	127,174,559	39,956	42,086	95,959,353	127,216,645
Restricted	110,030,155	102,589,629	-	-	110,030,155	102,589,629
Unrestricted	(81,500,267)	(89,740,449)	155,688	(53,165)	(81,344,579)	(89,793,614)
Total Net Position	$ 124,449,285	$ 140,023,739	$ 195,644	$ (11,079)	$ 124,644,929	$ 140,012,660

Net investment in capital assets of $95,959,353 reflects the District's investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) less any related debt used to acquire those assets and unspent bond proceeds. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. An additional portion of the District's net position, $110,030,155, represents resources that are subject to external restrictions on how they may be used.

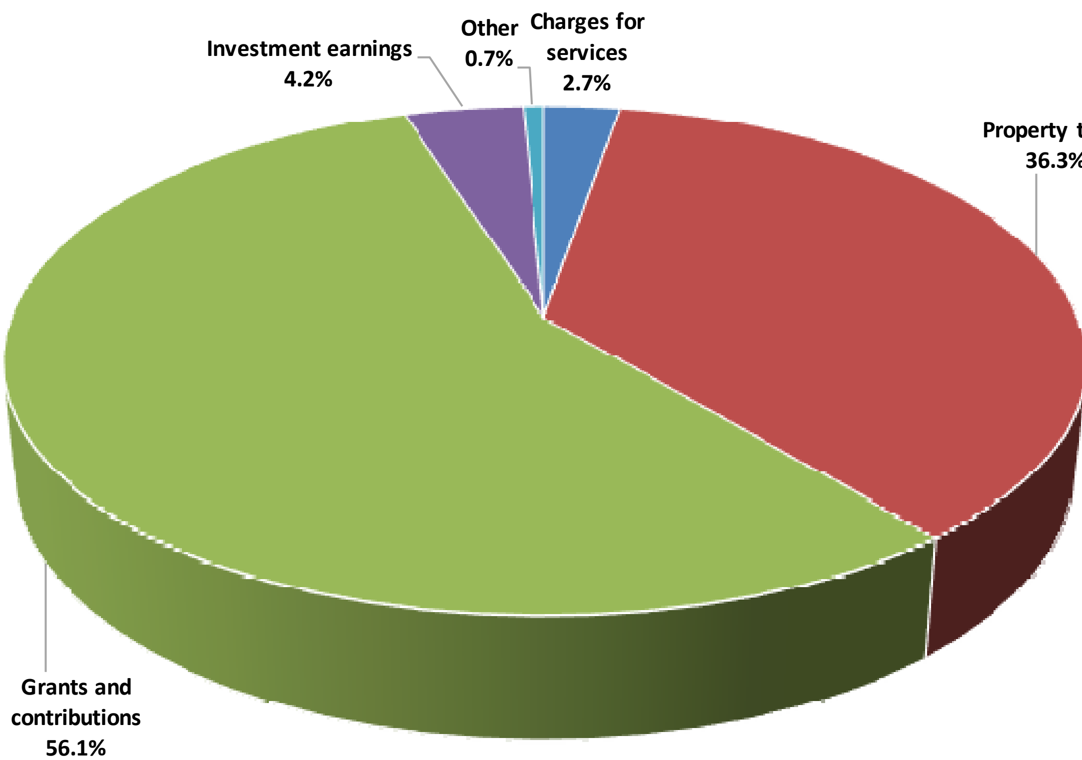
Unrestricted net position of $81,344,579 reflects a deficit created by prior period adjustments related to required implementation of Governmental Accounting Standards Board (GASB) standards. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net pension and OPEB liabilities. The total District liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since TRS pension and TRS-Care OPEB is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet ongoing obligations to students and creditors.

The District's overall net position decreased by $15,367,731 from the prior year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Program Revenues						
Charges for services	$ 19,877,682	$ 16,139,782	$ 757,184	$ 8,909	$ 20,634,866	$ 16,148,691
Operating grants and contributions	132,949,559	101,975,880	-	-	132,949,559	101,975,880
General Revenues						
Property taxes	271,389,029	336,954,564	-	-	271,389,029	336,954,564
Grants and contributions not restricted	286,543,224	220,220,176	-	-	286,543,224	220,220,176
Investment earnings	31,286,177	17,770,796	-	-	31,286,177	17,770,796
Other	5,522,645	3,394,638	-	-	5,522,645	3,394,638
Total Revenues	747,568,316	696,455,836	757,184	8,909	748,325,500	696,464,745
Expenses						
Instruction	429,938,308	354,712,381	-	-	429,938,308	354,712,381
Instructional resources and media services	5,278,467	5,207,878	-	-	5,278,467	5,207,878
Curriculum and staff development	17,214,291	16,549,385	-	-	17,214,291	16,549,385
Instructional leadership	6,696,571	5,531,473	-	-	6,696,571	5,531,473
School leadership	41,123,862	36,508,774	-	-	41,123,862	36,508,774
Guidance, counseling, and evaluation services	40,988,825	33,731,665	-	-	40,988,825	33,731,665
Social work services	515,811	692,374	-	-	515,811	692,374
Health services	7,453,289	7,055,540	-	-	7,453,289	7,055,540
Student transportation	20,358,149	19,209,841	-	-	20,358,149	19,209,841
Food service	31,027,698	29,189,745			31,027,698	29,189,745
Extracurricular activities	17,356,881	14,941,942	-	-	17,356,881	14,941,942
General administration	12,436,391	12,006,346	-	-	12,436,391	12,006,346
Facilities maintenance and operations	43,298,622	40,425,753	-	-	43,298,622	40,425,753
Security and monitoring services	9,582,247	7,949,289	-	-	9,582,247	7,949,289
Data processing services	18,425,682	14,737,055	-	-	18,425,682	14,737,055
Community services	1,859,347	1,642,155	-	-	1,859,347	1,642,155
Interest on long-term debt	53,116,978	41,384,063	-	-	53,116,978	41,384,063
Debt issuance costs and fees	1,799,951	1,164,249	-	-	1,799,951	1,164,249
Facilities acquisition and construction	1,137,374	254,264	-	-	1,137,374	254,264
Payments related to shared services arrangements	868,155	745,785	-	-	868,155	745,785
Payments to Juvenile Justice Alternative Education Programs	222,544	234,175	-	-	222,544	234,175
Other intergovernmental charges	2,443,327	2,415,090	-	-	2,443,327	2,415,090
Early Learning	-	-	550,461	19,988	550,461	19,988
Total Expenses	763,142,770	646,289,222	550,461	19,988	763,693,231	646,309,210
Increase (Decrease) in Net Position	(15,574,454)	50,166,614	206,723	(11,079)	(15,367,731)	50,155,535
Beginning Net Position	140,023,739	89,857,125	(11,079)	-	140,012,660	89,857,125
Ending Net Position	$ 124,449,285	$ 140,023,739	$ 195,644	$ (11,079)	$ 124,644,929	$ 140,012,660

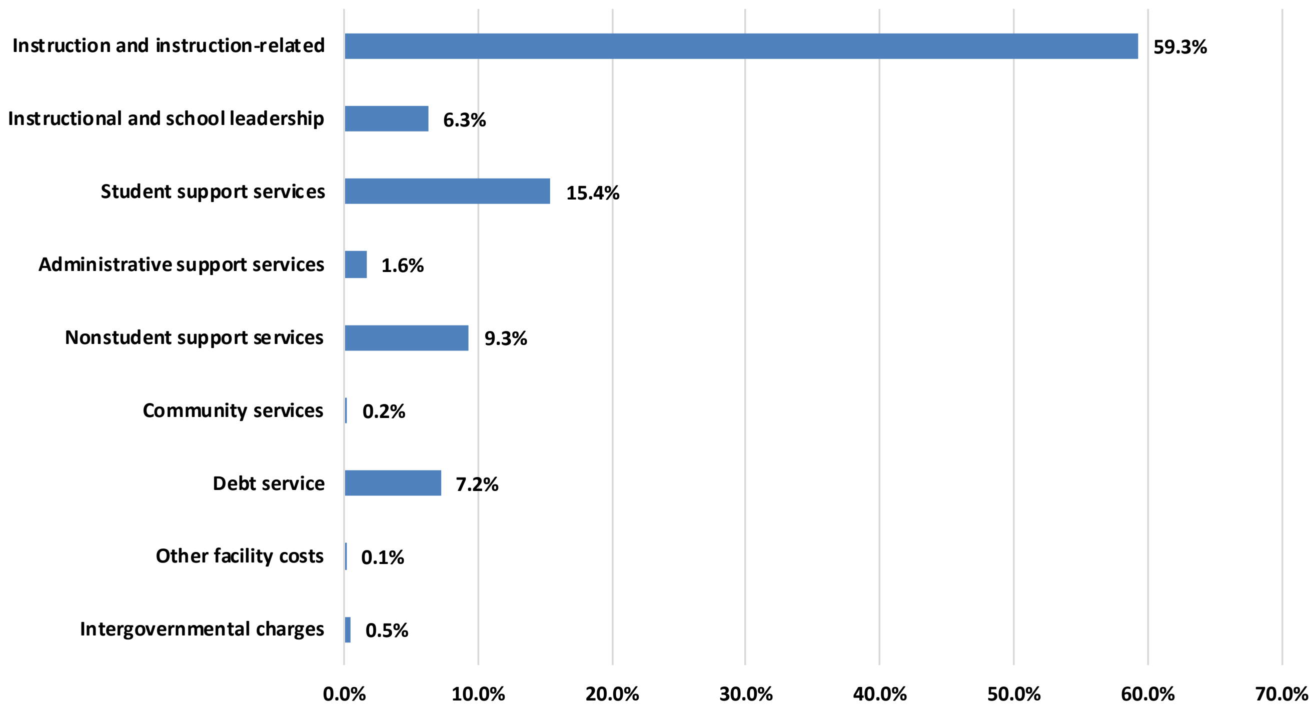
Governmental Activities. Revenues are generated primarily from two sources (see Figure 1). Property taxes ($271,389,029) represent 36.3% of total revenues and grants and contributions (program and general revenues totaling $419,492,783 represent 56.1% of total revenues. The remaining 7.6% is generated from charges for services, investment earnings, and miscellaneous revenues. The increase in grants and contributions is primarily due to the decrease in property tax revenues funding the State formula, which increased the portion received from the State.

Figure 1
Revenues by Source - Governmental Activities
For the Year Ended June 30, 2024



The primary functional expenses (see Figure 2) of the District are instruction and instructional-related ($452,431,066), which represent 59.3% of total expenses, student support services ($117,700,653), which represent 15.4% of total expenses, and non-student support services ($71,306,551), which represent 9.3% of total expenses. The remaining individual functional categories are each less than 7.2% of total expenses. The increase in total expenses for the current year was primarily due to additional compensation for staff and costs from inflation compared to the prior year.

Figure 2
Expenses by Major Functional Category - Governmental Activities
For the Year Ended June 30, 2024



Business-type Activities. For the District's business-type activities, the District ended with a net position of $195,644. The deficit net position from the prior year was eliminated as a result of operations of the District's Early Learning Center at Prairie Oak.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board of Trustees.

At June 30, 2024, the District's governmental funds reported combined fund balances of $644,314,209, an increase of $136,272,786 in comparison with the prior year. Of this amount, $156,177,232, or 24.2%, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is (1) not in spendable form, $4,865,486; (2) restricted for particular purposes, $387,777,274; (3) committed for particular purposes, $49,251,333; or (4) assigned for particular purposes, $46,242,884.

General Fund

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $156,321,244 while total fund balance reached $247,860,087. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28.8% of total general fund expenditures while total fund balance represents 45.6% of that same amount. The District's general fund balance increased by $8,785,090 during the current fiscal year primarily due to increased interest income revenues and state funding partially offset by decreased property tax revenues due to a lower maintenance and operations tax rate and an increase in the homestead exemption.

Debt Service Fund

The debt service fund has a total fund balance of $110,426,100, all of which is restricted for the payment of debt service. The District makes semi-annual debt service payments in February and August of each year. Debt service payments including bond fees for the fiscal year ended June 30, 2024 were $111,113,127. The net increase in fund balance of $6,679,000 was primarily due to increased interest income revenues along with budgeted tax collections to cover the larger August 2024 debt service payment.

Capital Projects Fund

The capital projects fund has a total fund balance of $259,120,856, which is restricted for authorized construction and technology projects. The net increase in fund balance during the current year of $118,541,656 was due to the issuance of Series 2023 schoolhouse bonds.

General Fund Budgetary Highlights

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

Estimated Revenues and Other Operating Sources	
$ 2,938,862	Increase budget for one time transfer from local capital projects funds
3,050,907	Increase TRS On Behalf
570,000	Increase state aid revenue for anticipated increase to safety allotment
58,000	Increase state revenue for estimated Teacher Incentive Allotment (TIA) designations
3,381,196	Increase state revenue budget related to a Property Value Study
(2,250,000)	Decrease SHARS revenue due to decrease in estimated reimbursement
1,146,330	Increase revenue for interest revenue, Pre-K tuition, athletic activities and other local revenues
343,602	Increase proceeds for GASB 96 SBITA assets
1,212,134	Increase insurance proceeds for April 2021 hailstorm and Hildebrandt roof replacement claim
126,552	Increase revenue for Summer STEM Enrichment Camp fees
65,758,004	Increase state revenue due to increase to the homestead exemption and adjustments to enrollment;
(75,040,183)	Decrease tax revenue due to increase in homestead exemption.
4,076,055	Increase revenue for interest revenue, athletic activities and other local revenues
78,387	Increase for sale of real property
3,051,185	Increase proceeds for GASB 96 SBITA assets
(1,200,000)	Decrease indirect cost revenue based on year end projections
841,438	Increase revenue for interest revenue, donations, athletic activities and other local revenues
999,114	Increase revenue for foundation state revenue for TIA
4,031	Increase Law Enforcement Officer Standards and Education (LEOSE) funds received
248,611	Increase indirect cost revenue based on year end projections
42,671	Increase budget for GASB 87 Leases
8,711	Increase budget based on year end projections
$ 9,445,607	

General Fund Budgetary Highlights (continued)

Appropriations and Other Financing Uses	
$ 5,639,920	Increase budget for 23-24 teacher raise from $1,300 (2% of mid-point) to $2,600 (4% of mid-point)
36,971	Increase budget for vehicle purchase for totaled vehicle
1,244,134	Increase budget for replacement instructional materials
463,436	Increase budget for prior year purchase orders not received until after year end (encumbrances)
3,050,907	Increase October 2023 budget amendment for TRS On Behalf
1,444,000	Increase payroll expenses for campus guard positions required due to HB3
145,856	Increase supply and training expenses for campus guard positions
136,895	Increase budget for audit fees related to a Property Value Study for tax year 2021
58,000	Increase Teacher Incentive Allotment (TIA) costs for designation fees
220,200	Increase contracted services for 2023-2024 Caissa's fall student recruitment campaign conducted
109,929	Increase January 2024 budget amendment for Klein Oak State Marching Contest
251,055	Increase budget for audit fees related to a Property Value Study for tax year 2019
343,602	Increase budget for GASB 96 SBITA assets
1,970,211	Increase budget for Hildebrandt roof replacement 2021 hailstorm
126,552	Increase summer school expenditures for cost of Summer STEM Enrichment Camp
3,051,185	Increase budget for GASB 96 SBITA assets
999,114	Increase payroll costs associated with teacher incentive allotment (TIA)
18,531	Increase budget for vehicle repairs
42,671	Increase budget for GASB 87 Leases
4,031	Increase budget for police employees for staff development
15,178	Increase budget based on year end projections
$ 19,372,378	

The review of the final amended budget versus actual for the general fund reflected that revenues were greater than budgetary estimates and expenditures were less than budgetary estimates. At year end, revenues and other financing sources were $972,495 greater than final budgeted amounts primarily due to increased state program revenues. Operating expenditures and other financing uses were $17,739,367 less than final budgeted amounts primarily due to other sources of funding for recurring energy costs.

Capital Assets and Long-Term Debt

Capital Assets. The District's investment in capital assets as of June 30, 2024 was $1,339,232,747 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, right-to-use leased equipment, and subscription assets. The total increase in the District's investment in capital assets was approximately 11.3%. Major capital asset events during the current fiscal year included the following:

- Klein Cain High School classroom additions and expanded parking
- Klein Oak High School new front vestibule, new classrooms, and gym and auditorium renovations
- Klein Collins High School gym and dance facilities
- Doerre Intermediate School gym and fine arts facilities
- Kleb Intermediate School gym and fine arts facilities
- Hildebrandt Intermediate complete renovation and modernization
- Northampton Elementary complete renovation and modernization
- Enhancements to safety and security
- Elementary Covered Drop-off & Pick-up Canopies
- Upgraded roofing and HVAC
- Baseball/Softball turf renovations

CAPITAL ASSETS
(net of depreciation/amortization)

	2024	2023
Governmental Activities:		
Land	$ 116,005,669	$ 116,612,260
Construction in progress	11,583,964	17,502,204
Buildings and improvements	1,157,890,566	1,028,298,438
Furniture and equipment	44,670,967	39,480,634
Subscription assets	6,118,089	1,143,933
Right-to-use lease assets	2,784,292	-
Library books and media	139,244	-
Total Governmental Activities	1,339,192,791	1,203,037,469
Business-type Activities:		
Furniture and equipment	39,956	42,086
Total Capital Assets	$ 1,339,232,747	$ 1,203,079,555

Construction Commitments. The District has active construction projects as of June 30, 2024. The projects include the construction, renovation, and equipment of school facilities. At year end, the District's remaining commitments with contractors totaled $3,893,799 for ongoing projects.

Additional information on the District's capital assets can be found in Note 3, C. of the notes to the basic financial statements.

Long-Term Liabilities. At June 30, 2024, the District reported long-term liabilities of $1,826,879,611. Of this amount, $1,381,135,000 (par value) is backed by the full faith and credit of the District.

LONG-TERM LIABILITIES

	2024	2023
Bonds payable	$ 1,505,263,543	$ 1,224,713,230
Compensated absences	1,982,370	1,501,769
Workers' compensation	1,194,574	892,888
Leases	2,451,453	-
Subscriptions	1,963,562	1,262,591
Net pension liability	221,292,560	186,742,449
Net OPEB liability	92,731,549	98,832,051
	$ 1,826,879,611	$ 1,513,944,978

The District's bonded debt, at par, increased by $261,250,000, or 23.3%, during the current fiscal year.

On May 7, 2022, the authorized voters of the District approved the issuance of $895,350,000 in general obligation bonds. During fiscal year 2023, the District had issued $152,690,000 in general obligation bonds from the May 7, 2022 authorization, consisting of $142,675,000 par value and $11,161,963 in associated premium ($10,015,000 toward the bond program and $1,146,963 toward issuance costs). During fiscal year 2024, the District had issued $340,000,000 in general obligation bonds from the May 7, 2022 authorization, consisting of $315,320,000 par value and $26,380,163 in associated premium ($24,680,000 toward the bond program and $1,700,163 toward issuance costs). The District had $402,660,000 authorized, but unissued, remaining from its May 7, 2022 authorization as of June 30, 2024.

The District maintained its "Aaa" rating from Moody's Investors Service and its "AAA" rating from Standard & Poor's for general obligation debt.

The District's net pension liability increased by $34,550,111 primarily as a result of changes in actuarial assumptions and a decrease in investment income compared to prior year.

The District's net OPEB liability decreased by $6,100,502 primarily as a result of the changes in actuarial assumptions.

Additional information can be found in Note 3, E. and Note 4, C. and D. of the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Tax Rates

- Average daily attendance (ADA) is estimated at 48,485.747, which is a 0.3% decrease from the prior year.
- District staff totals 7,519 employees, which primarily consists of 3,769 teachers and 1,409 teachers' aides and secretaries.
- The District maintains 49 campuses for instruction and four sites for alternative programs.
- The unemployment rate for the State is 4.1%, which continues to decrease since first being impacted by COVID-19 in March 2020.
- Property values within the District have been estimated to increase by 4.65% over the past year.
- The property tax rate will decrease by 1.97 cents to $1.0119 per $100 of assessed value for 2024-25, which is a 1.9% decrease in the tax rate.

All these factors were considered in preparing the District's budget for the 2024-25 school year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent of Schools, Klein Independent School District, 7200 Spring Cypress Road, Klein, Texas, 77379.

BASIC FINANCIAL STATEMENTS

Data Control Codes		Governmental Activities	Business-type Activities	Total
	Assets			
1110	Cash and cash equivalents	$ 606,382,356	$ 130,858	$ 606,513,214
1120	Current investments	42,556,262	-	42,556,262
1225	Property taxes receivables, net	17,610,757	-	17,610,757
1240	Due from other governments	79,198,016	-	79,198,016
1260	Internal balances	(25,405)	25,405	-
1290	Other receivables, net	2,190,865	645	2,191,510
1300	Inventories	2,289,079	-	2,289,079
1410	Prepaid items	3,139,447	-	3,139,447
	Capital assets, not subject to depreciation:			
1510	Land	116,005,669	-	116,005,669
1580	Construction in progress	11,583,964	-	11,583,964
	Capital assets, net of depreciation/amortization:			
1520	Buildings and improvements	1,157,890,566	-	1,157,890,566
1530	Furniture and equipment	44,670,967	39,956	44,710,923
1553	Subscription assets	6,118,089	-	6,118,089
1559	Right-to-use lease assets	2,784,292	-	2,784,292
1569	Library books and media	139,244	-	139,244
1910	Long-term investments	21,540,819	-	21,540,819
1000	**Total Assets**	2,114,074,987	196,864	2,114,271,851
	Deferred Outflows of Resources			
	Deferred charge on refunding	11,658,699	-	11,658,699
	Deferred outflows - pension	85,703,218	-	85,703,218
	Deferred outflows - OPEB	35,666,087	-	35,666,087
1700	**Total Deferred Outflows of Resources**	$ 133,028,004	$ -	$ 133,028,004

Data Control Codes		Governmental Activities	Business-type Activities	Total
	Liabilities			
2110	Accounts payable	$ 32,262,999	$ 824	$ 32,263,823
2140	Interest payable	23,990,543	-	23,990,543
2150	Payroll deductions and withholdings	6,874,964	-	6,874,964
2160	Accrued wages payable	65,402,527	396	65,402,923
2180	Due to other governments	8,291,041	-	8,291,041
2190	Due to student groups	16,270	-	16,270
2300	Unearned revenue	109,428	-	109,428
	Noncurrent Liabilities:			
	Due within one year:			
2501	Bonds, leases, SBITAs, compensated absences	55,547,982	-	55,547,982
2502	Due in more than one year:			
	Bonds, leases, SBITAs, compensated absences	1,457,307,520	-	1,457,307,520
2540	Net pension liability	221,292,560	-	221,292,560
2545	Net OPEB liability	92,731,549	-	92,731,549
2000	**Total Liabilities**	1,963,827,383	1,220	1,963,828,603
	Deferred Inflows of Resources			
	Deferred gain on refunding	4,374,391	-	4,374,391
	Deferred inflows - pension	14,373,208	-	14,373,208
	Deferred inflows - OPEB	140,078,724	-	140,078,724
2600	**Deferred Inflows of Resources**	158,826,323	-	158,826,323
	Net Position			
3200	Net investment in capital assets	95,919,397	39,956	95,959,353
	Restricted for:			
3820	Federal and state programs	18,230,318	-	18,230,318
3850	Debt service	91,799,837	-	91,799,837
3900	Unrestricted (deficit)	(81,500,267)	155,688	(81,344,579)
3000	**Total Net Position**	$ 124,449,285	$ 195,644	$ 124,644,929

KLEIN INDEPENDENT SCHOOL DISTRICT *Exhibit B-1*

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

			Program Revenue		Net (Expense) Revenue and Changes in Net Position — Primary Government		
Data Control Codes	**Functions/Programs**	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
	Governmental Activities:						
11	Instruction	$ 429,938,308	$ 860,688	$ 43,157,025	$ (385,920,595)	$ -	$ (385,920,595)
12	Instructional resources and media services	5,278,467	-	286,767	(4,991,700)	-	(4,991,700)
13	Curriculum and staff development	17,214,291	-	5,330,019	(11,884,272)	-	(11,884,272)
21	Instructional leadership	6,696,571	-	807,020	(5,889,551)	-	(5,889,551)
23	School leadership	41,123,862	-	3,648,605	(37,475,257)	-	(37,475,257)
31	Guidance, counseling, and evaluation services	40,988,825	543	7,619,589	(33,368,693)	-	(33,368,693)
32	Social work services	515,811	-	18,499	(497,312)	-	(497,312)
33	Health services	7,453,289	-	7,018,294	(434,995)	-	(434,995)
34	Student transportation	20,358,149	3,000	1,489,813	(18,865,336)	-	(18,865,336)
35	Food service	31,027,698	8,814,154	25,511,603	3,298,059	-	3,298,059
36	Extracurricular activities	17,356,881	9,202,052	713,055	(7,441,774)	-	(7,441,774)
41	General administration	12,436,391	-	364,290	(12,072,101)	-	(12,072,101)
51	Facilities maintenance and operations	43,298,622	997,245	3,221,385	(39,079,992)	-	(39,079,992)
52	Security and monitoring services	9,582,247	-	208,281	(9,373,966)	-	(9,373,966)
53	Data processing services	18,425,682	-	14,100,297	(4,325,385)	-	(4,325,385)
61	Community services	1,859,347	-	1,269,497	(589,850)	-	(589,850)
72	Interest on long-term debt	53,116,978	-	16,803,743	(36,313,235)	-	(36,313,235)
73	Debt issuance costs and fees	1,799,951	-	-	(1,799,951)		(1,799,951)
81	Facilities acquisition and construction	1,137,374	-	1,381,777	244,403	-	244,403
93	Payments related to shared services arrangements	868,155	-	-	(868,155)	-	(868,155)
95	Payments to Juvenile Justice Alternative Education Programs	222,544	-	-	(222,544)	-	(222,544)
99	Other intergovernmental charges	2,443,327	-	-	(2,443,327)	-	(2,443,327)
TG	**Total Governmental Activities**	$ 763,142,770	$ 19,877,682	$ 132,949,559	(610,315,529)	-	(610,315,529)
	Business-type activities:						
01	Early Learning	550,461	757,184	-	-	206,723	206,723
TB	**Total Business-type Activities**	550,461	757,184	-	-	206,723	206,723
TP	**Total Primary Government**	$ 763,693,231	$ 20,634,866	$ 132,949,559	(610,315,529)	206,723	(610,108,806)
	General Revenues:						
	Taxes:						
MT	Property taxes, levied for general purposes				177,401,134	-	177,401,134
DT	Property taxes, levied for debt service				93,987,895	-	93,987,895
GC	Grants and contributions not restricted to specific programs				286,543,224	-	286,543,224
IE	Investment earnings				31,286,177	-	31,286,177
MI	Miscellaneous				5,522,645	-	5,522,645
TR	**Total General Revenues**				594,741,075	-	594,741,075
CN	Change in net position				(15,574,454)	206,723	(15,367,731)
NB	**Net Position - Beginning**				140,023,739	(11,079)	140,012,660
NE	**Net Position - Ending**				$ 124,449,285	$ 195,644	$ 124,644,929

KLEIN INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

Data Control Codes		General Fund	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and cash equivalents	$ 186,949,810	$ 93,043,550	$ 293,596,319	$ 32,792,677	$ 606,382,356
1120	Investments	34,864,459	7,691,803	-	-	42,556,262
	Receivables:					
1220	Property taxes - delinquent	15,342,011	6,409,264	-	-	21,751,275
1230	Allowance for uncollectible taxes (credit)	(3,095,534)	(1,044,984)	-	-	(4,140,518)
1240	Due from other governments	64,352,174	4,913,790	-	9,932,052	79,198,016
1260	Due from other funds	11,122,245	8,668,795	-	517,625	20,308,665
1290	Other receivables	918,928	-	6,493	1,265,444	2,190,865
1300	Inventories, at cost	1,726,039	-	-	563,040	2,289,079
1410	Prepaid items	2,995,435	-	-	144,012	3,139,447
1900	Long-term investments	17,327,525	4,213,294	-	-	21,540,819
1000	**Total Assets**	$ 332,503,092	$ 123,895,512	$ 293,602,812	$ 45,214,850	$ 795,216,266
	Liabilities, Deferred Inflows of Resources, and Fund Balance					
	Liabilities					
2110	Accounts payable	$ 2,498,989	$ 814	$ 27,404,984	$ 2,358,215	$ 32,263,002
2150	Payroll deductions and withholdings	6,874,964	-	-	-	6,874,964
2160	Accrued wages payable	60,868,333	-	-	4,534,194	65,402,527
2170	Due to other funds	1,946,450	82	7,076,972	11,310,564	20,334,068
2180	Payable to other governments	186,805	8,104,236	-	-	8,291,041
2190	Due to student and employee groups	-	-	-	16,270	16,270
2300	Unearned revenue	20,987	-	-	88,441	109,428
2000	**Total Liabilities**	72,396,528	8,105,132	34,481,956	18,307,684	133,291,300
	Deferred Inflows of Resources					
	Unavailable revenues - property taxes	12,246,477	5,364,280	-	-	17,610,757
2600	**Deferred Inflows of Resources**	12,246,477	5,364,280	-	-	17,610,757
	Fund Balance					
	Non-Spendable:					
3410	Inventories	1,726,039	-	-	-	1,726,039
3430	Prepaid items	2,995,435	-	-	144,012	3,139,447
	Restricted:					
3450	Federal/State grant restrictions	-	-	-	18,230,318	18,230,318
3470	Capital acquisitions and contractual obligations	-	-	259,120,856	-	259,120,856
3480	Retirement of funded indebtedness	-	110,426,100	-	-	110,426,100
	Committed:					
3545	Other purposes	40,574,485	-	-	8,676,848	49,251,333
	Assigned:					
3580	Self-Insurance	3,000,000	-	-	-	3,000,000
3590	Other purposes	43,242,884	-	-	-	43,242,884
3600	Unassigned	156,321,244	-	-	(144,012)	156,177,232
3000	**Total Fund Balances**	247,860,087	110,426,100	259,120,856	26,907,166	644,314,209
4000	**Total Liabilities, Deferred Inflows of Resources, and Fund Balance**	$ 332,503,092	$ 123,895,512	$ 293,602,812	$ 45,214,850	$ 795,216,266

KLEIN INDEPENDENT SCHOOL DISTRICT

Exhibit C-1R

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

June 30, 2024

Data Control Codes		
	Total Fund Balance, Governmental Funds	$ 644,314,209
	Amounts reported 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 as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation/amortization, where applicable.	1,339,192,791
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	17,610,757
3	Deferred charge (gain) on refunding	7,284,309
4	Deferred inflows and outflows related to pension activities	71,330,010
5	Deferred inflows and outflows related to OPEB activities	(104,412,637)
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
6	General obligation bonds	(1,381,135,000)
7	Premiums on issuance	(124,128,543)
8	Compensated absences	(1,982,370)
9	Workers' compensation	(1,194,574)
10	Leases	(2,451,453)
11	Subscriptions	(1,963,562)
12	Accrued interest payable	(23,990,543)
13	Net pension liability	(221,292,560)
14	Net OPEB liability	(92,731,549)
19	**Total Net Position-Governmental Activities**	$ 124,449,285

KLEIN INDEPENDENT SCHOOL DISTRICT *Exhibit C-2*

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

For the Year Ended June 30, 2024

Data Control Codes		General Fund	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
	Revenues					
5700	Local, intermediate, and out-of-state	$ 194,815,397	$ 100,100,885	$ 10,333,735	$ 21,237,497	$ 326,487,514
5800	State program revenues	313,725,782	16,174,502	-	10,069,886	339,970,170
5900	Federal program revenues	10,877,590	-	13,588,800	66,803,445	91,269,835
5020	**Total Revenues**	519,418,769	116,275,387	23,922,535	98,110,828	757,727,519
	Expenditures					
	Current:					
0011	Instruction	336,486,112	-	49,390,366	33,267,056	419,143,534
0012	Instruction resources and media services	4,764,866	-	-	496,038	5,260,904
0013	Curriculum and instructional staff development	12,385,319	-	-	4,698,958	17,084,277
0021	Instructional leadership	6,066,033	-	110	563,525	6,629,668
0023	School leadership	34,932,285	-	-	4,576,306	39,508,591
0031	Guidance, counseling and evaluation services	33,095,374	-	-	6,641,428	39,736,802
0032	Social work services	503,111	-	-	4,939	508,050
0033	Health services	6,780,996	-	-	415,195	7,196,191
0034	Student transportation	17,838,798	-	3,505,285	1,075,966	22,420,049
0035	Food services	-	-	-	31,718,916	31,718,916
0036	Extracurricular activities	11,415,908	-	-	5,646,710	17,062,618
0041	General administration	12,319,556	-	23,111	83,641	12,426,308
0051	Facilities maintenance and operations	40,701,661	-	1,252,609	2,452,515	44,406,785
0052	Security and monitoring services	8,854,280	-	809,914	258,059	9,922,253
0053	Data processing services	10,118,672	-	14,233,555	733,299	25,085,526
0061	Community services	627,288	-	-	1,186,406	1,813,694
	Debt service:					
0071	Principal on long-term debt	1,427,458	53,615,000	3,805,590	772,782	59,620,830
0072	Interest on long-term debt	35,991	55,698,176	9,511	15,232	55,758,910
0073	Bond issuance costs and fees	-	1,799,951	-	-	1,799,951
	Capital outlay:					
0081	Facilities acquisition and construction	1,252,558	-	147,584,097	2,806,417	151,643,072
	Intergovernmental:					
0093	Payments related to shared services arrangements	868,155	-	-	-	868,155
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	222,544	-	-	-	222,544
0099	Other intergovernmental charges	2,443,327	-	-	-	2,443,327
6030	**Total Expenditures**	543,140,292	111,113,127	220,614,148	97,413,388	972,280,955
1100	Excess (deficiency) of revenues over expenditures	(23,721,523)	5,162,260	(196,691,613)	697,440	(214,553,436)
	Other Financing Sources (Uses)					
7901	Refunding bonds issued	-	11,215,000	-	-	11,215,000
7911	Capital-related debt issued	-	-	315,320,000	-	315,320,000
7912	Sale of real or personal property	138,474	-	-	11,979	150,453
7913	Leases/subscriptions issued	3,437,456	-	4,163,952	1,557,621	9,159,029
7915	Transfers in	28,930,683	-	-	-	28,930,683
7916	Premium on issuance of bonds	-	2,263,991	24,680,000	-	26,943,991
8911	Transfers out	-	-	(28,930,683)	-	(28,930,683)
8949	Payment to bond escrow agent	-	(11,962,251)	-	-	(11,962,251)
7080	**Total Other Financing Sources (Uses)**	32,506,613	1,516,740	315,233,269	1,569,600	350,826,222
1200	Net change in fund balances	8,785,090	6,679,000	118,541,656	2,267,040	136,272,786
0100	**Fund Balance - July 1 (Beginning)**	239,074,997	103,747,100	140,579,200	24,640,126	508,041,423
3000	**Fund Balance - June 30 (Ending)**	$ 247,860,087	$ 110,426,100	$ 259,120,856	$ 26,907,166	$ 644,314,209

KLEIN INDEPENDENT SCHOOL DISTRICT

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

For the Year Ended June 30, 2024

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds (from C-2)	$ 136,272,786
	Amounts reported for *governmental activities* in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.	
1	Capital outlay	173,225,932
2	Depreciation/amortization	(35,372,292)
3	Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain (loss) on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.	(1,698,318)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,611,382
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
5	Principal paid on bonds	53,615,000
6	Principal paid on leases	642,402
7	Principal paid on SBITAs	5,364,202
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.	
8	Remarketing of variable rate bond	(11,215,000)
9	Proceeds from issuance of capital-related bonds	(315,320,000)
10	Proceeds from issuance of lease agreements	(3,093,855)
11	Proceeds from subscription agreements	(6,065,173)
12	Premium issued on regular bonds	(24,680,000)
13	Premium issued on refunding bonds	(2,263,991)
15	Payments to refunding agent - advance refunding	11,962,251
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
16	Increase in interest payable not recognized in fund statements	(2,460,866)
17	Increase in long-term portion of accrued compensated absences	(480,601)
18	Increase in long-term portion of workers' compensation	(301,686)
19	Amortization of bond premium	6,025,040
20	Amortization of deferred charge (gain) on refunded bonds	(923,016)
21	Changes in net pension liabilities and related deferred outflows and inflows of resources	(20,168,691)
22	Changes in net OPEB liabilities and related deferred outflows and inflows of resources	19,750,040
	Change in Net Position of Governmental Activities (see B-1)	$ (15,574,454)

KLEIN INDEPENDENT SCHOOL DISTRICT *Exhibit D-1*

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2024

Data Control Codes		Business-type Activities Early Learning Enterprise Fund
	Assets	
	Current Assets:	
1110	Cash and cash equivalents	$ 130,858
1260	Due from other funds	28,081
1290	Other receivables	645
	Total Current Assets	159,584
	Noncurrent Assets:	
1539	Furniture and equipment	42,594
1573	Accumulated depreciation - furniture and equipment	(2,638)
	Total Non-current Assets	39,956
1000	**Total Assets**	199,540
	Liabilities	
	Current Liabilities:	
2110	Accounts payable	824
2160	Accrued wages payable	396
2170	Due to other funds	2,676
2000	**Total Liabilities**	3,896
	Net Position	
3200	Net investment in capital assets	39,956
3900	Unrestricted net position	155,688
3000	**Total Net Position**	$ 195,644

KLEIN INDEPENDENT SCHOOL DISTRICT *Exhibit D-2*

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2024

		Business-type Activities Early Learning Enterprise Fund
	Operating Revenues	
5735	Charges for Services	$ 757,184
5020	**Total Operating Revenues**	757,184
	Operating Expenses	
6100	Payroll costs	494,145
6200	Purchased and contracted services	2,489
6300	Supplies and materials	14,608
6400	Other operating expenses	37,089
6449	Depreciation	2,130
6030	**Total Operating Expenses**	550,461
1100	Operating Income (Loss)	206,723
1200	Change in Net Position	206,723
0100	**Net Position - July 1 (Beginning)**	(11,079)
3000	**Net Position - June 30 (Ending)**	$ 195,644

KLEIN INDEPENDENT SCHOOL DISTRICT *Exhibit D-3*

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2024

		Business-type Activities
		Early Learning Enterprise Fund
Cash Flows from Operating Activities:		
Cash received from customers	$	756,539
Cash payments to employees		(493,749)
Cash payments to suppliers for goods and services		(135,770)
Net Cash Provided by (Used for) Operating Activities		127,020
Net increase (decrease) in cash and cash equivalents		127,020
Cash and Cash Equivalents - Beginning		3,838
Cash and Cash Equivalents - Ending	$	130,858
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating income (loss)		206,723
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	$	2,130
Change in Assets and Liabilities:		
(Increase) decrease in interfund receivables		(28,081)
(Increase) decrease in other receivables		(645)
Increase (decrease) in accounts payable		749
Increase (decrease) in accrued wages payable		396
Increase (decrease) in interfund payables		(54,252)
Total Adjustments		(79,703)
Net Cash Provided by (Used for) Operating Activities	$	127,020

KLEIN INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2024

Data Control Codes		Custodial Fund
	Assets	
1110	Cash and cash equivalents	$ 2,371,220
1290	Other receivables	83,629
1000	**Total Assets**	2,454,849
	Liabilities	
2110	Accounts payable	306,975
2000	**Total Liabilities**	306,975
	Net Position	
	Restricted:	
3800	Student activities	2,147,874
3800	**Total Net Position**	$ 2,147,874

KLEIN INDEPENDENT SCHOOL DISTRICT *Exhibit E-2*

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2024

Data Control Codes		Custodial Fund
	Additions	
	Contributions:	
5739	Gifts and contributions	$ 1,457,738
5744	Revenues from student activities	201,636
5757	Revenues from enterprising activities	1,735,609
1000	**Total Additions**	3,394,983
	Deductions	
0061	Scholarships	5,283
0061	Student activities	2,778,898
2000	**Total Deductions**	2,784,181
CN	Change in net position	610,802
NB	**Net Position Beginning of Year**	1,537,072
NE	**Net Position End of Year**	$ 2,147,874

KLEIN ISD

PROMISE2PURPOSE

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Klein Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The District is governed by a seven-member Board of Trustees (Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Members of the Board are elected by the public, have authority to make decisions, appoint management and significantly influence operations, and have primary accountability for fiscal matters. The District is not included in any other governmental reporting entity. There are no component units—entities for which the District is considered to be financially accountable—included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Direct expenses are not eliminated from the various functional categories. Interfund services that are provided and used are not eliminated in the process of consolidation. Governmental activities normally are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Depreciation/amortization expense and workers' compensation claims have been allocated to all applicable functions in order to present the expenses of the District more accurately in the Statement of Activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current fiscal year. Property taxes are considered available if they are collected within 60 days of year end except in highly unusual, nonrecurring situations. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to claims and judgments are recorded only when payment is due.

Grants and similar revenues, revenues received from the State of Texas, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects.

Additionally, the District reports the following fund types:

- The *enterprise fund* is used to account for operations that are financed and operated in a manner similar to a private enterprise where the District's intent is to provide services financed primarily through user charges. The District accounts for employee child care and certain early learning programs in its enterprise fund.
- The *custodial fund* is used to account for resources held in a custodial capacity by the District on behalf of student groups and consists of funds that are the property of student groups. These funds cannot be used by the District in operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to students or users for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes and investment income.

Note 1 – Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies—Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balances

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and investment pools. Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized costs or fair value.

2. Receivables and Payables

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

Property tax receivables include unpaid property taxes at year end along with penalties and interest assessed on unpaid taxes and are shown net an allowance for uncollectible taxes. Net property tax receivables are stated at the amount estimated to be collectible based on the District's collection experience. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements.

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

3. Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service supplies. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. A portion of fund balance is restricted to reflect minimum inventory quantities considered necessary for the District's continuing operations.

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

Note 1 – Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies—Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balances

4. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment, infrastructure assets, right-to-use leased equipment, and subscription assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost which equals or exceeds $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings and improvements	15 - 60
Furniture and equipment	7 -25
Right-to-use lease assets	2 -10
Subscription assets	2 -10

Land and construction in progress are not depreciated.

5. Leases and Subscriptions

The District is a lessee for noncancelable leases of equipment and software subscriptions. The District recognizes a lease/subscription liability, reported with long-term debt, and a right-to-use lease/subscription asset (lease/subscription asset), reported with other capital assets, in the government-wide financial statements. The District recognizes lease/subscription liabilities with an initial, individual value of $5,000 or more.

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

Note 1 – Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies—Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balances

5. Leases and Subscriptions

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

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

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

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused state personal and sick leave days and local sick leave days. Upon retirement, an employee is entitled to reimbursement for accumulated, unused days if the employee (1) has a minimum of ten (10) years of consecutive service in the District immediately preceding retirement; and (2) begins receiving benefits under the Texas Teacher Retirement System (TRS) on an unreduced pension/annuity immediately upon separation from the District. An eligible employee will be reimbursed for an unlimited amount of unused personal and sick leave days. Compensation for unused days is based on half of the daily rate of substitute pay effective at the time of the employee's retirement. Employees hired prior to September 3, 1974 may opt, upon retirement, to be paid at their daily rate in effect at the time of their retirement for up to thirty (30) days of accumulated local sick days. All accumulated personal and sick leave for qualifying employees is reported in the government-wide financial statements. A liability is recorded in the governmental funds for only the amount of personal and sick leave that is due to those employees who had retired, but had not yet been paid as of June 30, 2024.

Exempt staff members under contract July 1 through June 30 earn non-duty days based on the difference between the number of work days as set by the annual school calendar/the staff member's annual contract and the actual days worked by the staff member. All exempt staff members may carry no more than 25 days of accrued vacation or non-duty days (carryover days) to the following year and all non-exempt staff members working more than 226 days may carry no more than 200 compensatory hours to the following year. Non-exempt staff members are paid for accumulated unused carryover days only upon termination of employment. In the government-wide financial statements, a liability is recorded for all accumulated carryover days as of June 30, 2024. A liability is recorded in the governmental funds for only those employees with carryover days that had retired, but had not yet been paid as of June 30, 2024.

Note 1 – Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies—Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balances

7. Long-Term Obligations

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

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

8. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

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

9. Net Position Flow Assumptions

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

10. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). It is the District's policy to use restricted resources first, then unrestricted resources as they are needed. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

Note 1 – Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies—Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balances

11. Fund Balance Policies

In the fund financial statements, governmental funds report 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 the amounts in the respective governmental funds can be spent. The District reports the following classifications of fund balance:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.
- Committed fund balance – amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board. These amounts can only be used for the purpose intended, which requires formal Board action to establish (as noted in Board minutes) unless the Board modifies or removes the specified use by taking the same formal Board action. The amounts reported in this category include campus activity fund balances in the special revenue fund.
- Assigned fund balance – amounts the District intends to use for a specified purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority pursuant to Board Policy CE (Local).
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District has adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned and assigned fund balance at fiscal year-end to be at least equal to three months of regular General Fund operating expenditures. The District may reduce unassigned and assigned fund balance below three months with prior Board approval.

12. Pension

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

13. Other Post-Employment Benefits (OPEB)

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

Note 1 – Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies—Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balances

14. Use Of Estimates

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

15. Data Control Codes

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

Note 2 – Stewardship, Compliance, and Accountability

A. Budgetary Information

The Board of Trustees adopts an appropriated budget for the general fund, debt service fund, and the *National School Breakfast and Lunch Program* special revenue fund on a basis consistent with generally accepted accounting principles. Budgetary information for the general fund appears in the required supplementary information subsection where the District compares the final amended budget to actual revenues and expenditures. Per regulatory requirements, the debt service fund and the *National School Breakfast and Lunch Program* special revenue fund are required to be reported with the original budget, final amended budget and actual revenues and expenditures. These schedules are included in the combining and individual fund financial statements and schedules subsection. All other governmental funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements.

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

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The District made several supplemental budgetary appropriations throughout the year, primarily in the general fund. These revisions are further detailed in the notes to the required supplementary information.

Note 2 – Stewardship, Compliance, and Accountability (continued)

B. Encumbrances

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

Encumbrances are reported in the financial statements as restricted, committed, or assigned for specific purposes in the governmental funds. As of June 30, 2024, the District had sufficient resources to liquidate encumbrances and such encumbrances are included in the governmental fund balances as follows:

	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund	$ -	$ -	$ 1,016,282
National School Breakfast and Lunch Program	1,992,641	-	-
Campus Activity Fund	-	139,134	-
Capital Projects Fund	122,342,596	-	-
	$ 124,335,237	$ 139,134	$ 1,016,282

Note 3 – Detailed Notes on All Funds

A. Deposits and Investments

1. Cash Deposits

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

2. Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of governmental entities as permitted by Government Code 2256.009, certificates of deposits, commercial paper investments limited to investment pools, no-load money market funds, fully collateralized repurchased agreements, or investment pools.

Note 3 – Detailed Notes on All Funds (continued)

A. Deposits and Investments

2. Investments

For the fiscal year ended June 30, 2024, the District invested in U.S. Treasuries, Federal Agency Securities, Municipal Securities, the TexPool Local Government Investment Pool, the Texas Association of School Boards (TASB) Lone Star Investment Pool, and the Texas CLASS Investment Pool. The District had investments in one custodial account at U.S. Bank whereby RBC Global Asset Management was hired as an Investment Advisor.

TexPool is duly chartered and overseen by the State Comptroller's Office and administered and managed by Federated Investors, Inc. The State Street Bank is the custodial bank. The portfolio consists of U.S. Government securities, collateralized repurchase and reverse repurchase agreements, no-load money market mutual funds regulated by the Securities and Exchange Commission (SEC) and rated AAA or equivalent by at least one nationally recognized statistical rating organization (NRSRO), and securities lending programs.

Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by American Beacon Advisors and Standish. The State Street Bank is the custodial bank. Lone Star Investment Pool is restricted to invest in obligations of the U.S. or its agencies and instrumentalities, other obligations guaranteed or insured by the U.S., fully collateralized repurchase agreements having a defined termination date, secured by obligations described previously, reverse repurchase agreements, and SEC-regulated no-load money market mutual funds that invest exclusively in the obligations described above.

Texas CLASS was organized pursuant to Section 2256.016 of the Public Fund Investment Act. Texas CLASS is administered by Public Trust Advisors, LLC and all funds are held by the custodial agent, Wells Fargo N.A. Texas CLASS may invest in obligations of the U.S. or its agencies and instrumentalities; collateralized reverse repurchase agreements; SEC-registered money market funds rated in the highest rating category by at least one NRSRO; and commercial paper rated A-1, P-1, or equivalent by two nationally recognized rating agencies. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Note 3 – Detailed Notes on All Funds (continued)

A. Deposits and Investments

2. Investments

The District, including fiduciary funds, has recurring fair value measurements as presented in the table below. The pools are reported as cash equivalents in the financial statements. The District's investment balances and weighted average maturity of such investments are as follows:

	June 30, 2024	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)	S&P Credit Rating
Investments measured at amortized cost:						
Lone Star Government Overnight	$ 50,325,493	$ -	$ -	7.7%	34	AAAm
TexPool	143,480,121	-	-	21.9%	36	AAAm
Investments measured at net asset value (NAV):						
Lone Star Corporate	291,322,402	-	-	44.5%	42	AAAf
Texas CLASS	106,075,661	-	-	16.2%	25	AAAm
Investments subject to fair value:						
Municipal securities	2,002,933	-	2,002,933	0.3%	429	AA+
Federal agency securities	34,757,086	-	34,757,086	5.3%	295	AA+
U.S. Treasury notes	27,308,594	27,308,594	-	4.2%	194	AA+
Total Investments	$ 655,272,290	$ 27,308,594	$ 36,760,019	100.0%		
Cash	17,709,225					
Total Cash and Investments	$ 672,981,515					
Investment portfolio weighted average maturity					58	

Investment pools are measured at amortized cost or net asset value. Such investments are not required to be reported by levels in the table above.

Municipal securities and *federal agency securities* classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

U.S. Treasuries classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The TexPool and Lone Star investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool.

Note 3 – Detailed Notes on All Funds (continued)

A. Deposits and Investments

2. Investments

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

The Texas CLASS investment pools are external investment pools measured at net asset value. Texas CLASS's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pools. Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 547 days (18 months), with the exception of bond proceeds that are matched to a specific cash flow, diversification and by holding securities to maturity. In addition, the District shall not directly invest in securities maturing more than twenty-four months from the date of purchase unless matched to a specific cash flow.

Custodial credit risk. The District's agent holds securities in the District's name; therefore, the District is not exposed to custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker/dealer) to a transaction, the District will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that the investments of the District shall be secured through third-party custody and safekeeping procedures as designated by the District.

Credit risk. State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. The District's ratings and credit risks are reported in the table on the previous page.

Concentration of credit risk. The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. Certain investments are reported by the District at fair value.

Note 3 – Detailed Notes on All Funds (continued)

B. Receivables

Receivables at June 30, 2024 for the District's individual major funds and nonmajor other governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	$ 15,342,011	$ 6,409,264	$ -	$ -	$ 21,751,275
Due from other governments:					
Federal	64,162,669	4,913,790	-	49,863	69,126,322
State	196,032	-	-	9,695,090	9,891,122
Local	(6,527)	-	-	187,099	180,572
Miscellaneous	918,928	-	6,493	1,265,444	2,190,865
Gross Receivables	80,613,113	11,323,054	6,493	11,197,496	103,140,156
Less allowance for doubtful accounts	(3,095,534)	(1,044,984)	-	-	(4,140,518)
Net Total Receivables	$ 77,517,579	$ 10,278,070	$ 6,493	$ 11,197,496	$ 98,999,638

39% of property taxes receivable are not scheduled to be collected in the subsequent year.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	Unearned
Facility rentals (General Fund)	$ 20,987
Grant funds received prior to meeting eligibility requirements (nonmajor funds)	88,441
Total Unearned Revenue for Governmental Funds	$ 109,428

Note 3 – Detailed Notes on All Funds (continued)

C. Capital Assets

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

	Balance July 01, 2023	Additions	(Retirements)	Transfers	Balance June 30, 2024
Governmental Activities					
Capital Assets, not being Depreciated					
Land	$ 116,612,260	$ 645,814	$ (1,252,405)	$ -	$ 116,005,669
Construction in progress	17,502,204	4,228,437	-	(10,146,677)	11,583,964
Total Capital Assets, not being Depreciated	134,114,464	4,874,251	(1,252,405)	(10,146,677)	127,589,633
Capital Assets, being Depreciated/ Amortized					
Buildings and improvements	1,404,023,058	147,059,079	(34,176)	10,146,677	1,561,194,638
Furniture and equipment	89,858,072	11,187,114	(6,335,202)	-	94,709,984
Subscription assets	1,619,488	6,872,389	(258,230)	-	8,233,647
Right-to-use lease assets	-	3,093,855	-	-	3,093,855
Library books and media	-	139,244	-		139,244
Total Capital Assets, being Depreciated/ Amortized	1,495,500,618	168,351,681	(6,627,608)	10,146,677	1,667,371,368
Less Accumulated Depreciation/ Amortization					
Buildings and improvements	(375,724,620)	(27,807,690)	228,238	-	(403,304,072)
Furniture and equipment	(50,377,438)	(5,356,806)	5,695,227	-	(50,039,017)
Subscription assets	(475,555)	(1,898,233)	258,230	-	(2,115,558)
Right-to-use lease assets	-	(309,563)	-	-	(309,563)
Total Accumulated Depreciation/ Amortization	(426,577,613)	(35,372,292)	6,181,695	-	(455,768,210)
Total Governmental Activities Capital Assets, Net	1,203,037,469	137,853,640	(1,698,318)	-	1,339,192,791
Business-type Activities					
Capital Assets, being Depreciated					
Furniture and equipment	42,594	-	-	-	42,594
Total Capital Assets, being Depreciated	42,594	-	-	-	42,594
Less accumulated depreciation					
Furniture and equipment	(508)	(2,130)	-	-	(2,638)
Total Accumulated Depreciation	(508)	(2,130)	-	-	(2,638)
Total Business-type Activities Capital Assets, Net	42,086	(2,130)	-	-	39,956
Total Capital Assets, Net	$ 1,203,079,555	$ 137,851,510	$ (1,698,318)	$ -	$ 1,339,232,747

Note 3 – Detailed Notes on All Funds (continued)

C. Capital Assets

The calculation of Net Investments in Capital Assets as presented at Exhibit A-1 is as follows:

Capital Assets, Net of Depreciation/Amortization	$ 1,339,192,791
Less:	
General obligation bonds	(1,381,135,000)
Premiums	(124,128,543)
Deferred gain on refunding	(4,374,391)
Leases	(2,451,453)
Subscriptions	(1,963,562)
Capital-related payables	(34,481,956)
Plus:	
Deferred charge on refunding	11,658,699
Unspent bond proceeds	293,602,812
Net Investment in Capital Assets Per Exhibit A-1	$ 95,919,397

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

Primary Government:	**Depreciation/ Amortization Expense**
Governmental activities:	
11 Instruction	$ 23,305,371
12 Instructional resources and media services	230,539
13 Curriculum and staff development	497,540
21 Instructional leadership	166,393
23 School leadership	2,290,411
31 Guidance, counseling and evaluation services	1,859,602
32 Social work services	7,947
33 Health services	396,447
34 Student transportation	1,626,105
35 Food Services	243,748
36 Extracurricular activities	551,988
41 General administration	262,410
51 Plant maintenance and operations	797,046
52 Security and monitoring services	553,318
53 Data processing services	2,490,862
61 Community services	92,565
Total governmental activities depreciation/amortization expense	35,372,292
Business-type activities:	
01 Early Learning	2,130
Total business-type activities depreciation/amortization expense	2,130
Total Primary Government Depreciation/Amortization Expense	$ 35,374,422

Note 3 – Detailed Notes on All Funds (continued)

C. Capital Assets

The District has active construction and renovation projects as of June 30, 2024. These projects include the construction and equipment of school facilities. At year end, the District's commitment with contractors are as follows:

Campus facilities renovations	$ 1,962,958
Campus canopies and gyms	376,437
Flex campus construction	356,174
Klein Forest Ag Shop Conversion	268,714
Mechanical, electrical, and plumbing renovations	214,444
Material testing	197,494
North Transportation improvements	110,155
Roofing projects	88,428
Klein Collins High School additions	82,878
HVAC	76,173
Klein Cain High School additions	45,316
Kitchen renovations	44,464
Athletics improvements	35,685
Tract platting	16,555
Asbestos testing	11,010
Klein Oak High School and Hildebrandt Intermediate waterline replacement	4,634
Skylight replacements	2,280
Total Construction Commitments	$ 3,893,799

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

Note 3 – Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

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

The composition of interfund balances as of June 30, 2024 is as follows:

	Interfund Receivable	Interfund Payable	Net
General Fund	$ 11,122,245	$ 1,946,450	$ 9,175,795
Debt Service Fund	8,668,795	82	8,668,713
Capital Projects	-	7,076,972	(7,076,972)
Nonmajor Governmental Funds	517,625	11,310,564	(10,792,939)
Enterprise Fund	28,081	2,678	25,403
Total	$ 20,336,746	$ 20,336,746	$ -

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The following is a summary of the District’s transfers for the year ended June 30, 2024:

Transfer Out	Transfer In	Amount
Capital Projects Fund	General Fund	$ 28,930,683
		$ 28,930,683

The $28,930,683 transfer relates to a 2021 transfer from the General Fund to Capital Project Fund for long-range planning projects. These projects later became part of the May 2022 bond authorization and will be funded from bonds in the Capital Projects Fund.

E. Long-Term Liabilities

The District’s long-term liabilities consist of bond indebtedness, workers’ compensation, compensated absences, right-to-use lease liabilities, subscription liabilities, and net pension and net OPEB liabilities. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

Note 3 – Detailed Notes on All Funds (continued)

E. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
Bonds Payable:					
General obligation bonds	$ 1,119,885,000	$ 326,535,000	$ (65,285,000)	$ 1,381,135,000	$ 52,950,000
Premiums	104,828,230	26,943,992	(7,643,679)	124,128,543	-
	1,224,713,230	353,478,992	(72,928,679)	1,505,263,543	52,950,000
Other Liabilities:					
Compensated absences	1,501,769	480,601	-	1,982,370	278,212
Workers' compensation	892,888	1,579,044	(1,277,358)	1,194,574	1,194,574
Leases	-	3,093,855	(642,402)	2,451,453	593,397
Subscriptions	1,262,591	6,065,173	(5,364,202)	1,963,562	531,799
Net pension liability	186,742,449	34,550,111	-	221,292,560	-
Net OPEB liability	98,832,051	-	(6,100,502)	92,731,549	-
	$ 1,513,944,978	$ 399,247,776	$ (86,313,143)	$ 1,826,879,611	$ 55,547,982

2. General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities, buses, and refunding general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds, term bonds, and serial bonds with various amounts of principal maturing each year.

The following is a summary of changes in general obligation bonds for the year ended June 30, 2024:

Series	Interest Rate (%)	Original Issue	Maturity Date	Bonds Outstanding
2013A	1.50% to 5.00%	$ 79,305,000	2/1/2043	$ 43,800,000
2014	3.00% to 4.00%	44,000,000	2/1/2044	32,585,000
2015	2.70% to 4.00%	80,000,000	2/1/2045	65,495,000
2015A	3.00% to 5.00%	224,600,000	8/1/2045	163,595,000
2016A	2.00% to 5.00%	137,500,000	8/1/2038	127,465,000
2016B	3.00% to 5.00%	15,370,000	8/1/2031	13,245,000
2017	2.50% to 5.00%	145,890,000	8/1/2046	132,165,000
2018	3.00% to 5.00%	88,985,000	2/1/2048	76,275,000
2018A	4.00% to 6.00%	12,310,000	8/1/2038	11,340,000
2019	3.25% to 5.00%	77,965,000	2/1/2049	61,855,000
2020	3.00% to 5.00%	139,510,000	8/1/2049	109,530,000
2020 Ref.	3.00% to 5.00%	61,290,000	2/1/2041	55,550,000
2021	2.00% to 5.00%	41,145,000	2/1/2042	34,810,000
2022	4.00% to 5.00%	142,675,000	8/1/2047	126,890,000
2023	4.00% to 5.00%	315,320,000	8/1/2048	315,320,000
2023B	4.00% to 5.00%	11,215,000	8/1/2027	11,215,000
				$ 1,381,135,000

On May 7, 2022, the authorized voters of the District approved the issuance of $895,350,000 in general obligation bonds. As of June 30, 2024, the District had issued $492,690,000 of general obligation bonds from the May 7, 2022 authorization. The District had $402,660,000 authorized, but unissued, remaining from its May 7, 2022 authorization as of June 30, 2024.

Note 3 – Detailed Notes on All Funds (continued)

E. Long-Term Liabilities

2. General Obligation Bonds

During the current year, the District issued $340,000,000 in Series 2023 schoolhouse bonds consisting of $315,320,000 par value and $26,30,163 associated premium ($24,680,000 related to the bond program and $1,700,163 for issuance costs) for the construction, renovation, and purchase of equipment related to school facilities.

During the current year, the District issued $11,681,751 in Series 2023B refunding bonds consisting of $11,215,000 par value and $563,829 associated premium ($466,751 related to the refunding and $97,078 for issuance costs) to refund a portion of the District's outstanding debt in order to lower the overall debt service requirements of the District. The refunding resulted in a net present value savings of $486,479 and a reduction of $529,668 in future debt service payments.

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

Year Ending June 30,	Principal	Interest	Totals
2025	$ 52,950,000	$ 57,198,899	$ 110,148,899
2026	56,385,000	54,549,355	110,934,355
2027	52,635,000	52,017,668	104,652,668
2028	52,500,000	49,634,334	102,134,334
2029	53,725,000	47,293,214	101,018,214
2030 - 2034	294,015,000	198,368,744	492,383,744
2035 - 2039	317,410,000	136,087,289	453,497,289
2040 - 2044	286,960,000	72,572,589	359,532,589
2045 - 2049	212,835,000	18,828,063	231,663,063
2050 - 2054	1,720,000	25,800	1,745,800
	$ 1,381,135,000	$ 686,575,955	$ 2,067,710,955

Arbitrage rebate rules, under the Internal Revenue Code Section 148 and related Treasury Regulations, require generally that a tax-exempt bond issuer forward to the federal government any profits made from investing bond proceeds at a yield above the bond yield, when investing in a taxable market. Payments based on cumulative profits earned by bonds are due, in general, every five years. At June 30, 2024, a yield restriction/arbitrage rebate of $8.0 million was accrued.

3. Leases

Copiers and multifunction devices. On January 1, 2024, the District entered a 60-month lease as lessee for the use of Canon copiers and multifunction devices. An initial lease liability was recorded in the amount of $3,051,185. As of June 30, 2024, the value of the lease liability is $2,413,104, and the value of the short-term lease liability is $583,014. The District is required to make annual fixed payments of $638,081. The lease has an interest rate of 2.2820%. The estimated useful life was 60 months as of the contract commencement. The value of the right to use asset and accumulated amortization as of June 30, 2024, is $2,744,426 and $306,759, respectively.

Postage. On February 1, 2024, the District entered a 47-month lease as lessee for the use of postage equipment. An initial lease liability was recorded in the amount of $42,671. As of June 30, 2024, the value of the lease liability is $38,349, and the value of the short-term lease liability is $10,383. The District is required to make monthly fixed payments of $930. The lease has an interest rate of 2.3270%. The estimated useful life was 47 months as of the contract commencement. The value of the right to use asset and accumulated amortization as of June 30, 2024, is $38,197 and $4,474, respectively.

Note 3 – Detailed Notes on All Funds (continued)

E. Long-Term Liabilities

3. Leases

Future principal and interest lease payments as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2025	$ 593,397	$ 55,849	$ 649,246
2026	606,945	42,301	649,246
2027	620,803	28,443	649,246
2028	630,308	14,286	644,594
	$ 2,451,453	$ 140,879	$ 2,592,332

4. Subscriptions

During the prior year, the District began accounting for certain technology arrangements under the new GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* The details of these reported agreements are stated below.

iCEV online curriculum and certification testing. On July 1, 2020, the District entered a 60-month subscription agreement. An initial subscription liability was recorded in the amount of $73,506 at an interest rate of 2.2%. For the year ended June 30, 2024, the District recorded principal reduction of $23,976 and an ending subscription balance of $24,498. At June 30, 2024, the associated $73,506 subscription asset had accumulated amortization of $49,004 and net value of $24,502.

IXL K-12 learning platform. On July 1, 2021, the District entered a 36-month subscription agreement. An initial subscription liability was recorded in the amount of $258,230 at an interest rate of 2.0%. For the year ended June 30, 2024, the District recorded principal reduction of $258,230 and an ending subscription balance of $0. At June 30, 2024, the associated $258,230 subscription asset had accumulated amortization of $258,230 and net value of $0.

SHI Microsoft Office 365. On October 1, 2022, the District entered a 36-month subscription agreement. An initial subscription liability was recorded in the amount of $1,287,751 at an interest rate of 3.1%. For the year ended June 30, 2024, the District recorded principal reduction of $417,119 and an ending subscription balance of $538,767. At June 30, 2024, the associated $1,287,751 subscription asset had accumulated amortization of $751,188 and net value of $536,563.

Lease and subscription tracking. On July 1, 2023, the District entered a 36-month subscription agreement. An initial subscription liability was recorded in the amount of $23,342 at an interest rate of 2.848%. For the year ended June 30, 2024, the District recorded principal reduction of $8,000 and an ending subscription balance of $15,342. At June 30, 2024, the associated $23,342 subscription asset had accumulated amortization of $7,781 and net value of $15,561.

Google Workspace for Education Plus. On September 1, 2023, the District entered a 36-month subscription agreement. An initial subscription liability was recorded in the amount of $542,657 at an interest rate of 2.848%. For the year ended June 30, 2024, the District recorded principal reduction of $184,295 and an ending subscription balance of $358,361. At June 30, 2024, the associated $542,657 subscription asset had accumulated amortization of $150,738 and net value of $391,919.

Springboard Math. On July 1, 2023, the District entered a 36-month subscription agreement. An initial subscription liability was recorded in the amount of $208,754 at an interest rate of 2.848%. For the year ended June 30, 2024, the District recorded principal reduction of $69,995 and an ending subscription balance of $138,760. At June 30, 2024, the associated $208,754 subscription asset had accumulated amortization of $69,585 and net value of $139,169.

Note 3 – Detailed Notes on All Funds (continued)

E. Long-Term Liabilities

4. Subscriptions

Texas Math Course eSudent Edition Online. On July 1, 2023, the District entered a 36-month subscription agreement. An initial subscription liability was recorded in the amount of $451,007 at an interest rate of 2.848%. For the year ended June 30, 2024, the District recorded principal reduction of $151,379 and an ending subscription balance of $299,628. At June 30, 2024, the associated $451,007 subscription asset had accumulated amortization of $150,336 and net value of $300,671.

Food Nutrition & Wellness. On August 14, 2023, the District entered a 24-month subscription agreement. An initial subscription liability was recorded in the amount of $68,218 at an interest rate of 2.978%. For the year ended June 30, 2024, the District recorded principal reduction of $23,349 and an ending subscription balance of $44,869. At June 30, 2024, the associated $68,218 subscription asset had accumulated amortization of $30,127 and net value of $38,091.

AP Psychology Course. On July 1, 2023, the District entered a 36-month subscription agreement. An initial subscription liability was recorded in the amount of $451,007 at an interest rate of 2.848%. For the year ended June 30, 2024, the District recorded principal reduction of $151,379 and an ending subscription balance of $299,628. At June 30, 2024, the associated $451,007 subscription asset had accumulated amortization of $150,336 and net value of $300,671.

SaplingPlus for The Practice of Statistics. On July 1, 2023, the District entered a 36-month subscription agreement. An initial subscription liability was recorded in the amount of $41,898 at an interest rate of 2.848%. For the year ended June 30, 2024, the District recorded principal reduction of $14,110 and an ending subscription balance of $27,789. At June 30, 2024, the associated $41,898 subscription asset had accumulated amortization of $13,966 and net value of $27,932.

SpringBoard ELA. On July 1, 2023, the District entered a 48-month subscription agreement. An initial subscription liability was recorded in the amount of $276,209 at an interest rate of 2.719%. For the year ended June 30, 2024, the District recorded principal reduction of $66,430 and an ending subscription balance of $209,780. At June 30, 2024, the associated $276,209 subscription asset had accumulated amortization of $69,052 and net value of $207,157.

Maintenance Essentials. On September 1, 2023, the District entered a 24-month subscription agreement. An initial subscription liability was recorded in the amount of $96,960 at an interest rate of 2.978%. For the year ended June 30, 2024, the District recorded principal reduction of $48,361 and an ending subscription balance of $48,598. At June 30, 2024, the associated $96,960 subscription asset had accumulated amortization of $40,400 and net value of $56,560.

Student engagement platform. On July 1, 2023, the District entered a 36-month subscription agreement. An initial subscription liability was recorded in the amount of $223,299 at an interest rate of 2.848%. For the year ended June 30, 2024, the District recorded principal reduction of $71,978 and an ending subscription balance of $151,321. At June 30, 2024, the associated $223,299 subscription asset had accumulated amortization of $74,433 and net value of $148,866.

Future principal and interest subscription payments as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2025	$ 531,799	$ 27,282	$ 559,081
2026	1,048,375	44,099	1,092,474
2027	383,388	12,611	395,999
	$ 1,963,562	$ 83,992	$ 2,047,554

Note 3 – Detailed Notes on All Funds (continued)

F. Fund Balances

At June 30, 2024, other committed fund balance includes the following commitment of funds:

	Committed Fund Balance
General Fund	
Future budget deficits	$ 40,574,485
Nonmajor Governmental Funds	
Earned but unspent funds in special local programs including campus activity	8,676,848
Total	$ 49,251,333

At June 30, 2024, other assigned fund balance includes the following assignments of funds:

	Assigned Fund Balance
General Fund	
Property insurance deductible	$ 23,750,000
Compensated absences	2,165,359
Other long-term investments	17,327,525
Total	$ 43,242,884

Note 4 – Other Information

A. Risk Management

1. Property/Liability

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

In addition, the District is a member of the Texas Association of School Boards Joint Account Self-Insurance Fund (the Fund). The Fund was created to formulate, develop, and administer a program of modified self-funding for the property and/or liability coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the Fund for its automobile and school liability coverage. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts.

2. Workers' Compensation

The District established a limited risk management program for workers' compensation in 1988 by participating as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504 of the Texas Labor Code. As a self-funded member of the Fund, the District is solely responsible for all claims costs, both reported and unreported. The Fund provides administrative service to its self-funded members including claims administration and customer service.

The general fund services all claims for risk of loss to which the District is exposed. Premiums are paid into the general fund by the applicable special revenue funds on behalf of those employees paid from those funds. These interfund premiums are used to reduce the amount of claims expenditures reported in the general fund.

Note 4 – Other Information (continued)

A. Risk Management

2. Workers' Compensation

Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example, from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of $400,000 up to the statutory limits for any given claim. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past three fiscal periods.

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

	2024	2023
Unpaid Claims, Beginning of Fiscal Period	$ 892,888	$ 1,097,407
Incurred claims (including IBNR), including provision adjustments	1,579,044	491,886
Claim payments	(1,277,358)	(696,405)
Unpaid Claims, End of Fiscal Period	$ 1,194,574	$ 892,888

B. Contingent Liabilities

The District is a defendant in various legal claims arising principally in the normal course of operations. In the opinion of the District's management, the potential losses, after insurance coverage, on all allegations and legal claims will not have a material effect on the District's financial position, results of operations, or liquidity.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2024, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

Note 4 – Other Information (continued)

C. Defined Benefit Pension Plan

1. Plan Description

The District participates in a multiple-employer, cost-sharing, defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (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.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) 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 this manner are determined by the System's actuary.

Note 4 – Other Information (continued)

C. Defined Benefit Pension Plan

4. Contributions

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

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

	Contribution Rates Plan Year Ended August 31,	
	2024	**2023**
Member	8.25%	8.00%
Non-employer contributing agency	8.25%	8.00%
Employers	8.25%	8.00%

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).

Contributions for all contributors were as follows:

	Current Fiscal Year Contributions
Employer (District)	$ 18,169,978
Employee (Member)	35,896,608
Non-employer Contributing Entity On-behalf Contributions (State)	24,284,882

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

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

Note 4 – Other Information (continued)

D. Defined Benefit Pension Plan

4. Contributions

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

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

5. Actuarial Assumptions

The following table discloses the assumptions that were applied to this measurement period.

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

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

Discount Rate

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

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

Note 4 – Other Information (continued)

C. Defined Benefit Pension Plan

5. Actuarial Assumptions

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2023 are summarized below:

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

[1] Absolute Return includes Credit Sensitive Investments.
[2] Target allocations are based on the fiscal year 2023 policy model.
[3] Capital Market Assumptions come from Aon Hewitt as of August 31, 2023.
[4] The volatility drag results from the conversion between arithmetic and geometric mean returns.

Note 4 – Other Information (continued)

D. Defined Benefit Pension Plan

6. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	$ 330,886,121	$ 221,292,560	$ 130,216,280

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

On June 30, 2024, the District reported a liability of $221,292,560 for its proportionate share of the TRS 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	$ 221,292,560
State's proportionate share that is associated with the District	291,780,562
Total	$ 513,073,122

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

On August 31, 2023, the employer's proportion of the collective net pension liability was 0.3222% which was an increase of 0.0076% from its proportion measured as of August 31, 2022.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's Net Pension Liability.

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

Note 4 – Other Information (continued)

D. Defined Benefit Pension Plan

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

For the year ended June 30, 2024, the District recognized pension expense of $38,362,693. The District also recognized on-behalf pension expense and revenue of $44,056,340 for support provided by the State. On June 30, 2024 the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,884,729	$ (2,679,611)
Changes of assumption	20,929,942	(5,122,034)
Net difference between projected and actual earnings on pension plan investments	32,203,439	-
Changes in proportion and differences between District contributions and proportionate share of contributions	9,269,000	(6,571,563)
District contributions subsequent to the measurement date	15,416,108	-
Total	$ 85,703,218	$ (14,373,208)

Deferred outflows of resources reported $15,416,108 related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Pension Expense
2025	$ 11,054,001
2026	6,118,012
2027	28,205,315
2028	9,307,409
2029	1,229,165
	$ 55,913,902

E. Defined Other Post-Employment Benefit Plan

1. Plan Description

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

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

Note 4 – Other Information (continued)

E. Defined Other Post-Employment Benefit Plan

2. OPEB Plan Fiduciary Net Position

Detail 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 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.

3. Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates

	Medicare	Non-Medicare
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

4. Contributions

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

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

Note 4 – Other Information (continued)

E. Defined Other Post-Employment Benefit Plan

4. Contributions

The following table shows contributions to the TRS-Care plan by type of contributor:

	Contribution Rates Plan Year Ended August 31,	
	2024	**2023**
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

Contributions for all contributors were as follows:

	Current Fiscal Year Contributions
Employer (District)	$ 3,797,707
Employee (Member)	2,841,974
Non-employer Contributing Entity On-behalf Contributions (State)	7,621,281

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of $535 per retiree.

The State of Texas also contributed $2,499,307, $2,239,745, and $1,233,622 in 2024, 2023, and 2022, respectively, for on-behalf payments for Medicare Part D.

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

Note 4 – Other Information (continued)

E. Defined Other Post-Employment Benefit Plan

5. Actuarial Assumptions

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

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan except that the OPEB valuation is more complex.

Demographic Assumptions

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021.

Mortality Assumptions

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

Note 4 – Other Information (continued)

E. Defined Other Post-Employment Benefit Plan

5. Actuarial Assumptions

Discount Rate

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

The source for the rate is the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index", as of August 31, 2023.

6. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% point lower than and 1% point higher than the discount rate that was used (4.13%) in measuring the net OPEB liability:

	Discount Rate		
	1% Decrease (3.13%)	**Current Rate (4.13%)**	**1% Increase (5.13%)**
District's proportional share of the net OPEB liability	$ 109,218,455	$ 92,731,549	$ 79,277,843

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

On June 30, 2024, the District reported a liability of $92,731,549 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	$ 92,731,549
State's proportionate share that is associated with the District	111,894,867
Total	$ 204,626,416

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.

On August 31, 2023 the District’s proportion of the collective net OPEB liability was 0.4189%, compared to 0.4128% as of August 31, 2022.

Note 4 – Other Information (continued)

E. Defined Other Post-Employment Benefit Plan

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

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

	Healthcare Cost Trend Rate		
	1% Decrease	**Current Rate**	**1% Increase**
District's proportional share of the net OPEB liability	$ 76,359,790	$ 92,731,549	$ 113,793,873

For the fiscal year ended June 30, 2024, the District recognized negative OPEB expense of $15,952,299. The District also recognized negative on-behalf expense and revenue of $23,920,761 for support provided by the State.

At June 30, 2024, the District reported 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 experience	$ 4,195,400	$ (78,016,033)
Changes of assumption	12,657,180	(56,781,987)
Net difference between projected and actual earnings on OPEB plan investments	40,066	-
Changes in proportion and differences between District contributions and proportionate share of contributions	15,588,472	(5,280,704)
District contributions subsequent to the measurement date	3,184,969	-
Total	$ 35,666,087	$ (140,078,724)

Deferred outflows of resources reported $3,184,969 related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025.

Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	**OPEB Expense Amount**
2025	$ (23,670,716)
2026	(19,417,537)
2027	(13,659,488)
2028	(17,343,790)
2029	(14,362,925)
Thereafter	(19,143,150)
	$ (107,597,606)

Note 4 – Other Information (continued)

E. Defined Other Post-Employment Benefit Plan

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

Changes To Actuarial Assumptions 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.

Changes of Benefit Terms Since the Prior Measurement Date

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

F. Shared Services Arrangement

The District participates in a shared services arrangement for a Regional Day School for the Deaf administered by Region 4 Education Service Center (Region 4 RDSPD). The District accounts for revenues and expenditures related to this program in a nonmajor special revenue fund. The revenues and expenditures for the year ended June 30, 2024 are reported in Exhibit H-2.

G. New Accounting Standards

GASB Statement No. 100 *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62* was issued in June 2022. This Statement aims to improve the accounting and financial reporting standards for accounting changes and error corrections, ensuring the information is more understandable, reliable, relevant, consistent, and comparable for decision-making and accountability assessment. This Statement takes effect for fiscal years that started after June 15, 2023. The District will implement this guidance for transactions that qualify as accounting changes or error corrections, where applicable.

APPENDIX E-1

FORM OF CO-BOND COUNSEL OPINION – SERIES 2025

BRACEWELL LLP	THE BATES LAW FIRM PLLC	SPALDING NICHOLS LAMP LANGLOIS LLP
711 LOUISIANA STREET	2450 LOUISIANA STREET	3700 BUFFALO SPEEDWAY
SUITE 2300	SUITE 353	SUITE 500
HOUSTON, TEXAS 77002	HOUSTON, TEXAS 77006	HOUSTON, TEXAS 77098

[CLOSING DATE]

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

> KLEIN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOLHOUSE AND REFUNDING BONDS, SERIES 2025, dated July 1, 2025, in the aggregate principal amount of $[_____] (the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Trustees of the District authorizing their issuance (the "Bond Order") and the pricing certificate relating to the Bonds executed pursuant thereto (together with the Bond Order, the "Order").

We have acted as co-bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds and of the District's Unlimited Tax Refunding Bonds, Series 2025A (Non-PSF) has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Order.

In our capacity as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the District; an escrow agreement (the "Escrow Agreement") between the District and BOKF, NA, as escrow agent (the "Escrow Agent"); a report (the "Report") of Public Finance Partners LLC, verifying the sufficiency of the deposit of funds with the Escrow Agent; customary certificates of officers, agents and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding of the Refunded Bonds. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions contained herein. Moreover, we have examined executed Bond No. I-1 of this issue.

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

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

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

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

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

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

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

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

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

APPENDIX E-2

FORM OF CO-BOND COUNSEL OPINION – SERIES 2025A

BRACEWELL LLP	THE BATES LAW FIRM PLLC	SPALDING NICHOLS LAMP LANGLOIS LLP
711 LOUISIANA STREET	2450 LOUISIANA STREET	3700 BUFFALO SPEEDWAY
SUITE 2300	SUITE 353	SUITE 500
HOUSTON, TEXAS 77002	HOUSTON, TEXAS 77006	HOUSTON, TEXAS 77098

[CLOSING DATE]

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

> KLEIN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2025A (NON-PSF), dated July 1, 2025, in the aggregate principal amount of $[_____] (the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Trustees of the District authorizing their issuance (the "Bond Order") and the pricing certificate relating to the Bonds executed pursuant thereto (together with the Bond Order, the "Order").

We have acted as co-bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds and of the District's Unlimited Tax Schoolhouse and Refunding Bonds, Series 2025 has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Order.

In our capacity as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the District; an escrow agreement (the "Escrow Agreement") between the District and BOKF, NA, as escrow agent (the "Escrow Agent"); a report (the "Report") of Public Finance Partners LLC, verifying the sufficiency of the deposit of funds with the Escrow Agent; customary certificates of officers, agents and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding of the Refunded Bonds. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions contained herein. Moreover, we have examined executed Bond No. I-1 of this issue.

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

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

> (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the District;
>
> (2) A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property in the District and pledged irrevocably to the payment of the principal of and interest on the Bonds;
>
> (3) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Order, the Escrow Agreement, and the Report, and therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement; and
>
> (4) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

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

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

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