OFFICIAL STATEMENT
Dated February 20, 2025

NEW ISSUE – BOOK-ENTRY-ONLY

Enhanced/Unenhanced Ratings:
S&P: "AAA" / "A"
PSF: "Guaranteed"
(See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein)

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications, and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$3,675,000
PAINT CREEK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Haskell and Jones Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

Dated Date: March 1, 2025
Interest to Accrue from Date of Delivery (defined below)

Due: February 15, as shown on page ii herein

AUTHORITY FOR ISSUANCE AND SECURITY … The Paint Creek Independent School District (the "District") is issuing its Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Chapter 45, Texas Education Code, as amended, an election held in the District on November 5, 2024 (the "Election") that authorized the issuance of unlimited tax bonds and a bond order adopted by the Board of Trustees (the "Board") of the District on February 20, 2025 (the "Bond Order"). The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from an annual ad valorem tax levied, without legal limit as to the rate or amount, against all taxable property within the District (see "THE BONDS - Authority for Issuance"). **The District has applied for and received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds.** See "THE BONDS – Permanent School Fund Guarantee" and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

PAYMENT TERMS … Interest on the Bonds will accrue from the Date of Delivery (defined below) and will be payable on August 15, 2025, and each February 15 and August 15 thereafter, until stated maturity or prior redemption and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered obligations in the principal denominations of $5,000 or any integral multiple thereof within a stated maturity. The definitive Bonds will be registered and delivered to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. DTC will act as securities depository. No physical delivery of the bonds will be made to the beneficial owners thereof. The principal and interest of the Bonds will be payable by the registrar to Cede & Co., which will make distributing of the amounts paid to participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial paying agent/registrar is BOKF, NA, Dallas, Texas. See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.

PURPOSE … Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, rehabilitation, renovation, expansion and equipment of housing for teachers; (ii) the construction, acquisition, rehabilitation, renovation, expansion and equipment of school facilities and the purchase of new school buses; and (iii) paying the costs of issuance related to the Bonds. See "PLAN OF FINANCING – Sources and Uses of Funds" herein.

For Stated Maturities, Principal Amounts, Interest Rates, Initial Yields, CUSIP Numbers and Redemption for the Bonds, see page ii herein

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The Bonds are offered for delivery when, as and if issued and received by the underwriter of the Bonds (the "Underwriter") and are subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Leon Alcala, PLLC, Austin, Texas, herein referred to as Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" hereto). Certain matters will be passed upon for the Underwriter by its counsel, Jackson Walker LLP, Houston, Texas. It is expected that the Bonds will be available for delivery through DTC on or about March 11, 2025 (the "Date of Delivery").

FROST BANK

STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION FOR THE BONDS*

$3,675,000
PAINT CREEK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Haskell and Jones Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

CUSIP No. Prefix 695752[(1)]

$3,360,000 Serial Bonds

Maturity Date (2/15)	Principal ($)	Interest Rate (%)	Initial Yield[(2)] (%)	CUSIP No. Suffix[(1)]
2026	260,000	5.000	2.890	BP9
***	***	***	***	***
2028	30,000	5.000	3.010	BQ7
2029	70,000	5.000	3.040	BR5
2030	15,000	5.000	3.080	BS3
2031	35,000	5.000	3.140	BT1
2032	85,000	5.000	3.180	BU8
2033	85,000	5.000	3.240	BV6
2034	95,000	5.000	3.290	BW4
***	***	***	***	***
2038	620,000	5.000	3.490	BY0
2039	655,000	5.000	3.540	BZ7
2040	685,000	5.000	3.650	CA1
2041	725,000	5.000	3.760	CB9

$315,000 Term Bonds

$315,000 5.000% Term Bonds due February 15, 2037 Priced to Yield 3.450% CUSIP No. Suffix BX2 [(1)(2)]

(Interest to accrue from the Date of Delivery)

The District reserves the option to redeem the Bonds maturing on and after February 15, 2035 in whole or in part before their respective scheduled maturity dates, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2034, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption Provisions."

Additionally, the Bonds maturing on February 15, 2037 (the "Term Bonds") are subject to mandatory sinking fund redemption on the dates and in the amounts set forth herein. See "THE BONDS – Mandatory Sinking Fund Redemption."

[(1)] CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. Further, CUSIP numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a partial defeasance of the Bonds.

[(2)] The initial yields at which Bonds are priced are established by and are the sole responsibility of the Underwriter and, subject to certain hold-the-offering-price restrictions in the purchase agreement related to the Bonds, may be changed at any time at the discretion of the Underwriter. Yields calculated based on the assumption that callable Bonds sold at a premium will be redeemed on the earliest date of redemption for such Bonds, at a price of par plus accrued interest to the date of redemption.

$3,675,000
PAINT CREEK INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2025

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated Population[1]	Taxable Assessed Valuation[2][3]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding[4]	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2021	372	$236,667,145	$ 636,202	$ 1,780,000	0.75%	$ 4,785
2022	378	264,715,278	700,305	5,325,000	2.01%	14,087
2023	413	474,991,306	1,150,100	6,655,000	1.40%	16,114
2024	418	515,556,090	1,233,388	6,075,000	1.18%	14,533
2025	344	483,682,622	1,406,054	9,750,000[5]	2.02%	28,343

[1] Source: Municipal Advisory Council of Texas
[2] Established by Haskell County Appraisal District and Jones County Appraisal District, subject to change during the ensuing year.
[3] Reflects assessed valuation for debt service tax rate only. The assessed valuation for M&O purposes are limited pursuant to Chapter 313 of the Texas Tax Code for economic development. As a result, the District, in effect, has two tax values, one for debt service and one for M&O taxes.
[4] Source: District's audited financial statements.
[5] Includes the Bonds. Excludes separately secured obligations, which are reflected in "APPENDIX A – Table 9 – Other Obligations."

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

For Fiscal Year Ended August 31,

	2024	2023	2022	2021	2020
Beginning Balance	$ 4,064,132	$ 2,270,902	$ 2,248,660	$ 2,297,221	$ 2,510,038
Total Revenue	2,724,868	4,224,163	2,799,531	2,039,598	2,104,264
Total Expenditures	2,742,145	2,424,063	2,822,182	2,048,652	2,276,470
Excess/(Deficiency) of Revenues	(17,277)	1,800,100	(22,651)	(9,054)	(172,206)
Net Transfers/Adjustments	887	(6,870)	44,893	(39,507)	(40,611)
Ending Balance	$ 4,047,742	$ 4,064,132	$ 2,270,902	$ 2,248,660	$ 2,297,221

Source: The District's audited financial statements.

For additional information regarding the District, please contact:

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Government Capital Securities Corporation
559 Silicon Drive, Suite 102
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jlawrence@govcapsecurities.com
dfaltys@govcapsecurities.com

DISTRICT OFFICIALS, STAFF, AND CONSULTANTS

Elected Officials

Board of Trustees	Length of Service	Term Expires
Dana Pendergraft, President	26 Years	Nov., 2026
Sherrie Raughton, Vice President	8 Years	Nov., 2026
James Raughton, Secretary	8 Years	Nov., 2026
Heather Waters, Trustee	< 1 Year	Nov., 2028
Keith Medford, Trustee	20 Years	Nov., 2026
Jerry Scheets, Trustee	2 Years	Nov., 2026
J.D. Harrell, Trustee	4 Years	Nov., 2026

Selected Administrative Staff

Name	Position	Length of Service Within District	Total Industry Experience
Glen Hill	Superintendent	1½ Years	14 Years
Carrie Martin	Business Manager	1½ Years	1½ Years

Consultants and Advisors

Auditors ..... James E. Rodgers and Company, P.C.
Hamlin, Texas

Bond Counsel..... Leon Alcala, PLLC
Austin, Texas

Financial Advisor.....Government Capital Securities Corporation
Southlake, Texas

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the District to give any information or to make any representation with respect to the Bonds, other than as 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 either of the foregoing.

The Official Statement doesn't constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from sources that are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information, or opinions set forth herein after the date of this Official Statement. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE" for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.

The Underwriter provided the following sentence for inclusion in this Official Statement. The Underwriter reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE 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, Financial Advisor, or the Underwriter 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 caption "BOOK-ENTRY-ONLY SYSTEM" or the affairs of TEA described in "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", as such information has been provided by DTC and TEA, respectively.

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 purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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 THAN THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER PERTINENT INFORMATION- FORWARD LOOKING STATEMENTS" HEREIN.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT	The Paint Creek Independent School District (the "District") is a political subdivision located in Haskell and Jones Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Board trustees serve staggered four-year terms with elections being held in November every two years. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District.
AUTHORITY FOR ISSUANCE…	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly, Chapter 45, Texas Education Code, as amended, an election held in the District on November 5, 2024, and an order adopted by the Board on February 20, 2025 (the "Bond Order").
THE BONDS	The Bonds shall mature on the dates and in the amounts set forth on page ii of this Official Statement (see "PLAN OF FINANCING – Description of the Bonds").
DATED DATE	March 1, 2025.
PAYMENT OF INTEREST	Interest on the Bonds will accrue from the Date of Delivery and will be payable until stated maturity or prior to redemption on August 15, 2025, and on each February 15 and August 15 thereafter (see "THE BONDS – Description of the Bonds").
OPTIONAL REDEMPTION ..	The District reserves the right to redeem the Bonds maturing on and after February 15, 2035, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption Provisions" herein.
MANDATORY SINKING FUND REDEMPTION	The Bonds maturing on February 15, 2037 (the "Term Bonds") are subject to mandatory sinking fund redemption on the dates and in the amounts set forth herein. See "THE BONDS – Mandatory Sinking Fund Redemption" herein.
SECURITY FOR THE BONDS …	The Bonds constitute direct obligations of the District payable from a continuing and direct annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount. See "THE BONDS – Security and Source of Payment".
PERMANENT SCHOOL FUND GUARANTEE	The District has applied for and received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.
TAX MATTERS	In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications, and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds. See also "APPENDIX C – FORM OF BOND COUNSEL'S OPINIONS".
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is the BOKF, NA, Dallas, Texas.
MUNICIPAL BOND RATING …	The presently outstanding unlimited tax-supported debt of the District, including the Bonds, is rated "A" by S&P Global Ratings ("S&P") without regard to credit enhancement. The Bonds are also rated "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.)
USE OF PROCEEDS ……	Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, rehabilitation, renovation, expansion and equipment of housing for teachers; (ii) the construction, acquisition, rehabilitation, renovation, expansion and equipment of school facilities and the purchase of new school buses; and (iii) paying the costs of issuance related to the Bonds. (See "PLAN OF FINANCING – Purpose" and "—Sources and Uses of Funds").

BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").
PAYMENT RECORD	The District has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated to occur on or about March 11, 2025.
LEGALITY	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" herein).

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OFFICIAL STATEMENT

Relating to

$3,675,000
PAINT CREEK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Haskell and Jones Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes APPENDICES A, B, C, and D hereto, provides certain information regarding the issuance of the $3,675,000 Paint Creek Independent School District (the "District") Unlimited Tax School Building Bonds, Series 2025 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly, Chapter 45, Texas Education Code, as amended, an election held in the District on November 5, 2024 (the "Election"), and a bond order adopted by the Board of Trustees of the District (the "Board") on February 20, 2025 (the "Bond Order"). The Bonds are direct and voted obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District (see "THE BONDS – Authority for Issuance").

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

Included in this Official Statement are descriptions of the Bonds, the Bond Order and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the District and, during the offering period, from the District's Financial Advisor, Government Capital Securities Corporation, 559 Silicon Drive, Suite 102, Southlake, Texas 76092, by electronic mail without charge or by physical delivery upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Official Statement will be deposited with the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE" for a description of the District's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, rehabilitation, renovation, expansion and equipment of housing for teachers; (ii) the construction, acquisition, rehabilitation, renovation, expansion and equipment of school facilities and the purchase of new school buses; and (iii) paying the costs of issuance related to the Bonds.

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Sources and Uses of Funds

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

Sources of Funds:	
Par Amount of Bonds	$3,675,000.00
Reoffering Premium on the Bonds	367,537.55
TOTAL SOURCES	$4,042,537.55
Uses of Funds:	
Deposit to Construction Fund	$3,886,000.00
Underwriter's Discount	42,659.83
Costs of Issuance and Contingency[(1)]	113,459.50
Additional Proceeds	418.22
TOTAL USES	$4,042,537.55

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

THE BONDS

Description of the Bonds

The Bonds will be dated March 1, 2025 (the "Dated Date") and mature on February 15 in each of the years and in the amounts shown on page ii. Interest on the Bonds will accrue from the date of initial delivery to the Underwriter (the "Delivery Date"), will be payable on August 15, 2025, and each February 15 and August 15 thereafter until stated maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in the principal denominations of $5,000 or any integral multiple thereof within a stated maturity.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books kept by the Paying Agent/Registrar relating to the Bonds (the "Bond Register") on the Record Date (detailed below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the Bond Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at stated maturity or prior redemption upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 in principal for any one maturity.

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

Authority for Issuance

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Chapter 45 Texas Education Code, as amended, the Bond Order and the Election.

Security and Source of Payment

The Bonds constitute direct obligations of the District payable from a continuing and direct annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICT IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Additionally, the District has applied for and received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

Permanent School Fund Guarantee

The District has submitted an application to the Texas Education Agency, in connection with the sale of the Bonds, and anticipates receiving conditional approval from the Commissioner of Education for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program pursuant to Chapter 45, Subchapter C of the Texas Education Code. Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix D is incorporated herein and made a part hereof for all purposes.

The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased.

Optional Redemption Provisions

The Bonds maturing on and after February 15, 2035 are subject to redemption prior to maturity, at the option of the District, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

If less than all of the Bonds are to be redeemed, the District shall determine the principal amount and maturities (or mandatory sinking fund redemption amounts within a maturity with respect to Term Bonds (defined herein), if applicable) to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds or portions thereof within a maturity (or mandatory sinking fund redemption amounts within a maturity with respect to Term Bonds, if applicable), to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption

The Bonds having a stated maturity on February 15, 2037 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity on February 15 in each of the years and respective principal amounts set forth below at a redemption price equal to 100% of the principal amount, without premium, plus accrued interest to the date of redemption:

Term Bonds due February 15, 2037

Redemption Date (February 15)	Principal Amount
2035	$100,000
2036	105,000
2037*	110,000

*stated maturity

The Paying Agent/Registrar will select by lot or by any other customary method that results in a random selection of a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed by mandatory redemption.

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

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the Paying Agent/Registrar, at the direction of the District, shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND ANY

OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH BONDS OR PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH BONDS ARE SURRENDERED FOR PAYMENT.

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

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

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

Defeasance

The Bond Order provides that the Bonds may be defeased, refunded or discharged in any manner permitted by applicable law. Under current State law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality of the United States of America, and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. for any purposes. After firm banking and financial arrangements for the discharge, final payment, or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District may reserve the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes. Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

Default and Remedies

If the District defaults in the payment of, principal of, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Bond Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers school districts and relates to contracts entered into by school districts for providing goods or services to school districts. The District is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. (See "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due.)

The opinion of Bond Counsel will be qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

Payment Record

The District has never defaulted on the payment of its bonded indebtedness.

Legality

The Bonds are offered when, as, and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of the District's Bond Counsel (see "LEGAL MATTERS" and "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" herein).

Delivery

When issued; anticipated to occur on or about March 11, 2025.

Future Issues

On November 5, 2024, the District's voters authorized the District to issue $3,886,000 in unlimited ad valorem tax bonds. The District will apply proceeds of the Bonds (principal and allocated premium) in the aggregate amount of $3,886,000 toward voter authorized projects, leaving $0 in authorized but unissued bonds. Aside from the Bonds and any refunding bonds issued for debt service savings, the District does not anticipate the issuance of additional ad valorem tax-supported debt in the next twelve months.

The District also may, without voter approval, enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Bond Order provides for the District's right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any changes 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.

Record Date for Interest Payment

The record date ("Record Date") for determining the registered owner entitled to receive a payment of interest on any Bond shall mean: (a) with respect to an interest payment date that occurs on the fifteenth (15th) day of any month, the close of business on the last Business Day of the month next preceding such interest payment date, (b) with respect to an interest payment date that occurs on the first (1st) day of any month, the close of business on the fifteenth (15th) day of the month next preceding such Interest Payment Date, and (c) with respect to an interest payment date on any date other than as described in (a) and (b), the close of business on the Business Day immediately preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (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 on the Bond Register at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the Bond Register only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the

registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required (i) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

BOOK-ENTRY-ONLY SYSTEM

The following describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC (defined below) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor 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) TC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has

no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payment 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, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District or the Financial Advisor take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of This Official Statement

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

Effect of Termination of Book-Entry-Only System

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for county-wide 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 portion of the District that is located within Haskell County is the responsibility of the Haskell County Appraisal District and the appraisal of property within the portion of the District that is located within Jones County is the responsibility of the Jones County Appraisal District (as applicable, the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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.

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

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

State Mandated Homestead Exemptions

State law grants, with respect to taxes levied for general elementary and secondary public school purposes, (1) a $100,000 exemption (as described below) of the appraised value of all homesteads, (2) an additional $10,000 exemption of the appraised value of the residence homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Additional legislation concerning the required homestead exemption was passed in the 2nd Special Session of the 88th Texas Legislature. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Overview – 2023 Legislative Session" herein.

Local Option Homestead Exemptions

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

presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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

State Mandated Freeze on School District Taxes

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

The total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes of the residence homestead of a person who is at least sixty-five (65) years of age or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the maximum compressed rate of the maintenance and operations taxes imposed for those purposes on the homestead.

Personal Property

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

Freeport Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

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 (former Chapter 313, Texas Tax Code, as amended), previously allowed school districts to grant limitations on appraised property values to certain entities to encourage economic development within the school district. Generally, during a ten-year period during the term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which expired by its terms on December 31, 2022.

During the Regular Session of the 88th Texas Legislature, House Bill 5 (codified as Chapter 403, Texas Government Code, Subchapter T, Texas Jobs, Energy, Technology and Innovation Act ("Chapter 403")) was enacted into law. Chapter 403 is intended as a replacement of former Chapter 313, Texas Tax Code ("Chapter 313"), but it contains significantly different provisions than the prior program under Chapter 313. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. **Taxable valuation for purposes of the debt service taxes securing the Bonds cannot be abated under Chapter 403**. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as non-renewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements. The District does not expect that Chapter 403 will have any material adverse effect on its ability to repay the Bonds or its finances or operations more generally. For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $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 generally become delinquent after January 31 of the following year. A

delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Haskell and Jones Counties, as applicable. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the applicable County (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Session" for a discussion of certain changes to Appraisal District Boards of Directors).

The District grants a State mandated residence homestead exemption of $100,000 for taxpayers with general homesteads. If the property owner qualifies for an over 65 or disabled person's exemption, the school district grants a state mandated exemption of an additional $10,000. A person eligible for both the over 65 and disabled person's exemption may receive only one.

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

The District does not tax non-business personal property and the Haskell County Appraisal District's office collects the District taxes. Discounts are generally not allowed but residents 65 and older or disabled may pay their homestead taxes in installments with the first installment due by February 1st and the last due by August 1st.

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

The District has not granted a local homestead exemption for taxpayers who are at least 65 years of age or disabled.

The District taxes Freeport property and does not tax Goods-in-Transit.

The District currently does not participate in any tax increment reinvestment zones.

The District has entered into value limitation agreements under the Texas Economic Development Act. The District has executed a number of value limitation agreements (each a "Chapter 313 Agreement") pursuant to the previously authorized Chapter 313. Under former Chapter 313, Texas school districts were permitted to grant value limitation agreements that limit the taxable value of certain qualified investments for maintenance and operations tax purposes. Chapter 313 Agreements do not impact school district interest and sinking fund taxes used to pay bonded indebtedness, including the Bonds.

- The District has entered into a Chapter 313 Agreement limiting the taxable appraised value for maintenance and operation tax purposes to $20,000,000, beginning tax year 2017 and extending through tax year 2026 with CED Alamo 7 LLC f/k/a OCI Alamo 7 LLC.

- The District has entered into a Chapter 313 Agreement limiting the taxable appraised value for maintenance and operation tax purposes to $25,000,000, beginning tax year 2022 and extending through tax year 2031 with Azure Sky Solar Project, LLC.

- The District has entered into a Chapter 313 Agreement limiting the taxable appraised value for maintenance and operation tax purposes to $25,000,000, beginning tax year 2028 and extending through tax year 2038 with IP Quantum, LLC.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the public school finance system 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 and the calculation of the defined tax rates.

Local funding for school districts is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts may not increase their M&O tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district's debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to $1.50 per $100 of taxable value. Since 2006, the Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed $0.50 per $100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district's M&O tax rate.

2025 Legislative Session

The Legislature convened in regular session (the "89th Regular Session") on January 14, 2025 and is scheduled to adjourn on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in regular session, the Governor may call one or more special sessions, at the Governor's direction, each lasting no more than thirty (30) days, and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the "2025 Legislative Sessions").

During the 2025 Legislative Sessions, the Legislature may enact laws that materially affect the District and its finances. The District can make no representations or predictions regarding the scope of legislation that may be considered and/or filed in the 2025 Legislative Sessions or the potential impact of such legislation at this time, but the District intends to monitor applicable legislation related thereto.

2023 Legislative Session

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

During the second called special session, legislation was passed, and at an election held in the State on November 7, 2023, voters approved a State constitutional amendment that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately $0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district 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 (in connection with the Bonds, the District will not be held harmless for I&S tax revenue losses associated with the increased homestead exemption); (iii) adjusted the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of those at least sixty-five (65) years of age or disabled to reflect increases in exemption amounts; (iv) prohibited school districts, cities and counties from repealing or reducing a general 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. This legislation reduces the amount of property taxes paid by homeowners and businesses and increases the State's share of the cost of funding public education.

During the fourth called special session, the Legislature considered (i) "legislation relating to primary and secondary education, including the establishment of an education savings account program, the certification, compensation, and health coverage of certain public school employees, the public school finance system, special education in public schools, measures to support the education of public school students that include certain educational grant programs, reading instruction, and early childhood education, the provision of virtual education, and public school accountability;" and (ii) "legislation related to school safety measures and related state funding mechanisms"; however, no such legislation was passed regarding either of these measures.

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

Local Funding for School Districts

A school district's M&O tax rate has 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) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage. The "State Compression Percentage" (the "SCP") is a statutorily defined percentage of the rate of $1.00 per $100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The SCP is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) 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 (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of 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 MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2023 Legislative Sessions, the Legislature took action to reduce the maximum MCR for the 2023-2024 school year, establishing $0.6880 as the maximum rate and $0.6192 as the floor. The reduction in MCR was approved by voters at an election held on November 7, 2023. See "— 2023 Legislative Sessions." For the 2024-2025 school year, $0.6855 is the maximum rate and $0.6169 is 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").

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, as discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations"), Tier Two funding may not be used for the payment of debt service or capital outlay.

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2024-2025 State fiscal biennium, the 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 funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics and demographics of students in ADA, to make up most of a school district's Tier One entitlement under the Foundation School Program.

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

For the 2023-2024 school year, 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 (96^{th}) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation)

multiplied by 0.016. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of $126.21 per student in WADA in 2024 and $129.52 per student in WADA in 2025 for each Golden Penny levied.

Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of $49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

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

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

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

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 public school 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 through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year. Additionally, school districts and open-enrollment charter schools may be entitled to receive an allotment in the form of a formula transition grant, but they will not be entitled to an allotment beginning with the 2024-2025 school year. This grant is meant to ensure a smooth transition into the funding formulas enacted by the 86th Texas Legislature. Notwithstanding

the foregoing, beginning with the 2020-2021 school year, if the total amount of allotments to which school districts and open-enrollment charter schools are entitled for a school year exceeds $400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

For the 2023-2024 school year, school districts were held harmless and entitled to additional State aid to the extent that State and local revenue used to service eligible debt is less than the State and local revenue that would have been available to the district under State law providing for State aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling as such State law existed on September 1, 2022, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred. See "AD VALOREM TAX PROCEDURES - Local Option Homestead Exemptions" and "- State Mandated Freeze on School District Taxes."

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six (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 Commissioner must reduce the school district's local revenue level to the level that would produce the school district's guaranteed entitlement, by detaching certain types of property from the school district and annexing the property to a property-poor school district or, if necessary, consolidate the school district with a property-poor school district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring school district's existing debt.

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2024-2025 fiscal year, the District was designated as an "excess local revenue" district by the TEA. According to currently available information from TEA, the District is subject to recapture and, therefore, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District has entered into a wealth equalization agreement with the TEA for the purchase of attendance credit for the 2024-2025 school year, pursuant to Chapter 49, Texas Education Code, as amended, for the purpose of implementing a permitted wealth equalization option.

A district's local revenue levels must be tested for each future school year and, if local revenues exceed the district's entitlements, the district must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the

District's local revenues should continue to exceed its entitlements in future school years, it will be required to exercise one or more of the permitted options to reduce local revenues.

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

For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM -- State Funding for School Districts" 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 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes, as amended.

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

For the State fiscal year ending in 2025 (the 2024-2025 school year), the State Compression Percentage was set at $0.6855 and the MCR for the District is $0.6192 per $100 of taxable value. For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State funding for School Districts" herein.

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 EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the 50-cent Test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. The Bonds are issued as "new money bonds" and are subject to the 50-cent Test. In connection with the issuance of the Bonds, the District has not utilized projected values, nor has it used State assistance to satisfy the 50-cent Test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code,

Title 8, Subtitle C. See "DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – I. DEFINED BENEFIT PENSION PLAN" as set out in the audited financial statements of the District for the year ended August 31, 2024 as set forth in APPENDIX B hereto.

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the System. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the System. See "DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – X. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS" in the audited financial statements of the District for the year ended August 31, 2024 as set forth in APPENDIX B hereto for information regarding the District's net OPEB liability and related matters.

Government Accounting Standards Board ("GASB") issued Statement No. 68 *Accounting and Financial Reporting for Pensions,* which requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. Reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. Such reporting began with the District's fiscal year ending August 31, 2015. GASB Statement No. 68 applies only to pension benefits and does not apply to other post-employment benefits or TRS-Care related liabilities. At the conclusion of the 2022-23 fiscal year, the District had a net pension liability as set forth in APPENDIX B hereto.

See the audited financial statements of the District for the year ended August 31, 2024 as set forth in APPENDIX B hereto for information related to the District's adoption of Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and the related prior period adjustment.

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

INVESTMENT POLICIES

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

Legal Investments

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is 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 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 Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") 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 FDIC or the NCUSIF, or their respective successors, or 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) of the 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 that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) 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) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States 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 (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and 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 and are pledged to the District and deposited with the District or a third party selected and approved by the District.

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

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (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.

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

Investment Policies

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

Under State law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for

investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest District funds without express written authority from the Board.

Additional Provisions

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

LEGAL MATTERS

The District will furnish to the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Leon Alcala, PLLC ("Bond Counsel"), to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code (subject to the matters described under "TAX MATTERS" herein) in substantially the form attached hereto as APPENDIX C. The legal fees to be paid to Bond Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Jackson Walker LLP, Houston, Texas, whose legal fees are contingent on the sale and delivery of the Bonds.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "THE BONDS" (exclusive of the subcaptions "Permanent School Fund Guarantee," "Default and Remedies," "Payment Record," and "Future Issues," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS", "LEGAL MATTERS" (excluding the last sentence of the first paragraph and the information under the subcaption "Litigation," as to which no opinion is expressed), "TAX MATTERS," "CONTINUING DISCLOSURE" (excluding the information under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER PERTINENT INFORMATION – Registration and Qualification of Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions are correct as to matters of law and, with respect to the Bonds, such information fairly and accurately reflects the provisions of the Bond Order.

Bond Counsel has been engaged by and only represents the District with respect to the issuance of the Bonds. The legal opinions to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed therein. In rendering legal opinions, the attorneys do 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 such opinions guarantee the outcome of any legal dispute that may arise from the transaction.

Litigation

In the opinion of various officials of the District, except as disclosed in this Official Statement, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the District.

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

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the District must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The District's failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The District has covenanted in the Bond Order to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the District and continuing compliance by the District with the tax covenants referred to above, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel will express no opinion as to any other federal, state or local tax consequences under present law or any proposed legislation regarding the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state.

Interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service ("IRS") or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The IRS has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. Under existing procedures relating to audits of tax-exempt obligations such as the Bonds by the IRS, owners of the Bonds would have little, if any, right to participate in the audit examination process. It is also possible that the market value of the Bonds might be adversely affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

Original Issue Premium and Discount

Certain of the Bonds ("Premium Bonds") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (or earlier for certain Premium Bonds callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity), or

other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that amortizes during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Certain of the Bonds ("Discount Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity over the "issue price" of a Discount Bond determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

Changes in Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending that, if enacted into law, could alter or amend one or more of the tax matters described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year.

Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state

supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations."

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

CYBERSECURITY

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

WEATHER

The District is located in North Texas. Land located in this area is susceptible to severe thunderstorms, heavy rain, hail, high winds, and tornadic activity. 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 disasters such as floods and upon a gubernatorial or presidential declaration of disaster. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate". There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

CONTINUING DISCLOSURE

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District does not currently have outstanding more than $10,000,000 in aggregate principal amount of municipal securities (including the Bonds but excluding securities offered in transactions that were exempt from the Rule). Pursuant to the exemption, in the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement, but only to the extent that such information is customarily prepared by the District and publicly available. Currently, the only information that is customarily prepared by the District and publicly available consists of an annual audit of the District's financial statements. The District will update and provide this information within twelve months after the end of each fiscal year. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the SEC.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of August of the following year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notices of Certain Events

The District will provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide annual financial information, in accordance with its agreement described above under "– Annual Reports," above.

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

34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to Rule 15c2-12 effected by the 2018 Release.

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, Disclaimers and Amendments

The District has agreed to update information and to provide notices of certain specified events only as described above and only for so long as the District 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, 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. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal securities laws.

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 primary offering of the Bonds 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 its continuing disclosure agreement 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 its continuing disclosure agreement 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 continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its continuing disclosure agreement described above under "– Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Agreements

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

OTHER PERTINENT INFORMATION

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources, which are believed to be reliable. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities act 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.

Municipal Bond Rating

The Bonds are rated "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas. The presently outstanding debt of the District, including the Bonds, is rated "A" by S&P without regard to credit enhancement.

An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

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

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

Audited Financial Statements

The report of James E. Rodgers and Company, P.C. relating to the District's audited financial statements for the fiscal year ended August 31, 2024 is included in this Official Statement in APPENDIX B; however, James E. Rodgers and Company, P.C. 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 contained in this Official Statement.

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District at the price equal to the initial offering prices to the public, as shown on page ii herein, less an Underwriter's discount of $42,659.83 (and no accrued interest). The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

Miscellaneous

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

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.

Authorization of the Official Statement

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

The Bond Order authorizing the issuance of the Bonds approved of the form and content of this Official Statement, and any addenda, supplement or amendment thereto. The Bond Order further authorized its use in the reoffering of the Bonds by the Underwriter.

/s/ *Dana Pendergraft*
Dana Pendergraft
President, Board of Trustees

ATTEST:

/s/ *James Raughton*
James Raughton
Secretary, Board of Trustees

APPENDIX A

SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 - VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

District Direct Debt

2024-2025 Certified Taxable Assessed Valuation[(1)(2)]	$483,682,622
Outstanding Debt	6,075,000[(3)]
Plus: The Unlimited Tax School Building Bonds, Series 2025	3,675,000
Total Direct Debt	$ 9,750,000
As a % of 2024-2025 Certified Taxable Assessed Valuation	2.02%

(1) Provided by Haskell County Appraisal District and Jones County Appraisal District.
(2) Reflects assessed valuation for debt service tax rate only. The assessed valuation for M&O purposes are limited pursuant to Chapter 313 of the Texas Tax Code for economic development. As a result, the District, in effect, has two tax values, one for debt service and one for M&O taxes.
(3) Excludes separately secured obligations, which are reflected in "Table 9 – Other Obligations."

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY[(1)]

	Tax Year 2024	Tax Year 2023	Tax Year 2022	Tax Year 2021	Tax Year 2020
Gross Value	$710,642,670	$736,121,250	$688,164,556	$392,068,790	$356,993,426
Less Exemptions	226,960,048	220,565,160	213,173,250	127,353,512	120,326,281
Net Taxable Value	$483,682,622	$515,556,090	$474,991,306	$264,715,278	$236,667,145

(1) Reflects assessed valuation for debt service tax rate only. The assessed valuation for M&O purposes are limited pursuant to Chapter 313 of the Texas Tax Code for economic development. As a result, the District, in effect, has two tax values, one for Debt Service and one for M&O taxes.

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TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population[1]	Taxable Assessed Valuation[2][3]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding[4]	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2021	372	$236,667,145	$ 636,202	$1,780,000	0.75%	$ 4,785
2022	378	264,715,278	700,305	5,325,000	2.01%	14,087
2023	413	474,991,306	1,150,100	6,655,000	1.40%	16,114
2024	418	515,556,090	1,233,388	6,075,000	1.18%	14,533
2025	344	483,682,622	1,406,054	9,750,000[5]	2.02%	28,343

[1] Source: Municipal Advisory Council of Texas
[2] Established by Haskell County Appraisal District and Jones County Appraisal District, subject to change during the ensuing year.
[3] Reflects assessed valuation for debt service tax rate only. The assessed valuation for M&O purposes are limited pursuant to Chapter 313 of the Texas Tax Code for economic development. As a result, the District, in effect, has two tax values, one for Debt Service and one for M&O taxes.
[4] Source: District's audited financial statements.
[5] Includes the Bonds. Excludes separately secured obligations, which are reflected in "Table 9 – Other Obligations."

TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Year	Taxable Assessed Valuation[1][2]	Tax Rate	Tax Levy[3]	Percent Collected	
					Current	Total
2021	2020	$236,667,145	$1.1864	$2,051,940	99.45%	99.67%
2022	2021	264,715,278	1.0920	2,327,698	98.66%	98.98%
2023	2022	474,991,306	1.0746	2,846,334	98.31%	98.31%
2024	2023	515,556,090	0.8692	2,909,322	98.85%	98.85%
2025	2024	483,682,622	0.8692	2,830,364	(In process of collection)	

[1] Net of exemptions. Assessed valuations do not include adjustments in supplemental rolls made after the end of each fiscal year.
[2] Reflects assessed valuation for debt service tax rate only. The assessed valuation for M&O purposes are limited pursuant to Chapter 313 of the Texas Tax Code for economic development. As a result, the District, in effect, has two tax values, one for Debt Service and one for M&O taxes.
[3] Excludes penalties and interest.

TABLE 5 - TEN LARGEST TAXPAYERS[1]

Taxpayers	Type of Property	2024/25 Net Taxable Assessed Valuations	% of Total 2024/25 Assessed Valuation
1. Azure Sky Solar LLC	Wind & Solar Project	$ 197,729,120	40.88%
2. Electric Transmission of TX	Electric Utility	$ 69,241,730	14.32%
3. CED Alamo 7 LLC	Wind Farm/Turbines	$ 55,827,700	11.54%
4. Inertia Wind Project	Wind & Solar Project	$ 45,663,550	9.44%
5. AEP Texas Inc.	Electric Utility	$ 20,139,120	4.16%
6. Oncor Electric Delivery Co.	Electric Utility	$ 10,981,940	2.27%
7. SCF RC Funding LLC	Residential Homes	$ 4,297,750	0.89%
8. Wal-Mart Real Estate Business Trust	Commercial Land	$ 3,987,350	0.82%
9. Atmos Energy / Mid-Tex Pipe	Oil & Gas Pipeline	$ 3,212,000	0.66%
10. Duff & Miriam Young	Individual Residence	$ 414,890	0.09%
Total		$ 411,495,150	85.07%

[1] As shown in the table above, the top ten taxpayers in the District currently account for over 85% of the District's tax base. The top taxpayer alone accounts for over 40% of the District's taxable assessed valuation. Adverse developments in economic conditions, especially in a particular top taxpayer's industry or the utility industry more generally, could adversely impact these businesses and, consequently, the tax values in the District, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually or to fund debt service payments from other resources, if available. See "THE BONDS – Default and Remedies" and "AD VALOREM TAX PROCEDURES – District's Rights in the Event of Tax Delinquencies" herein.

Table 6 - Estimated Overlapping Debt

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

Taxing Jurisdiction	As Of	Total Debt[(a)]	Estimated % Overlapping	Overlapping Debt
Haskell Co	10/31/24	-None-	34.03%	$ 0
Jones Co	10/31/24	$4,355,000	0.38%	$ 16,549
Estimated (Net) Overlapping Debt				$ 16,549
Paint Creek ISD[(b)]		$9,750,000		9,750,000
Total Direct & Estimated Overlapping Debt				$ 9,766,549
As a % of Certified 2024-25 Taxable Assessed Valuation				2.02%

(a) Gross Debt

(b) Includes the Bonds. Excludes separately secured obligations, which are reflected in "Table 9 – Other Obligations."

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DEBT INFORMATION

TABLE 7 - TAX SUPPORTED DEBT SERVICE REQUIREMENTS

FISCAL YEAR ENDED 8/31	OUTSTANDING DEBT[1]	PLUS: THE BONDS PRINCIPAL	INTEREST	TOTAL DEBT SERVICE
2025	$ 761,550.00	$ -	$ 78,604.17	$ 840,154.17
2026	711,750.00	260,000.00	177,250.00	1,149,000.00
2027	672,400.00	-	170,750.00	843,150.00
2028	631,000.00	30,000.00	170,000.00	831,000.00
2029	587,300.00	70,000.00	167,500.00	824,800.00
2030	559,300.00	15,000.00	165,375.00	739,675.00
2031	541,500.00	35,000.00	164,125.00	740,625.00
2032	495,850.00	85,000.00	161,125.00	741,975.00
2033	497,100.00	85,000.00	156,875.00	738,975.00
2034	492,925.00	95,000.00	152,375.00	740,300.00
2035	488,425.00	100,000.00	147,500.00	735,925.00
2036	493,450.00	105,000.00	142,375.00	740,825.00
2037	492,900.00	110,000.00	137,000.00	739,900.00
2038	-	620,000.00	118,750.00	738,750.00
2039	-	655,000.00	86,875.00	741,875.00
2040	-	685,000.00	53,375.00	738,375.00
2041	-	725,000.00	18,125.00	743,125.00
	$7,425,450.00	$3,675,000.00	$2,267,979.17	$13,368,429.17

Average Annual Debt Service Requirements	$ 786,378.19
Maximum Annual Debt Service Requirement.....	$1,149,000.00

[1] Excludes separately secured obligations, which are reflected in "Table 9 – Other Obligations."

TABLE 8 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

After the issuance of the Bonds, the District will have no authorized but unissued unlimited tax bonds. The District does not anticipate issuing additional debt this fiscal year.

TABLE 9 - OTHER OBLIGATIONS

As of August 31, 2024, the District had tax notes and revenue obligations currently outstanding in the principal amount of $623,047.[1] Such obligations are secured from sources other than the interest and sinking fund taxes that secure the Bonds. For additional information, please see the Notes to the District's Audited Financial Statements for Fiscal Year ended August 31, 2024 at "Note IV. H. (LONG-TERM OBLIGATIONS and AMOUNTS DUE WITHIN ONE YEAR)."

[1] Source: The District's Audited Financial Statements for Fiscal Year ended August 31, 2024.

TABLE 10 – GENERAL FUND REVENUES AND EXPENDITURES[a]

For Fiscal Year Ended August 31st

	2024	2023	2022	2021	2020
REVENUES:					
Total Local and Intermediate Sources	$ 2,499,666	$ 3,900,066	$ 2,002,810	$ 1,698,863	$ 1,615,002
State Program Revenues	224,652	322,526	780,000	305,916	437,636
Federal Program Revenues	550	1,571	16,721	34,819	51,626
Total Revenues	2,724,868	4,224,163	2,799,531	2,039,598	2,104,264
EXPENDITURES:					
Current:					
Instruction	1,063,280	1,040,666	1,136,631	977,802	978,921
Instructional Resources and Media Services	7,263	9,247	12,644	13,985	15,973
Curriculum and Instructional Staff Development	6,340	6,678	8,143	7,614	7,566
School Leadership	130,628	132,588	118,404	117,265	111,145
Guidance, Counseling & Evaluation Services	67,263	68,098	69,541	50,810	49,462
Health Services	17,742	6,418	5,770	6,665	6,450
Student (Pupil) Transportation	61,103	65,945	59,740	50,387	44,767
Food Services	1,014	3,117	1,374	3,011	2,725
Extracurricular Activities	155,604	106,810	78,743	57,571	43,245
General Administration	312,916	230,227	271,154	216,345	426,003
Facilities Maintenance and Operations	450,251	378,872	250,419	224,693	258,668
Security and Monitoring Services	7,015	7,062	7,768	6,774	5,966
Data Processing Services	49,632	47,832	29,783	56,506	52,280
Debt Service:					
Principal on Long-Term Liabilities	119,063	129,282	128,032	141,713	137,617
Interest on Long-Term Liabilities	27,074	30,670	35,122	40,861	44,957
Bond Issuance Cost and Fees	-	-	-	-	-
Capital Outlay:					
Facilities Acquisition and Construction	98,130	-	-	-	-
Intergovernmental:					
Contracted Instructional Services Between School	62,807	59,219	519,786	-	56
Payt's to Fiscal Agents/Member Districts of SSA	43,736	36,512	34,002	30,499	35,208
Other Intergovernmental Charges	61,284	64,820	55,126	46,151	55,461
Total Expenditures	2,742,145	2,424,063	2,822,182	2,048,652	2,276,470
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,277)	1,800,100	(22,651)	(9,054)	(172,206)
OTHER FINANCING SOURCES (USES):					
Sale of Real and Personal Property	21,000	-	-	-	-
Right-to-Use Leases	-	-	46,415	-	-
Transfers In	-	-	-	-	-
Transfers Out (Use)	(20,113)	(6,870)	(1,522)	(39,507)	(40,611)
Total Other Financing Sources (Uses)	887	(6,870)	44,893	(39,507)	(40,611)
Net Change in Fund Balances	(16,390)	1,793,230	22,242	(48,561)	(212,817)
Fund Balance – September 1 (Beginning)	4,064,132	2,270,902	2,248,660	2,297,221	2,510,038
Fund Balance – August 31 (Ending)	$ 4,047,742	$ 4,064,132	$ 2,270,902	$ 2,248,660	$ 2,297,221

[a] Source: The District's audited financial statements.

TABLE 11 - GENERAL OPERATING FUND COMPARATIVE BALANCE SHEET

For Fiscal Year Ended August 31st

	2024	2023	2022	2021	2020
ASSETS					
Cash and Cash Equivalents	$ 30,565	$ 17,755	$ 1,201,353	$ 1,478,873	$ 1,509,141
Investments - Current	4,144,905	4,449,661	1,248,698	1,052,657	1,044,387
Property Taxes - Delinquent	70,901	235,374	214,585	198,750	211,354
Allowance for Uncollectible Taxes	(17,725)	(58,844)	(53,646)	(49,687)	(52,839)
Due from Other Governments	19,092	49,386	41,987	23,258	39,067
Due from Other Funds	6,358	5,008	11,677	11,259	4,827
Other Receivables	-	-	-	-	565
Prepayments	-	-	-	396	2,822
Total Assets	$ 4,254,096	$ 4,698,340	$ 2,664,654	$ 2,715,506	$ 2,759,324
LIABILITIES					
Accounts Payable	7,600	14,735	9,720	16,851	6,111
Payroll Deductions and Withholdings Payable	-	-	-	-	2,566
Accrued Wages Payable	97,539	70,154	64,310	66,836	65,305
Due to Other Funds	6,982	7,280	6,704	5,686	5,151
Due to Other Governments	39,119	364,066	150,761	226,986	223,161
Accrued Expenditures	1,938	1,443	1,318	1,424	1,293
Unearned Revenue	-	-	-	-	-
Total Liabilities	153,178	457,678	232,813	317,783	303,587
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue – Property Taxes	53,176	176,530	160,939	149,063	158,516
Total Deferred Inflows of Resources	53,176	176,530	160,939	149,063	158,516
FUND BALANCES					
Restricted Fund Balance:					
Retirement of long-term debt	-	-	-	-	-
Committed Fund Balance:					
Construction	125,000	125,000	-	100,000	-
Facilities Improvements	-	-	125,000	25,000	125,000
Assigned Fund Balance:					
Other Assigned Fund Balance	-	-	-	-	-
Unassigned Fund Balance	3,922,742	3,939,132	2,145,902	2,123,660	2,172,221
Total Fund Balance	4,047,742	4,064,132	2,270,902	2,248,660	2,297,221
Total Liabilities, Deferred Inflows & Fund Balances	$ 4,254,096	$ 4,698,340	$ 2,664,654	$ 2,715,506	$ 2,759,324

Source: The District's audited financial statements.

TABLE 12 - CURRENT INVESTMENTS*

As of December 5, 2024, the District's investable funds amounted to $4,476,701.33. The following summary itemizes the District's investment portfolio by type of investment:

	Percent	Book Value	Market Value
Cash and Cash Equivalents	91.92%	$4,114,986.64	$4,114,986.64
Investment Pool Accounts	8.08%	$361,714.69	$361,714.69
Total	100.00%	$4,476,701.33	$4,476,701.33

* Unaudited.

APPENDIX B

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the Paint Creek Independent School District Audited Financial Statements (the "Report") for the fiscal year ended August 31, 2024.

The information presented represents only a part of the Report and does not purport to be a complete statement of the District's financial condition. Reference is made to the complete Annual Audit Report for additional information.

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PAINT CREEK

INDEPENDENT SCHOOL DISTRICT

HASKELL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2024

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2024

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PAINT CREEK INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF BOARD

Paint Creek Independent School District	Haskell	104907
Name of School District	County	County - District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) m approved c::J disapproved for the year ended **August 31, 2024,** at a meeting of the Board of Trustees of such school district on the **18th** day of **November, 2024.**

Signature of Board President

Signature of Board Secretry

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it (are):
(Attach list as necessary)

James E. Rodgers and Company, P.C.

Certified Public Accountants

20 Southwest Third Street • PO Box 669 • Hamlin, Texas 79520 • Tel: 325-576-2356 • Fax: 325-576-3525

E-mail: rodgerscpa@att.net

Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

November 18, 2024

Report on Financial Statements Issued in Accordance with *Government Auditing Standards* Accompanied by Required Supplementary Information, Supplementary Information, and Other Information

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Paint Creek Independent School District
Haskell, Texas 79521

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paint Creek Independent School District, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the Paint Creek Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Paint Creek Independent School District, as of August 31, 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 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 Paint Creek Independent School District. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

AICPA Governmental Audit Quality Center

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 generally accepted auditing standards 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 generally accepted auditing standards 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 Paint Creek Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Paint Creek Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information reported in Exhibit G-1, and schedules for pension and OPEB liabilities and contributions reported in Exhibits G-2, G-3, G-4, and G-5 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.

AICPA Governmental Audit Quality Center

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paint Creek Independent School District's basic financial statements. The accompanying combining nonmajor fund financial statements and required Texas Education Agency Schedules 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 nonmajor fund financial statements and required Texas Education Agency Schedules 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 Schools First Questionnaire but does not include the basic financial statements and our auditor's report thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2024, on our consideration of the Paint Creek Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Paint Creek Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paint Creek Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

James E. Rodgers and Company, P.C.

AICPA Governmental Audit Quality Center

Paint Creek Independent School District
4485 FM 600
Haskell, Texas 79521

Glen Hill
Superintendent
Phone: 940-864-2868

Kevin White
Principal
Fax: 940-864-8038

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administration of **Paint Creek Independent School District**, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2024. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Highlights of Current Fiscal Year Finances

Government Wide Total Net Position at the End of the Year	$	8,264,842
Government Wide Revenues for the Current Fiscal Year		4,316,036
Government Wide Expenses for the Current Fiscal Year		3,400,981
Fund Balance in the General Fund at the End of Year		4,047,742

Changes in the Government Wide Finances from the Previous Fiscal Year

	Increase (Decrease)	
	$	%
Change in Net Position:		
Change in the Government Wide Total Net Position	$ 929,575	12.67%
Revenue Changes:		
Change in the Government Wide Total Revenues	$ (1,491,293)	-25.68%
Change in the Government Wide Property Tax Revenues	31,548	1.10%
Change in the Government Wide State Aid Formula Grants	(113,926)	-50.23%
Change in Operating Grants and Contributions	266,344	68.30%
Expense Changes:		
Change in the Government Wide Total Expenses	$ 436,451	14.72%
Other Information:		
Change in General Fund Balance	$ (16,390)	-0.40%
Excess (Deficit) of Actual Revenue over Budgeted Revenue	133,498	7.24%

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other information in addition to the basic financial statements themselves.

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 that of a private sector business.

The *statement of net position* presents information on the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between the two reported a *net position.* Over time, increases or decreases in net position may serve as a useful indicator as to 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 in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax and earned but unused sick and vacation leave.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees & charges *(governmental activities).* The governmental activities of the District include the education of District students and the programs necessary to support such education.

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 evaluating a government's near-term financing requirements.

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

The District maintains numerous 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 as it is considered a major fund. Data from the other 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 an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Child Nutrition and Debt Service Fund and are included in the other supplementary information section of this report.

Proprietary funds. The District maintains proprietary funds. An *internal service fund is* an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses this internal service fund to account for its workers compensation self-insurance program. Internal service funds are generally considered a *governmental activity* and are included in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District maintains student activity accounts as fiduciary funds.

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

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. In addition, certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District's contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas.

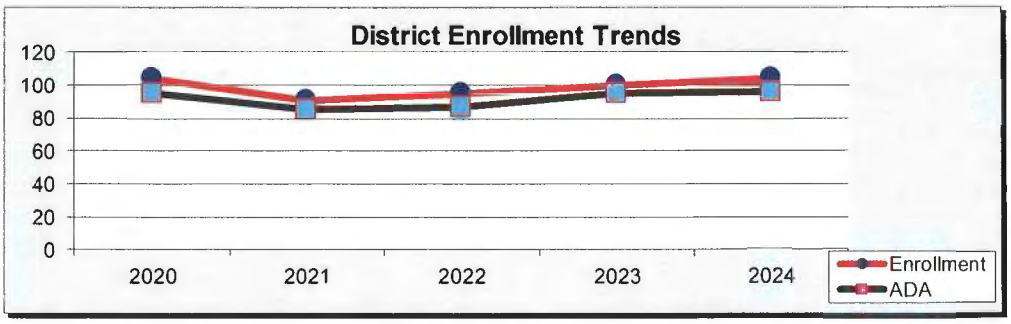
DISTRICT FINANCES

District operations are primarily funded from local property tax revenue and funding from the State of Texas under the foundation school program that provides funding to public school districts in the State of Texas.

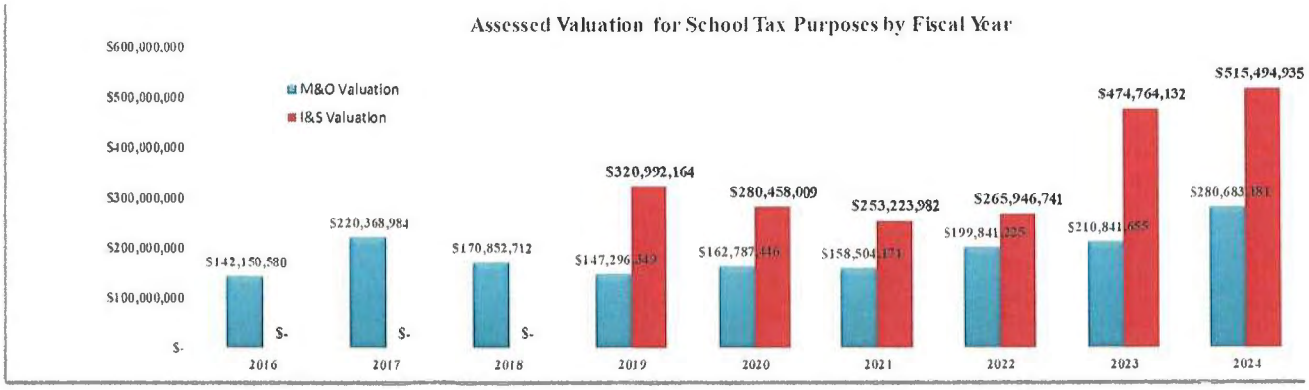
State funding in Texas is based upon the District's average daily attendance, thus the District's state revenue is highly dependent on enrollment trends. The District receives additional weighted funding for students enrolled in career and technology coursework, gifted and talented, special education, bilingual, and compensatory education programs. The demographics of the District continually change having an immediate impact on school finances. The following chart details the enrollment trends of the District.

ENROLLMENT TRENDS

Year	Enrollment	ADA
2020	104	95
2021	91	85
2022	95	87
2023	100	95
2024	104	96



The ability of the District to assess and generate property tax revenue depends on the valuation of property within the physical boundaries of the District. Following is a history of property valuation for tax purposes.



GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table indicates the net position at the end of the prior fiscal year and the current fiscal year.

Table I
Net Position

	Governmental Activities	
	2023	2024
Current and other assets	$ 7,374,071	$ 5,070,150
Capital assets	9,557,495	11,710,279
Deferred outflow of resources	756,060	682,107
Total assets & deferred outflows	**$ 17,687,626**	**$ 17,462,536**
Long-term liabilities	$ 7,953,026	$ 7,175,892
Other liabilities	479,361	167,889
Net pension liability	598,937	703,206
Net OPEB liability	480,197	389,850
Deferred inflow of resources	840,838	760,857
Total liabilities & deferred inflows	**$ 10,352,359**	**$ 9,197,694**
Net Position:		
Net Investment in Capital Assets	$ 1,621,610	$ 4,552,982
Restricted	2,629,694	763,778
Unrestricted	3,083,963	2,948,082
Total net position	**$ 7,335,267**	**$ 8,264,842**

The following table indicates the changes in net position for the current and prior fiscal years.

Table II
Changes in Net Position

	Governmental Activities	
	2023	2024
Program Revenues:		
Charges for Services	$ 17,492	$ 17,831
Operating grants & contributions	389,969	656,313
General Revenues:		
Maintenance & operations taxes	1,809,489	1,863,004
Debt service taxes	1,050,545	1,028,578
State aid - formula grants	226,812	112,886
Other Grants & Contributions	3,035	2,563
Investment earnings	388,399	339,013
Insurance Receovery and Miscellaneous	1,921,588	295,848
Total Revenues	**$ 5,807,329**	**$ 4,316,036**
Expenses		
Instruction	$ 1,268,216	$ 1,505,121
Instructional Resources & Media Services	8,691	7,011
Curriculum & Instructional Staff Development	6,405	8,762
Instructional Leadership	-	
School Leadership	127,753	135,283
Guidance, Counseling & Evaluation Services	82,027	92,539
Social Work Services		
Health Services	6,418	17,742
Student (Pupil) Transportation	93,861	89,528
Food Services	124,965	224,164
Extracurricular Activities	142,740	199,763
General Administration	229,410	322,398
Facilities Maintenance and Operations	308,943	338,618
Security and Monitoring Services	35,300	55,490
Data Processing Services	48,778	48,629
Community Services	-	
Debt Service - Interest on Long Term Debt	241,779	186,953
Debt Service - Bond Issuance Cost and Fees	78,693	1,153
Contracted Instructional Services Between Schools	59,219	62,807
Payments to Fiscal Agent/Member Districts of SSA	36,512	43,736
Other Intergovernmental Charges	64,820	61,284
Total Expenses	**$ 2,964,530**	**$ 3,400,981**
Increase in Net Position before transfers and special items	**$ 2,842,799**	**$ 915,055**
Transfers	-	-
Basis of Assets Disposed	-	-
Changes to Beginning Net Position	-	14,520
Net position at 9/1	4,492,468	7,335,267
Total Net Position	**$ 7,335,267**	**$ 8,264,842**

An analysis of the change in Government Wide Net Position is as follows:	
Excess of Revenues Over Expenditures for Governmental Funds	$ (1,856,511)
Current Year Purchases of Capital Assets	2,493,522
Current Year Debt Principal Payments	699,063
Depreciation	(340,738)
Other Modified to Full Accrual Revenue Adjustments	(72,387)
Net Adjustment to Pension Expense per GASB 68	(81,124)
Net Adjustments for OPEB Plan required by GASB 75	73,230
Change in Net Position of Governmental Activities	$ 915,055

THE DISTRICT'S FUNDS

A financial summary of the District's funds for the current year is as follows:

Governmental Fund Financial Statements

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Revenues	$ 2,724,868	$ 624,321	$ 1,105,987	$ 46,664	$ 4,501,840
Expenditures	(2,742,145)	(650,320)	(819,103)	(2,167,783)	(6,379,351)
Other Financing Sources	21,000	20,113	-	-	41,113
Other Financing Uses	(20,113)	-	-	-	(20,113)
Net Change in Fund Balance	$ (16,390)	$ (5,886)	$ 286,884	$ (2,121,119)	$ (1,856,511)
Increase in Beginning Fund Balance	-	14,520	-	-	14,520
Beginning Fund Balance	4,064,132	10,336	484,332	2,121,120	6,679,920
Ending Fund Balance All Governmental Funds	$ 4,047,742	$ 18,970	$ 771,216	$ 1	$ 4,837,929

The District did modify its budget during the year resulting in a net increase from the original adopted budget to the final amended budget. The original and final amended budgets are presented in the budget comparison schedules (Exhibits G-1, J-2, and J-3).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This year's major additions and the net change in total capital assets are as follows:

Current Year Capital Assets Additions and Deletions:

Scoreboard	$	14,174
Security Enhancements		79,146
Playground Canopy		5,289
Facilities Additions and Improvements		2,394,913
Total Additions	$	2,493,522
Total Deletions		
Net Change	$	2,493,522

Debt

The District's outstanding long-term debt as of the end of the current fiscal year is as follows:

Debt	Interest Rate on Issue	Amounts Original Issue	Interest Current Year	Outstanding End of Year	Next Year's Total Principal and Interest Requirement
2017 Building Bonds	2.0% - 3.0%	3,530,000	28,650	650,000	324,900
2022 Series Bonds	3.0% - 5.0%	4,050,000	139,000	3,705,000	299,750
2022B Series Bonds	4.00%	1,960,000	70,300	1,720,000	142,300
Dalhart Federal Savings, QSCB	1.45%	510,000	3,404	214,569	30,296
Wellington State, Loan	4.25%	511,261	6,624	149,924	43,015
Wellington State Dalhart, Loan	4.75%	218,973	8,736	118,785	18,270
Wellington State Dalhart, Loan	4.25%	497,320	7,209	139,769	43,015
Copiers - Benchmark	4.00%	46,415	1,101	25,984	12,576
TOTALS		$ 11,323,969	$ 265,024	$ 6,724,031	$ 914,122

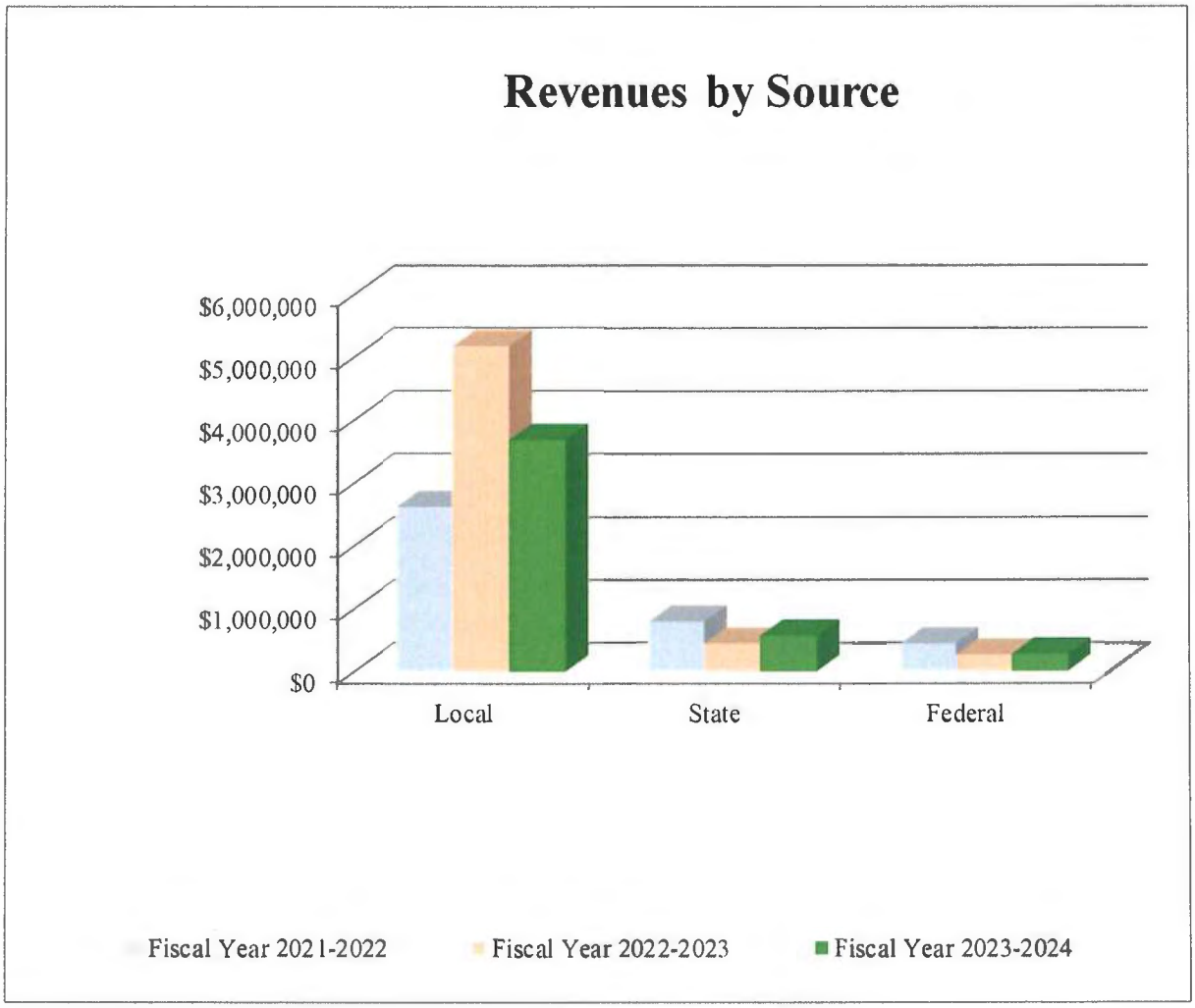
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the subsequent fiscal year budget and tax rates. Expected student enrollment and property valuations for tax purposes were factors considered in projecting expected revenue and expenditures when adopting the budget for next year. A summary of the subsequent fiscal year budget for funds legally required to be budgeted is as follows:

Fiscal Year 2024 - 2025 Adopted Budget			
	General Fund	Child Nutrition Fund	Debt Service Fund
Revenues	$ 2,345,777	$ 98,870	$ 951,341
Expenditures	(2,435,610)	(137,259)	(762,150)
Other Financing Sources	-	38,389	-
Other Financing Uses	(38,389)	-	-
Net Change in Fund Balance	$ (128,222)	$ -	$ 189,191
Beginning of Year Fund Balance	4,047,742	-	771,216
Projected End of Year Fund Balance	$ 3,919,520	$ -	$ 960,407

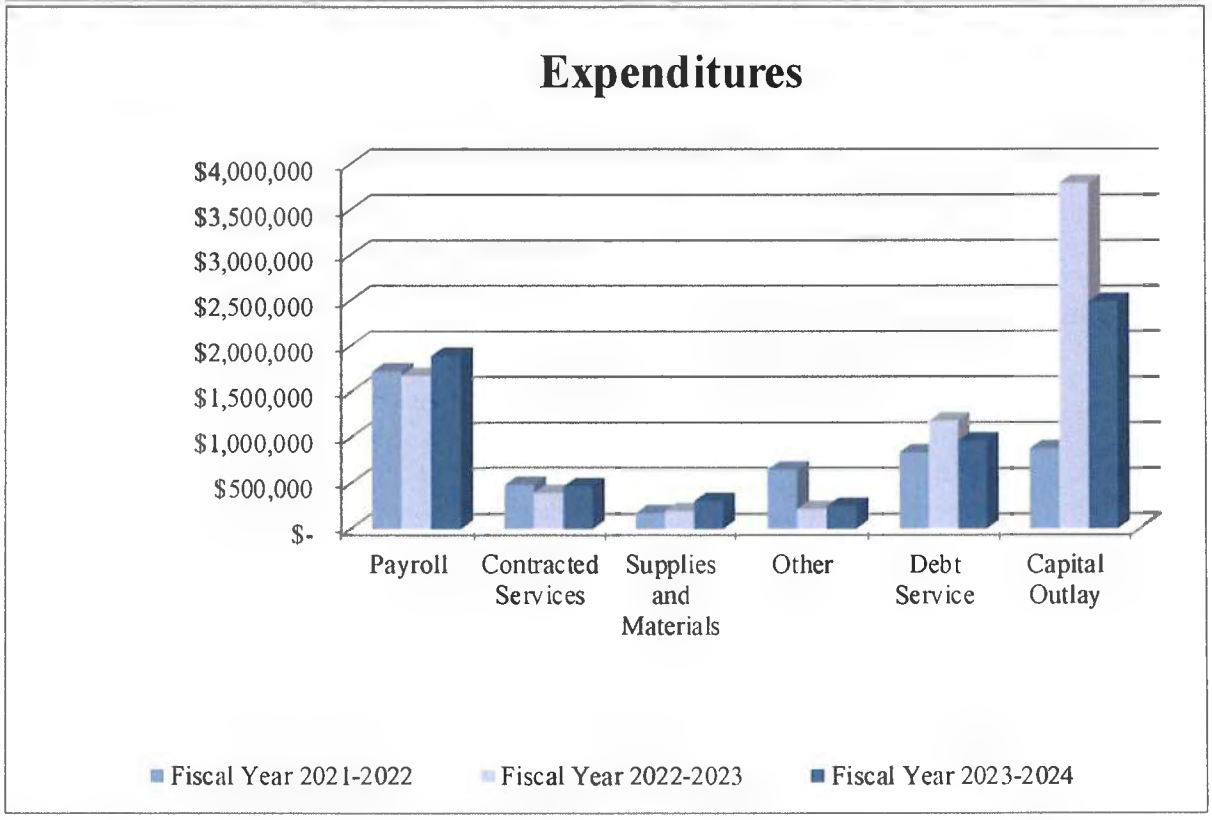
The following graph indicates the District's revenues by source for the last three years.

REVENUES BY SOURCE			
	Fiscal Year 2021-2022	Fiscal Year 2022-2023	Fiscal Year 2023-2024
ADA	95	100	104
Local	$2,617,834	$5,166,179	$3,673,732
State	787,781	442,224	561,216
Federal	433,838	257,778	266,892
Total	$3,839,453	$5,866,181	$4,501,840



The following graph indicates the District's expenditures by type for the last three years.

Expenditures By Type			
	Fiscal Year 2021-2022	Fiscal Year 2022-2023	Fiscal Year 2023-2024
Total Staff	31	28	29
Payroll	$ 1,729,298	$ 1,682,257	$ 1,899,720
Contracted Services	481,373	394,604	465,695
Supplies and Materials	172,913	195,682	305,990
Other	648,071	215,926	249,184
Debt Service	838,211	1,186,435	965,240
Capital Outlay	878,715	3,791,499	2,493,522
Total	$ 4,748,581	$ 7,466,403	$ 6,379,351



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, students and their parents, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at **Paint Creek Independent School District, 4485 FM 600, Haskell, Texas 79521; (940) 864-2471** or visit our website at http://www.paintcreek.esc14.net.

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2024

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 721,957
1120	Current Investments	4,245,042
1220	Property Taxes - Delinquent	85,776
1230	Allowance for Uncollectible Taxes	(21,444)
1240	Due from Other Governments	38,819
	Capital Assets:	
1510	Land	10,813
1520	Buildings, Net	11,449,367
1530	Furniture and Equipment, Net	226,892
1550	Right-to-Use Leased Assets, Net	23,207
1000	Total Assets	16,780,429
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflow Related to TRS Pension	326,299
1706	Deferred Outflow Related to TRS OPEB	355,808
1700	Total Deferred Outflows of Resources	682,107
LIABILITIES		
2110	Accounts Payable	7,600
2160	Accrued Wages Payable	109,638
2180	Due to Other Governments	39,119
2200	Accrued Expenses	10,336
2300	Unearned Revenue	1,196
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	689,207
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	6,486,685
2540	Net Pension Liability (District's Share)	703,206
2545	Net OPEB Liability (District's Share)	389,850
2000	Total Liabilities	8,436,837
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	38,355
2606	Deferred Inflow Related to TRS OPEB	722,502
2600	Total Deferred Inflows of Resources	760,857
NET POSITION		
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	4,552,982
	Restricted:	
3850	Restricted for Debt Service	763,777
3860	Restricted for Capital Projects	1
3900	Unrestricted	2,948,082
3000	Total Net Position	$ 8,264,842

The notes to the financial statements are an integral part of this statement.

EXHIBIT B-1

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		1	Program Revenues 3	4	Net (Expense) Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:					
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 1,505,121	$ -	$ 341,594	$ (1,163,527)
12	Instructional Resources and Media Services	7,011	-	263	(6,748)
13	Curriculum and Instructional Staff Development	8,762	-	2,715	(6,047)
23	School Leadership	135,283	-	13,393	(121,890)
31	Guidance, Counseling, and Evaluation Services	92,539	-	29,700	(62,839)
33	Health Services	17,742	-	-	(17,742)
34	Student (Pupil) Transportation	89,528	-	1,170	(88,358)
35	Food Services	224,164	634	123,724	(99,806)
36	Extracurricular Activities	199,763	8,322	2,097	(189,344)
41	General Administration	322,398	-	14,811	(307,587)
51	Facilities Maintenance and Operations	338,618	8,875	3,911	(325,832)
52	Security and Monitoring Services	55,490	-	121,949	66,459
53	Data Processing Services	48,629	-	986	(47,643)
72	Debt Service - Interest on Long-Term Debt	186,953	-	-	(186,953)
73	Debt Service - Bond Issuance Cost and Fees	1,153	-	-	(1,153)
91	Contracted Instructional Services Between Schools	62,807	-	-	(62,807)
93	Payments Related to Shared Services Arrangements	43,736	-	-	(43,736)
99	Other Intergovernmental Charges	61,284	-	-	(61,284)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 3,400,981	$ 17,831	$ 656,313	(2,726,837)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,863,004
DT	Property Taxes, Levied for Debt Service	1,028,578
SF	State Aid - Formula Grants	112,886
GC	Other Grants and Contributions	2,563
IE	Investment Earnings	339,013
MI	Miscellaneous Local and Intermediate Revenue	295,848
TR	Total General Revenues	3,641,892
CN	Change in Net Position	915,055
NB	Net Position - Beginning	7,335,267
PA	Prior Period Adjustment	14,520
NE	Net Position - Ending	$ 8,264,842

The notes to the financial statements are an integral part of this statement.

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2024

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 30,565	$ 670,108	$ -
1120	Investments - Current	4,144,905	100,136	1
1220	Property Taxes - Delinquent	70,901	14,875	-
1230	Allowance for Uncollectible Taxes	(17,725)	(3,719)	-
1240	Due from Other Governments	19,092	972	-
1260	Due from Other Funds	6,358	-	-
1000	Total Assets	$ 4,254,096	$ 782,372	$ 1
	LIABILITIES			
2110	Accounts Payable	$ 7,600	$ -	$ -
2160	Accrued Wages Payable	97,539	-	-
2170	Due to Other Funds	6,982	-	-
2180	Due to Other Governments	39,119	-	-
2200	Accrued Expenditures	1,938	-	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	153,178	-	-
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	53,176	11,156	-
2600	Total Deferred Inflows of Resources	53,176	11,156	-
	FUND BALANCES			
	Restricted Fund Balance:			
3470	Capital Acquisition and Contractural	-	-	1
3480	Retirement of Long-Term Debt	-	771,216	-
	Committed Fund Balance:			
3510	Construction	125,000	-	-
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	-	-	-
3600	Unassigned Fund Balance	3,922,742	-	-
3000	Total Fund Balances	4,047,742	771,216	1
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 4,254,096	$ 782,372	$ 1

The notes to the financial statements are an integral part of this statement.

	Other Funds	Total Governmental Funds
$	21,103	$ 721,776
	-	4,245,042
	-	85,776
	-	(21,444)
	18,755	38,819
	-	6,358
$	39,858	$ 5,076,327
$	-	$ 7,600
	12,099	109,638
	6,358	13,340
	-	39,119
	1,235	3,173
	1,196	1,196
	20,888	174,066
	-	64,332
	-	64,332
	-	|
	-	771,216
	-	125,000
	18,970	18,970
	-	3,922,742
	18,970	4,837,929
$	39,858	$ 5,076,327

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PAINT CREEK INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT C-2

	Total Fund Balances - Governmental Funds	$	4,837,929
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance for workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		-
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets less the accumulated depreciation increases net position. In addition, long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		1,604,469
3	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current fiscal year capital outlays and debt principal payments is to increase net position.		3,192,585
4	Recognition of the GASB 68 reporting requirements for the District's pension plan through TRS requires that additional items be reported in the government-wide statements. The District's share of the TRS pension plan resulted in a net pension liability, a deferred outflow related to the TRS pension, and a deferred inflow related to the TRS pension. This resulted in a reduction of reported ending net position.		(415,262)
5	Recognition of the GASB 75 reporting requirements for the District's OPEB plan through TRS-Care requires that additional items be reported in the government-wide statements. The District's share of the TRS-Care plan resulted in a net OPEB liability, a deferred outflow related to TRS OPEB, and a deferred inflow related to TRS OPEB. This resulted in a reduction of reported ending net position.		(756,544)
6	The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(340,738)
7	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of long-term debt issues as an increase in long-term liabilities, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		142,403
29	**Net Position of Governmental Activities**	$	8,264,842

The notes to the financial statements are an integral part of this statement.

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 2,499,666	$ 1,103,975	$ 46,664
5800	State Program Revenues	224,652	2,012	-
5900	Federal Program Revenues	550	-	-
5020	Total Revenues	2,724,868	1,105,987	46,664
	EXPENDITURES:			
	Current:			
0011	Instruction	1,063,280	-	-
0012	Instructional Resources and Media Services	7,263	-	-
0013	Curriculum and Instructional Staff Development	6,340	-	-
0023	School Leadership	130,628	-	-
0031	Guidance, Counseling, and Evaluation Services	67,263	-	-
0033	Health Services	17,742	-	-
0034	Student (Pupil) Transportation	61,103	-	-
0035	Food Services	1,014	-	-
0036	Extracurricular Activities	155,604	-	-
0041	General Administration	312,916	-	-
0051	Facilities Maintenance and Operations	450,251	-	-
0052	Security and Monitoring Services	7,015	-	-
0053	Data Processing Services	49,632	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	119,063	580,000	-
0072	Interest on Long-Term Liabilities	27,074	237,950	-
0073	Bond Issuance Cost and Fees	-	1,153	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	98,130	-	2,167,783
	Intergovernmental:			
0091	Contracted Instructional Services Between Schools	62,807	-	-
0093	Payments to Fiscal Agent/Member Districts of SSA	43,736	-	-
0099	Other Intergovernmental Charges	61,284	-	-
6030	Total Expenditures	2,742,145	819,103	2,167,783
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,277)	286,884	(2,121,119)
	OTHER FINANCING SOURCES (USES):			
7912	Sale of Real and Personal Property	21,000	-	-
7915	Transfers In	-	-	-
8911	Transfers Out (Use)	(20,113)	-	-
7080	Total Other Financing Sources (Uses)	887	-	-
1200	Net Change in Fund Balances	(16,390)	286,884	(2,121,119)
0100	Fund Balance - September 1 (Beginning)	4,064,132	484,332	2,121,120
1300	Increase (Decrease) in Fund Balance	-	-	-
3000	Fund Balance - August 31 (Ending)	$ 4,047,742	$ 771,216	$ 1

The notes to the financial statements are an integral part of this statement.

	Other Funds	Total Governmental Funds
$	23,427	$ 3,673,732
	334,552	561,216
	266,342	266,892
	624,321	4,501,840
	305,293	1,368,573
	-	7,263
	2,560	8,900
	8,839	139,467
	27,264	94,527
	-	17,742
	-	61,103
	147,817	148,831
	25,543	181,147
	11,055	323,971
	-	450,251
	121,949	128,964
	-	49,632
	-	699,063
	-	265,024
	-	1,153
	-	2,265,913
	-	62,807
	-	43,736
	-	61,284
	650,320	6,379,351
	(25,999)	(1,877,511)
	-	21,000
	20,113	20,113
	-	(20,113)
	20,113	21,000
	(5,886)	(1,856,511)
	10,336	6,679,920
	14,520	14,520
$	18,970	$ 4,837,929

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

Total Net Change in Fund Balances - Governmental Funds	$	(1,856,511)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance for workers compensation insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current fiscal year capital outlays and debt principal payments is to increase net position.		3,192,585
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(340,738)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(72,387)
Current year changes due to GASB 68 increased revenues, but also increased expenditures. The net effect on the change in the ending net position was a decrease in the change in net position.		(81,124)
GASB 75 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position. The net result is an increase in the change in net position.		73,230
Change in Net Position of Governmental Activities	$	915,055

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-1

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2024

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 181
Due from Other Funds	6,982
Total Assets	7,163
LIABILITIES	
Current Liabilities:	
Accrued Expenses	7,163
Total Liabilities	7,163
NET POSITION	
Restricted for Other Purposes	-
Total Net Position	$ -

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-2

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ 664
Total Operating Revenues	664
OPERATING EXPENSES:	
Payroll Costs	664
Total Operating Expenses	664
Operating Income	-
Total Net Position September 1 (Beginning)	-
Total Net Position August 31 (Ending)	$ -

The notes to the financial statements are an integral part of this statement.

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT D-3

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from Assessments - Other Funds	$ 750
Cash Payments for Insurance Claims	(664)
Net Cash Provided by Operating Activities	86
Net Increase in Cash and Cash Equivalents	86
Cash and Cash Equivalents at Beginning of Year	95
Cash and Cash Equivalents at End of Year	$ 181
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss):	$ -
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	298
Increase (decrease) in Accrued Claims Liability	(212)
Net Cash Provided by Operating Activities	$ 86
Reconciliation of Total Cash and Cash Equivalents:	
Cash and Cash Equivalents on Balance Sheet	$ 181
Pooled Cash and Cash Equivalents on Balance Sheet	-
Total Cash and Cash Equivalents	$ 181

The notes to the financial statements are an integral part of this statement.

EXHIBIT E-1

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2024

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	$ 9,214	$ 24,386
Total Assets	9,214	$ 24,386
NET POSITION		
Restricted for Scholarships	9,214	-
Restricted for Other Purposes	-	24,386
Total Net Position	$ 9,214	$ 24,386

The notes to the financial statements are an integral part of this statement.

EXHIBIT E-2

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Enterprising Services Revenue	$ 4,200	$ 45,648
Total Additions	4,200	45,648
DEDUCTIONS:		
Supplies and Materials	2,133	41,409
Total Deductions	2,133	41,409
Change in Fiduciary Net Position	2,067	4,239
Total Net Position September 1 (Beginning)	7,147	34,667
Prior Period Adjustment	-	(14,520)
Total Net Position August 31 (Ending)	$ 9,214	$ 24,386

The notes to the financial statements are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Paint Creek Independent School District (the "District") a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District applies current GASB criteria to potential component units and other related entities in evaluating the potential inclusion in the reporting entity. The criteria for inclusion in the reporting entity involves whether the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the District such that exclusion of such information would cause the District's financial statements to be incomplete. For the current fiscal year, the reporting entity of the District does not include any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Paint Creek Independent School District non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as inter-fund transfers. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Debt Service Fund – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. The fund was a major fund under governmental reporting standards for the current fiscal year.

Capital Projects Funds – Proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund when applicable. The fund was a major fund under governmental reporting standards for the current fiscal year.

The District does not maintain major enterprise funds.

Additionally, the District reports the following fund type(s):

Governmental Funds:

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

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund when applicable.

Capital Projects Funds – Proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund when applicable.

Proprietary Funds:

Enterprise Funds – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund when applicable.

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis (such as workers' compensation) are accounted for in an internal service fund when applicable.

Fiduciary Funds:

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. When applicable, the District maintains a private purpose trust fund to provide scholarships for students that have graduated from the District.

Custodial Funds – The District accounts for resources held for others in a custodial capacity in custodial funds including funds used to account for student activities.

Transactions between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds". While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in any business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

E. OTHER ACCOUNTING POLICIES

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

2. The District reports inventories of supplies using the first-in, first-out inventory cost method. The supplies include consumable maintenance, instructional, office, athletic, and transportation items. Under the purchase method, supplies are recorded as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Department of Agriculture and recorded as revenue and expenditures when received. Material inventories (if any) including food commodities are recorded as an asset and a corresponding amount of expenditures are reduced at year-end. The District had no material inventory amounts at the end of the current fiscal year.

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current period expenditures.
   In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

   Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

ASSETS	YEARS
Buildings	40
Building Improvements	30
Vehicles and Equipment	10
Right-to-Use Lease Assets	Lease Term
Subscription Based Information Technology Arrangements (SBITA) Assets	Subscription Term

6. Since Internal Service Funds in the District support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

7. Restricted assets, if applicable, of the District are limited to cash and certificates of deposit which have been gifted to the District with the stipulation that only the earnings are available for current and future scholarship recipients.

8. The District participates in a self-funded workers' compensation program which executes an inter-local agreements that defines the responsibilities of the parties. The program provides statutory workers' compensation benefits to its members and their injured employees.

9. Net Position and Fund Balances:

   Government-wide and Proprietary Fund Net Position:

   Government-wide and proprietary fund net position is divided into three components:
   - Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
   - Restricted net position—consist of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
   - Unrestricted—all other net position is reported in this category.

Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the District's state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees' ordinance.
- Assigned—Amounts that are designated by the Superintendent for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board of Trustees.
- Unassigned—All amounts not included in other spendable classification.

10. Use of Restricted Resources: When an expenditure/expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expenditure/expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

11. The District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Market Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

12. Investment income reported in one fund has not been assigned directly to another fund by the District.

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

14. Deferred Outflows of Resources: The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. No deferred outflows of resources affect the governmental funds financial statements in the current year. Deferred outflows of resources related to pension and other post-employment benefits reporting is presented in the government wide statements.

15. Deferred Inflow of Resources: The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future periods. The District will not recognize the related revenues until a future event occurs. The District reports various types of items which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Deferred property taxes and grants are reported in the governmental funds balance sheet. A deferred inflow related to pension and other post-employment benefits reporting is presented in the government wide statements.

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

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

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the Year	Historical Cost	Accumulated Depreciation	Net Value at Beginning of Year	Change in Net Position
Land	$ 10,813		$ 10,813	
Buildings and Improvements	8,020,216	(1,847,569)	6,172,647	
Equipment and Vehicles	495,773	(324,608)	171,165	
Right-to-Use Lease Assets	46,415	(11,604)	34,811	
SBITA Assets	-	-	-	
Construction in Progress	3,168,059	-	3,168,059	
Change in Net Position				$ 9,557,495

Long-Term Liabilities at the Beginning of the Year	Payable at Beginning of Year	
Bonds Payable	$ 6,655,000	
Notes Payable	731,671	
Unamortized Premium on Bonds	512,791	
Right-to-Use Lease Liabilities	36,423	
Accrued Interest - Bonds and Financed Purchase Obligations	17,141	
Change in Net Position		7,953,026
Net Adjustment to Net Position		**$ 1,604,469**

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position shown in Exhibit C-2 and Exhibit C-4. The details of this adjustment are as follows:

	Amount	Adjustments to Net Position	Adjustments To Changes in Net Position
Current Year Capital Outlay			
Buildings & Improvements	$ 2,394,913		
Equipment and Vehicles	98,609		
Total Capital Outlay	$ 2,493,522	$ 2,493,522	$ 2,493,522
Debt Principal Payments			
Bond Principal	$ 580,000		
Notes Principal	108,624		
Right-to-Use Lease Liabilities	10,439		
Total Principal Payments	$ 699,063	699,063	699,063
Total Adjustment to Net Position		$ 3,192,585	$ 3,192,585

Another element of the reconciliation on Exhibits C-2 and C-4 are described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details of this adjustment are as follows:

	Amount	Adjustments to Net Position	Adjustments to Change in Net Position
Adjustments to Revenue, Unearned Revenue, Beginning Net Position			
Begin Year Unearned Property Tax Revenue	$ 214,790	$ 214,790	$ -
Modified to Full Accrual Property Tax Adjustments	(150,458)	(150,458)	(150,458)
Reclassify Certain Expenditures to Full Accrual From Modified Accrual:			
Adjust Interest Expense on Long-term Debt	(1,454)	(1,454)	(1,454)
Current Year Amortization of Bond Premium	79,525	79,525	79,525
Totals		**$ 142,403**	**$ (72,387)**

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in the J Exhibits as reported in the required TEA Exhibits.

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

- Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

- Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. None of those amendments were significant.

- Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as adopted and amended by the Board of Trustees. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	End of Year Fund Balance
Appropriated Budget Special Revenue Funds	$ -
Non-appropriated Budget Special Revenue Funds	18,970
All Special Revenue Funds	$ 18,970

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Budget accountability and compliance details are disclosed in Section C of the Notes to Required Supplemental Information.

C. DEFICIT FUND EQUITY

The District did not incur a deficit fund balance in any fund during the current fiscal year.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The carrying amount of the District's cash and temporary investments at the end of the fiscal year follows:

Cash and Cash Equivalents by Type		End of Fiscal Year
Cash Deposits in Bank	$	755,557
Certificates of Deposit Maturity to 3 months		-
Total Cash and Cash Equivalents by Account Type	**$**	**755,557**

Cash and Cash Equivalents by Fund:	End of Fiscal Year
Cash and Cash Equivalents:	
General Fund	$ 30,565
Major Governmental Funds	670,108
Non-Major Governmental Funds	21,103
Cash and Investments - Proprietary Funds	
Internal Service Funds	181
Custodial Fund	24,386
Scholarship Funds	9,214
Total Cash and Cash Equivalents by Fund	**$ 755,557**

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's cash deposits subject to custodial credit risk at the date of the highest cash balance and at year end were:

Custodial Credit Risk		Highest Cash Balance		End of Fiscal Year
Name of Depository Bank: Vista Bank				
Total amount of FDIC Insurance (FDIC)	$	500,000	$	500,000
Securities Pledged		-		4,724,747
Letters of Credit		7,000,000		2,500,000
Total FDIC, Bond or Securities Pledged	$	7,500,000	$	7,724,747
Cash Deposits and Cash Investments in Bank	$	7,109,741	$	4,589,961
Excess or (Shortage) of Deposits compared to FDIC and Letter of Credit	**$**	**390,259**	**$**	**3,134,786**
The District's cash deposits were entirely covered by FDIC insurance, letters of credit, or other pledged securities by the Depository		**YES**		**YES**

Foreign Currency Risk: The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency.

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

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

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

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in commercial paper, corporate bonds, and mutual bond funds to the top 2 or 3 ratings issued by nationally recognized statistical rating organizations (NRSROs). As of the current fiscal year, the district's investments were rated by Standard & Poor's, Fitch Ratings, etc.

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires

counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer to 20% when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government.

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments: The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding all investments denominated in a foreign currency.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.
The *Texpool* investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. Texpool 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 markets, general banking moratorium or national state of emergency that affects the pool's liquidity. Texpool is subject to regulatory oversight by the State Treasurer, although it is not registered with the Securities and Exchange Commission.

As of the end of the current fiscal year, the District had the following investments:

Investments	End of Fiscal Year Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)	Fair Value Measurements Using: Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost -							
Investment pools:							
Texpool	$ 457,350	$ -	$ -	$ -	10.77%	36	AAAm*
Investments measured by fair value level -							
Money Market Indexed Accounts	3,787,692	-	3,787,692	-	89.23%	3	BBB+ to AA-
Total Investments	$ 4,245,042	$ -	$ 3,787,692	$ -	100.00%		

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

Inter-fund balances at year-end and the purpose consisted of the following amounts:

FUND TYPE	Due From Other Funds	Due To Other Funds	Purpose of Due To / From
Governmental Fund Types			
General Fund	$ 6,358	$ 6,982	Short-term advances to other funds as explained below.
Special Revenue Funds	-	6,358	Short-term funding for unreimbursed grant costs
Proprietary Fund Types			
Internal Service Funds	6,982	-	Unfunded workers compensation cost for claims incurred but not reported.
Fiduciary Fund Types			
Custodial Funds	-	-	
Private Purpose Trust Funds	-	-	
Total Interfund Receivables / Payables	$ 13,340	$ 13,340	

All interfund balances are expected to be satisfied in the subsequent fiscal year.

Inter-fund transfers for the current year and the purpose consisted of the following:

FUND	Transfers In	Transfers Out	Purpose of Transfer
Governmental Fund Types			
General Fund	$ -	$ 20,113	Transfers to food service as explained below
Special Revenue Funds	20,113	-	Transfers to food service to fund costs in excess of revenues received from program activities
Debt Service Fund	-	-	
Capital Projects Fund	-	-	
Proprietary Fund Types			
Internal Service Funds	-	-	
Fiduciary Fund Types			
Custodial Funds	-	-	
Private Purpose Trust Funds	-	-	
Total Transfers	**$ 20,113**	**$ 20,113**	

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at year-end were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	$ 70,901	$ 19,092	$ 6,358	$ -	$ 96,351
Other Major Governmental Funds	14,875	972	-	-	15,847
Non-major Governmental Funds	-	18,755	-	-	18,755
Internal Service Funds	-	-	6,982	-	6,982
Total Governmental Activities	$ 85,776	$ 38,819	$ 13,340	$ -	$ 137,935
Amounts not scheduled for collection during subsequent year	$ -	$ -	$ -	$ -	$ -

Payables at year-end were as follows:

	Accounts Payable	Accrued Wages Payable	Payroll Liabilities and Accrued Expenditures	Due To Other Funds	Due to Other Governments	Total Payables
Governmental Activities:						
General Fund	$ 7,600	$ 97,539	$ 1,938	$ 6,982	$ 39,119	$ 153,178
Other Major Governmental Funds	-	-	-	-	-	-
Non-major Governmental Funds	-	12,099	1,235	6,358	-	19,692
Internal Service Funds	-	-	7,163	-	-	7,163
Total Governmental Type Activities	$ 7,600	$ 109,638	$ 10,336	$ 13,340	$ 39,119	$ 180,033
Amounts not scheduled for payment during subsequent year	$ -	$ -	$ -	$ -	$ -	$ -

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the current year was as follows:

	Primary Government			
	Beginning Balance	Additions	Deletions, Reclassifications, Prior Period Adjustments	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 10,813	$ -	$ -	$ 10,813
Construction In Progress	3,168,059	-	(3,168,059)	-
Capital Assets Being Depreciated:				
Buildings and Improvements	8,020,216	2,394,913	3,168,059	13,583,188
Equipment and Vehicles	495,773	98,609	-	594,382
Right-to-Use Lease Assets	46,415	-	-	46,415
SBITA Assets	-	-	-	-
Totals at Historic Cost	$ 11,741,276	$ 2,493,522	$ -	$ 14,234,798
Less Accumulated Depreciation / Amortization:				
Buildings and Improvements	$ 1,847,569	$ 286,252	$ -	$ 2,133,821
Equipment and Vehicles	324,608	42,882	-	367,490
Right-to-Use Lease Assets	11,604	11,604	-	23,208
SBITA Assets	-	-	-	-
Total Accumulated Depreciation	$ 2,183,781	$ 340,738	$ -	$ 2,524,519
Governmental Activities Capital Assets-Net	$ 9,557,495	$ 2,152,784	$ -	$ 11,710,279

Depreciation expense was charged to governmental activities functions as follows:	
Instruction	$ 168,352
Student (Pupil) Transportation	29,546
Food Services	74,858
Extracurricular Activities	34,505
General Administration	1,458
Facilities Maintenance and Operations	26,403
Security and Monitoring	5,616
In addition, depreciation on capital assets held by the District's Internal Service Fund(s) is charged to the various functions based on their usage of the assets	-
Total Depreciation Expense - Governmental Activities	$ 340,738

The District has no capital assets that are not being depreciated as of the current fiscal year end except for land and construction in progress as previously disclosed.

Intangible Right-to-Use Assets

The District applies the guidance in GASBS No. 87, Leases, and recognizes the value of copiers in reporting right-to-use lease assets. During the current fiscal year, the District had a lease agreement in place for copiers. Terms of the lease are described in Note H.

Subscription Based Information Technology Arrangements Liabilities

The District also applies the guidance in **GASBS 96** *Subscription Based Information Technology Arrangements* (SBITA's). No material software arrangements were identified by the District. As such, no SBITA assets were recorded and amortized over the subscription term.

G. SHORT-TERM DEBT PAYABLE

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans are shown in the governmental fund financial statements as Other Resources and principal payments are shown as Other Uses. The District had no short-term debt payable at any time during the current year.

H. LONG-TERM OBLIGATIONS and AMOUNTS DUE WITHIN ONE YEAR

The following is a summary of long-term obligations activity for the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, Notes, Finance Purchase Obligations:					
General Obligation Bonds	$ 6,655,000	$ -	$ 580,000	6,075,000	$ 545,000
Tax Notes & Lease Revenue Bonds	731,671	-	108,624	623,047	113,825
Right-To-Use Lease Liabilities	36,423	-	10,439	25,984	11,787
Total Bonds, Notes, FPO's	$ 7,423,094	$ -	$ 699,063	$ 6,724,031	$ 670,612
Other Liabilities:					
Premium on Bond Issuance	$ 512,791	$ -	$ 79,525	433,266	$ -
Accrued Interest Payable	17,141	265,377	263,923	18,595	18,595
Total Other Liabilities	$ 529,932	$ 265,377	$ 343,448	$ 451,861	$ 18,595
Total Governmental Activities Long-Term Obligations	$ 7,953,026	$ 265,377	$1,042,511	$ 7,175,892	$ 689,207
			Long-Term Obligations due in more than one year		6,486,685
			Total Long-Term Obligations		**$ 7,175,892**

Long-term debt obligation details are as follows:

Debt Payable - Governmental Activities:

Description	Interest Rate	Original Issue / NPV at Origination	Interest Current Year	Begin Year Balance	Additions	Reductions	End of Fiscal Year Balance
General Obligation Bonds:							
2017 Building Bonds	2.0% - 3.0%	$ 3,530,000	$ 28,650	$ 955,000	$ -	$ 305,000	$ 650,000
2022 Series Bonds	3.0% - 5.0%	4,050,000	139,000	3,905,000	-	200,000	3,705,000
2022B Series Bonds	4.00%	1,960,000	70,300	1,795,000	-	75,000	1,720,000
Total General Obligation Bonds			$ 237,950	$ 6,655,000	$ -	$ 580,000	$ 6,075,000
Premium on Bond Issuance				$ 512,791	$ -	$ 79,525	$ 433,266
Tax Notes and Revenue Bonds							
Dalhart Federal Savings, QSCB	1.45%	$ 510,000	$ 3,404	$ 241,461	$ -	$ 26,892	$ 214,569
Wellington State, Loan	4.25%	511,261	6,624	186,316	-	36,392	149,924
Wellington State Dalhart, Loan	4.75%	218,973	8,736	128,319	-	9,534	118,785
Wellington State Dalhart, Loan	4.25%	497,320	7,209	175,575	-	35,806	139,769
Total Tax Notes and Lease Revenue Bonds			$ 25,973	$ 731,671	$ -	$ 108,624	$ 623,047

Right-to-Use Lease Liabilities								
Copiers - Benchmark	4.00%	$ 46,415	$ 1,101	$ 36,423	$ -	$ 10,439	$ 25,984	
Total Right-to-Use Lease Liabilities			$ 1,101	$ 36,423	$ -	$ 10,439	$ 25,984	
Total Long-Term Debt Payable - Governmental Activities			$ 265,024	$ 7,423,094	$ -	$ 699,063	$ 6,724,031	

Annual debt service requirements for each long-term obligation type is as follows:

	General Obligation Bonds		Notes and Revenue Bonds		Finance Purchase Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 545,000	$ 221,950	$ 113,825	$ 20,771	$ -	$ -
2026	515,000	202,150	117,935	16,662	-	-
2027	500,000	180,377	122,207	12,389	-	-
2028	480,000	151,000	102,137	7,438	-	-
2029	455,000	132,300	44,207	4,360	-	-
2030-2034	2,175,000	411,675	122,736	6,147	-	-
2035-2039	1,405,000	69,775	-	-	-	-
2040-2044	-	-	-	-	-	-
Subsequent	-	-	-	-	-	-
Totals	$ 6,075,000	$ 1,369,227	$ 623,047	$ 67,767	$ -	$ -

	Right-to-Use Leases		SBITA Liabilities		Totals - All Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 11,787	$ 789	$ -	$ -	$ 670,612	$ 243,510
2026	12,267	309	-	-	645,202	219,121
2027	1,930	136	-	-	624,137	192,902
2028	-	-	-	-	582,137	158,438
2029	-	-	-	-	499,207	136,660
2030-2034	-	-	-	-	2,297,736	417,822
2035-2039	-	-	-	-	1,405,000	69,775
2040-2044	-	-	-	-	-	-
Subsequent	-	-	-	-	-	-
Totals	$ 25,984	$ 1,234	$ -	$ -	$ 6,724,031	$ 1,438,228

In prior years, the District has not defeased general obligation bonds. There are a number of limitations and restrictions contained in the general obligation bonds, revenue bonds, and QSCB note agreements. The District is in compliance with all significant limitations and restrictions at year-end.

Intangible Right-to-Use Lease Liabilities

The District applies the guidance of GASB Statement No. 87, *Leases*, for accounting and reporting leases that had previously been reported as operating leases.

Copier Leases

The District leases a variety of copier/printers from Benchmark for a term of 63 months. The District's copiers lease requires a minimum monthly lease payment of $1,048, plus additional charges for excess usage and maintenance. For purposes of discounting future payments on the lease, the District applied an interest rate (4%) on its financing agreements to determine an appropriate discount rate. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note F.

Subscription Based Information Technology Arrangements Liabilities
The District also applies the guidance in **GASBS 96** *Subscription Based Information Technology Arrangements* (SBITA's). No material SBITA assets or liabilities existed during this fiscal year.

I. COMMITMENTS UNDER SHORT-TERM LEASES

Commitments and payments under short-term lease agreements (term 12 months or less) for equipment are reported as rental expenditures in the applicable functional category based on the applicable usage.

J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in "lump sum" cash payment to such employee or his/her estate. Individuals employed after October 1, 1985, are not eligible to receive the lump sum payments. The District did not have any accumulated compensated absence payable amounts at the end of the fiscal year.

K. HEALTH CARE COVERAGE

The District provided health insurance coverage for employees under the provisions of the Teacher Retirement System of Texas (TRS) active care health insurance plan during the current year. The District paid monthly premiums for covered employees to the plan. Employees, at their option, authorized payroll withholdings to pay premiums in excess of the amount paid by the District as set by policy. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

L. DEFERRED INFLOWS / UNAVAILABLE REVENUE – GOVERNMENTAL FUND STATEMENTS

Deferred Inflows / Unavailable revenue at year-end consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Deferred Inflows:				
Unavailable Revenue - Property Taxes	$ 53,176	$ -	$ 11,156	$ 64,332
Unearned Revenue:				
State and Federal Grants	-	1,196	-	1,196
Other	-	-	-	-
Total Deferred Inflows / Unearned Revenues	$ 53,176	$ 1,196	$ 11,156	$ 65,528

M. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments at year end are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as "Due from State Agencies" except for some federal programs which are received directly from the federal government for grants such as the REAP Program.

FUND	Due from State - Foundation Revenue	Due from Pass Through Grantor Agencies	Due from Tax Collector / Appraisal District	Other	TOTAL
General	$ 15,554	$ -	$ 3,538	$ -	$ 19,092
Special Revenue	-	18,755	-	-	18,755
Debt Service	-	-	972	-	972
Totals	$ 15,554	$ 18,755	$ 4,510	$ -	$ 38,819

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	$ 1,961,168	$ -	$ 1,048,793	$ -	$ 3,009,961
Property Tax Penalty and Interest	25,190	-	6,888	-	32,078
Investment Income	244,055	-	48,294	46,664	339,013
Charges - Food Service & Athletic Events	8,322	634	-	-	8,956
Donations and Private Grants	45,334	-	-	-	45,334
Insurance Recovery	106,722	-	-	-	106,722
Tax Abatement Contract Revenues	100,000	-	-	-	100,000
Other Miscellaneous Revenues	8,875	22,793	-	-	31,668
Totals	$ 2,499,666	$ 23,427	$ 1,103,975	$ 46,664	$ 3,673,732

O. LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is aware of potential exposure to claims related to these areas; however, legal counsel and the District do not expect any financial exposure to assets of the District.

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District has significant commitments at year end for a facilities improvement project that is being funded from bond proceeds issued. Bond proceeds are expected to fully fund the project.

Q. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District is a member of various shared services arrangements (SSA's) that are accounted for using Model 3 in the Texas Education Agency (TEA) accounting guide for school districts. The SSA's provides services for member districts. Other districts serve as the fiscal agent for the SSA's. In addition to the District, other member districts participate in the shared services arrangements also. The fiscal agent for each SSA provides SSA services. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the fiscal agent for each SSA has accounted for the fiscal agent's activities of the SSA in special revenue funds. The Shared Services Arrangements listed below have been accounted for used Model 3 in the SSA section of the Resources Guide. The District has accounted for the payments to the fiscal agent in the General Funds No. 199 as intergovernmental expenditures (function 93). A chart detailing the District's participation in those shared services arrangements is a follows:

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent Special Revenue Fund	District Fund	Program Expenditures Current Year
Haskell-Knox Special Education SSA	Special Education	Knox City - O'Brien CISD	Special Education	437	199	$ 41,986
Abstinence Education SSA	Compensatory	Rotan ISD	Local	457	199	1,750
						-
		TOTAL FUNCTION 93 EXPENDITURES				$ 43,736

The District also participates in shared service arrangements with other school districts for various educational activities. In addition to the District, other member districts participate in the educational cooperatives and the fiscal agent provides SSA services. The funding for each activity is received by the fiscal agent from the grantor agency. The fiscal agent then provides the funds to the member districts. According to guidance provided in TEA's Resource Guide, the Fiscal Agent has accounted for the fiscal agent's activities of the SSA in a Special Revenue Fund. The Shared Services Arrangements has been accounted for using Model 1 in the SSA section of the TEA Resource Guide. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the shared service arrangements in which the District participates and the extent of funding received and expended under each program.

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Special	Expenditures
Region 14 ESC	General Education	Region 14	ESEA, Title II, Part A	255	$ 6,181
Region 14 ESC	CTE	Region 14	Career and Technical	244	2,560
Region 14 ESC	General Education	Region 14	ESEA, Title IV, Part A	289	9,983

R. SUBSEQUENT EVENTS

In preparing the basic financial statements, District administration has evaluated events and transactions for potential recognition or disclosure through November 18, 2024, the date this Annual Financial Report was available to be issued.

S. RELATED ORGANIZATIONS

The District at present does not maintain an Educational Foundation and it does not receive material support from related entities as defined under governmental accounting and reporting standards. These entities are usually established as a not-for-profit entity to provide assistance and support for teachers and students to develop special programs and projects and other school district supported activities.

T. RELATED PARTY TRANSACTIONS

The District did not incur any material reportable related party transactions or balances as of and during the current year.

U. FUND BALANCE / NET POSITION ADJUSTMENTS

The District reports fund balance and net position adjustments during the current fiscal year as follows:

Governmental Fund Balance	General Fund	Special Revenue Funds	Debt Service Fund	Total
Increase (Decrease) Begin Year Fund Balance:				
Reclassification of student activity funds as campus activity funds that were previously reported as custodial funds in accordance with GASB 84.	$ -	$ 14,520	$ -	$ 14,520
Total Governmental Fund Balance Adjustments	$ -	$ 14,520	$ -	$ 14,520

Government Wide Net Position	Govenmental Activities	
Increase (Decrease) Beginning of Year Net Position:		
Reclassification of student activity funds as campus activity funds that were previously reported as custodial funds in accordance with GASB 84.	$ 14,520	
Total Prior Period Adjustments - Government Wide Net Position		$ 14,520

V. RISK MANAGEMENT - WORKERS COMPENSATION / PROPERTY & CASUALTY / UNEMPLOYMENT

Workers' Compensation Program

In prior years, the District established a self-insurance plan for workers' compensation benefits as authorized by Section 504.011 of the Labor Code. The District participates in this plan (West Texas Educational Insurance Association self-funded workers' compensation program) along with other participating entities. The District contributes annual amounts determined by Claims Administrative Services, Inc. As claims arise, they are submitted to and paid by Claims Administrative Services, Inc. on behalf of the District under terms of a contractual agreement. According to state statute, the District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Coverage was in effect for specific occurrences exceeding $225,000 and aggregate retention at $2,000,000.

The costs associated with this self-insurance plan are reported as Interfund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund. The liabilities of the plan include incurred but not reported claims. These liabilities reported in the funds are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers' compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their present value using an expected future investment yield assumption.

Estimates of claims payable and of claims incurred, but not reported at August 31 are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. Changes in the balances of claims liabilities during the past year are as follows:

	Previous Fiscal Year	Current Fiscal Year
Unpaid claims, beginning of year	$ 6,937	$ 7,375
Incurred claims (including IBNR'S)	1,176	448
Claim Payments	(738)	(660)
Unpaid claims, end of year	$ 7,375	$ 7,163

Property Program

During the current fiscal year, the District participated in the TASB Risk Management Fund's (the Fund's) Property Program with coverage in

- Crime
- Equipment Breakdown
- Property

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current fiscal year, the Fund anticipates the District has no additional liability beyond the contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31 each year, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the current fiscal year ended August 31, the District provided unemployment compensation coverage to its employees through participation in 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. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31 of

each fiscal year are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The fund was created and is operated under the provisions of the Interlocal Cooperation Act. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current fiscal year ended, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

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

W. DEFINED BENEFIT PENSION PLAN

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

Plan Description. Paint Creek Independent School District (ACFR) District participates in a cost-sharing multiple-employer defined benefit pension plan 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

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

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefit to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provision 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 post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature

as noted in the Plan description above.

Texas Government Code, Title 8, Section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

Contributions. Contribution requirements are established or amended pursuant to 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent 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 can be found in the TRS 2023 ACFR, Note 11, on page 88.

The following table shows contribution rates by type of contributor for the fiscal years 2023 and 2024 and the contributions by type of contributions reported by TRS which were received by TRS during the TRS measurement year (FY 2023). The reported contributions from the member and the employers are included in the calculation of the district's proportionate share of the net pension liability.

	Contribution Rates	
	2023	**2024**
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%

Current fiscal year employer contributions	$	59,636
Current fiscal year member contributions	$	109,760
2023 measurement year NECE on-behalf contributions	$	73,744
Payments made by the State On-Behalf of the District for Medicare, Part D:		
Fiscal year 2022 Medicare, Part D On-Behalf	$	5,155
Fiscal year 2023 Medicare, Part D On-Behalf	$	6,057
Fiscal year 2024 Medicare, Part D On-Behalf	$	7,130

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. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.8 percent of the members' salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025. This surcharge amount is 1.9% for fiscal year 2023.
- 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.

Net Pension Liability

Components of the net pension liability of the plan as of August 31, 2023 are disclosed below: (From TRS Annual Comprehensive Financial Report 2023, p. 89.)

Table 11.E.1: Net Pension Liability

Components of Liability		Amount
Total Pension Liability	$	255,860,886,500
Less: Plan Fiduciary Net Position		(187,170,535,558)
Net Pension Liability	**$**	**68,690,350,942**
Net Position as Percentage of Total Pension Liability		**73.15 %**

Actuarial Assumptions.

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the 2023 TRS ACFR, Note 11, page 89.

Table 11.F.1: Actuarial Methods and Assumptions

Component	Result
Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2023	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
Ad hoc post-employment benefit changes	None

The actuarial methods and 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 TRS actuarial valuation report dated November 22, 2022.

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

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

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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 (see page 56 of the 2023 TRS ACFR) are summarized below:

Table 3.A.1: Asset Allocations

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0 %	4.0 %	1.0 %
Non-US Developed	13.0	4.5	0.9
Emerging Markets	9.0	4.8	0.7
Private Equity*	14.0	7.0	1.5
Stable Value			
Government Bonds	16.0	2.5	0.5
Absolute Return*	0.0	3.6	0.0
Stable Value Hedge Funds	5.0	4.1	0.2
Real Return			
Real Estate	15.0	4.9	1.1
Energy, Natural Resources & Infrastructure	6.0	4.8	0.4
Commodities	0.0	4.4	0.0
Risk Parity	8.0	4.5	0.4
Asset Allocation Leverage			
Cash	2.0	3.7	0.0
Asset Allocation Leverage	(6.0)	4.4	(0.1)
Inflation Expectation			2.3
Volatility Drag****			(0.9)
Expected Return	**100.0 %**		**8.0 %**

*Absolute Return includes Credit Sensitive Investments.

**Target allocations are based on the FY2023 policy model.

***Capital Market Assumptions come from Aon Hewitt (as of 6/30/2023)

****The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following table presents the District's net pension liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	$ 1,051,332	$ 703,206	$ 413,739

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2024, Paint Creek Independent School District reported a liability of $703,206 for its proportionate share of the TRS's net pension liability.

This liability reflects a reduction for State pension support provided to Paint Creek Independent School District. The amount recognized by Paint Creek Independent School 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 Paint Creek Independent School District were as follows:

District's proportionate share of the collective net pension liability	$ 703,206
State's proportionate share that is associated with the District	985,457
Total	$ 1,688,663

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 plan relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

At August 31, 2023 the employer's proportion of the collective net pension liability was 0.0010237330% which was an increase(decrease) of 0.0.0000148691% from its proportion measured as of August 31, 2022.

Changes In Actuarial Assumptions 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.

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

For the year ended August 31, 2024, Paint Creek Independent School District recognized pension expense of $289,555 and revenue of $148,795 for support provided by the State in the Government Wide Statement of Activities.

Year Ended August 31, 2024 pension expense	$ 289,555
Revenue for support provided by the State	$ 148,795

At August 31, 2024, Paint Creek Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be he cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	$ 25,055	$ 8,515
Changes in actuarial assumptions	66,509	16,276
Differences between projected and actual investment earnings	102,334	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	72,765	13,564
Total as of August 31, 2023 measurement date	$ 266,663	$ 38,355
Contributions paid to TRS subsequent to the measurement date	59,636	
Total as of fiscal year-end	**$ 326,299**	**$ 38,355**

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized by the district in pension expense as follows:

Fiscal year ended August 31,	Pension Expense
2025	$ 49,470
2026	35,137
2027	101,753
2028	38,544
2029	3,405
Thereafter	(1)

X. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Summary of Significant Accounting Policies. 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.

Plan Description. The Paint Creek Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined benefit other post-employment (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

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

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

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

The premium rates for retirees are presented 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

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available

funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates. Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor as reported for the district by TRS for the TRS measurement year. The district and member contributions reported are included in the calculation of the district's proportionate share of the Net TRS-Care liability for the measurement period.

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

2023 Employer Contributions	$	16,453
2023 Member Contributions	$	8,648
2023 NECE On-behalf Contributions	$	18,433

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

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

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

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

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

Table 9.F.1: Actuarial Methods and 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 claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

From 2023 TRS ACFR, Note 9, page 79.

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.25 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 13 years.

Discount Rate. A single discount rate of 4.13 percent was used to measure the total OPEB liability. This was an increase of 0.22 percent in the discount rate since the previous year. The Discount Rate can be found in the 2023 TRS ACFR on page 80. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023, using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Sensitivity of the Net OPEB Liability:

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

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
Proportionate share of the net OPEB liability	$ 459,162	$ 389,850	$ 333,289

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	$ 321,022	$ 389,850	$ 478,397

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2024, Paint Creek Independent School District reported a liability of $389,850 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 Paint Creek Independent School District were as follows:

District's proportionate share of the collective net OPEB liability	$ 389,850
State's proportionate share that is associated with the District	470,414
Total	$ 860,264

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

At August 31, 2023 the employer's proportion of the collective net OPEB liability was 0.00176909735% compared to the 0.0017634188% as of August 31, 2022. This is an increase (decrease) of (0.0000024453)%.

Changes in 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: These can be found in the 2023 TRS ACFR on page 80.

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

Changes in Benefit Terms: There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2024, Paint Creek Independent School District recognized OPEB expense of $(157,341) and revenue of $(100,564) for support provided by the State.

At August 31, 2024, Paint Creek Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	$ 17,638	$ 327,985
Changes in actuarial assumptions	53,212	238,715
Differences between projected and actual investment earnings	169	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	268,336	155,802
Contributions paid to TRS subsequent to the measurement date	16,453	
Total as of fiscal year-end	**$ 355,808**	**$ 722,502**

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized by the district in OPEB expense as follows:

Fiscal year ended August 31,	OPEB Expense Amount
2025	$ (89,226)
2026	(71,346)
2027	(47,138)
2028	(43,621)
2029	(33,599)
Thereafter	(98,217)

Y. TAX ABATEMENT / LIMITATION AGREEMENTS

The Paint Creek ISD Board of Trustees has approved agreements with multiple companies for "Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes" pursuant to Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. Those agreements qualified for a tax limitation agreement under Texas Tax Code §313.024(b)(5) as renewable energy electric generation projects.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The projects under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

To qualify for a value limitation agreement, the companies are required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreements were found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, the agreements, and state reporting requirement documentation can be viewed at the Texas Comptroller's website.

Disclosures for each agreement / project is as follows:

Current Year Status - Tax Limitation Agreements	CED Alamo 7, LLC	IP Quantum, LLC	Azure Sky Solar Project, LLC
Agreement date	10/19/2015	03/21/2022	08/17/2020
Project Type	Renewable Energy Generation - Solar	Renewable Energy Generation (Non-Wind)	Renewable Energy Generation (Non-Wind)
First tax year of qualifying time period	2016	2026	2021
First tax year of limitation period	2017	2028	2022
Last tax year of limitation period	2025	2037	2031
Last tax year viable presence required	2031	2042	2032
Project limitation amount during limitation period	$ 20,000,000	$ 25,000,000	$ 25,000,000
Project limitation amount - current year	$ 20,000,000	n/a	$ 25,000,000
Company supplemental payment to District	$ 50,000	$ 50,000	$ 50,000

Total maintenance and operation taxes abated during the current fiscal year were $1,571,360.

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REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT G-1

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,865,769	$ 2,380,769	$ 2,499,666	$ 118,897
5800	State Program Revenues	107,686	209,601	224,652	15,051
5900	Federal Program Revenues	1,000	1,000	550	(450)
5020	Total Revenues	1,974,455	2,591,370	2,724,868	133,498
	EXPENDITURES:				
	Current:				
0011	Instruction	1,052,508	1,097,424	1,063,280	34,144
0012	Instructional Resources and Media Services	8,673	8,673	7,263	1,410
0013	Curriculum and Instructional Staff Development	7,642	8,642	6,340	2,302
0023	School Leadership	135,645	137,295	130,628	6,667
0031	Guidance, Counseling, and Evaluation Services	71,041	71,316	67,263	4,053
0033	Health Services	16,970	18,170	17,742	428
0034	Student (Pupil) Transportation	63,383	73,383	61,103	12,280
0035	Food Services	539	1,089	1,014	75
0036	Extracurricular Activities	120,899	180,899	155,604	25,295
0041	General Administration	291,913	322,188	312,916	9,272
0051	Facilities Maintenance and Operations	333,544	475,404	450,251	25,153
0052	Security and Monitoring Services	9,000	11,000	7,015	3,985
0053	Data Processing Services	50,432	51,432	49,632	1,800
	Debt Service:				
0071	Principal on Long-Term Liabilities	156,997	141,694	119,063	22,631
0072	Interest on Long-Term Liabilities	-	30,303	27,074	3,229
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	110,000	98,130	11,870
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	28,390	75,390	62,807	12,583
0093	Payments to Fiscal Agent/Member Districts of SSA	43,486	43,736	43,736	-
0099	Other Intergovernmental Charges	75,750	75,750	61,284	14,466
6030	Total Expenditures	2,466,812	2,933,788	2,742,145	191,643
1100	Excess (Deficiency) of Revenues Over Expenditures	(492,357)	(342,418)	(17,277)	325,141
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	21,000	21,000	-
8911	Transfers Out (Use)	(24,089)	(34,089)	(20,113)	13,976
7080	Total Other Financing Sources (Uses)	(24,089)	(13,089)	887	13,976
1200	Net Change in Fund Balances	(516,446)	(355,507)	(16,390)	339,117
0100	Fund Balance - September 1 (Beginning)	4,064,132	4,064,132	4,064,132	-
3000	Fund Balance - August 31 (Ending)	$ 3,547,686	$ 3,708,625	$ 4,047,742	$ 339,117

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Pension Liability (Asset)	0.001023733%	0.001008864%	0.000778092%
District's Proportionate Share of Net Pension Liability (Asset)	$ 703,206	$ 598,937	$ 198,154
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	985,457	964,432	403,695
Total	$ 1,688,663	$ 1,563,369	$ 601,849
District's Covered Payroll	$ 1,256,980	$ 1,161,066	$ 1,034,787
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	55.94%	51.59%	19.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.15%	75.62%	88.79%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2023 for year 2024, August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.000787319%	0.000853828%	0.000830042%	0.000851463%	0.0006609%	0.0007127%	0.0002326%
$ 421,672	$ 443,846	$ 456,875	$ 272,252	$ 249,751	$ 251,930	$ 62,131
876,669	870,447	1,043,280	642,404	767,755	737,546	592,971
$ 1,298,341	$ 1,314,293	$ 1,500,155	$ 914,656	$ 1,017,506	$ 989,476	$ 655,102
$ 1,079,088	$ 1,113,243	$ 1,143,160	$ 1,134,427	$ 1,026,926	$ 1,000,538	$ 904,092
39.08%	39.87%	39.97%	24.00%	24.32%	25.18%	6.87%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	$ 59,636	$ 52,622	$ 47,077
Contribution in Relation to the Contractually Required Contribution	(59,636)	(52,622)	(47,077)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 1,330,421	$ 1,161,066	$ 1,256,980
Contributions as a Percentage of Covered Payroll	4.48%	4.53%	3.75%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

2021	2020	2019	2018	2017	2016	2015
$ 33,205	$ 30,991	$ 29,735	$ 27,818	$ 27,906	$ 20,999	$ 21,104
(33,205)	(30,991)	(29,735)	(27,818)	(27,906)	(20,999)	(21,104)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 1,034,787	$ 1,079,088	$ 1,113,243	$ 1,143,160	$ 1,134,426	$ 1,026,926	$ 1,000,538
3.21%	2.87%	2.67%	2.43%	2.46%	2.04%	2.11%

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.001760974%	0.002005501%	0.001833525%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 389,850	$ 480,197	$ 707,273
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	470,414	585,765	947,588
Total	$ 860,264	$ 1,065,962	$ 1,654,861
District's Covered Payroll	$ 1,256,980	$ 1,256,980	$ 1,034,787
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	31.01%	38.20%	68.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.94%	11.52%	6.18%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2024 are for the measurement date of August 31, 2023. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.001638007%	0.001347708%	0.001328971%	0.001497015%
$ 622,681	$ 637,348	$ 663,567	$ 650,996
836,733	846,893	993,129	904,335
$ 1,459,414	$ 1,484,241	$ 1,656,696	$ 1,555,331
$ 1,079,088	$ 1,113,243	$ 1,143,160	$ 1,134,427
57.70%	57.25%	58.05%	57.39%
4.99%	2.66%	1.57%	0.91%

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	$ 16,453	$ 15,276	$ 16,472
Contribution in Relation to the Contractually Required Contribution	(16,453)	(15,276)	(16,472)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 1,330,421	$ 1,161,066	$ 1,256,980
Contributions as a Percentage of Covered Payroll	1.24%	1.32%	1.31%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

2021	2020	2019	2018
$ 14,324	$ 17,226	$ 9,002	$ 9,142
(14,324)	(17.226)	(9,002)	(9,142)
$ -	$ -	$ -	$ -
$ 1,034,787	$ 1,079,088	$ 1,113,243	$ 1,143,160
1.38%	1.60%	0.81%	0.80%

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
YEAR ENDED AUGUST 31, 2024

A. Notes to Schedules for the TRS Pension

Changes of Benefit Terms:

- 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 January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

Changes of Assumptions:

- There were no changes in assumptions.

B. Notes to Schedules for the TRS OPEB Plan

Benefits, Actuarial Methods, and Assumptions:

Changes of Benefits:

- There were no changes of benefits terms since the prior measurement date.

Changes of Assumptions:

- The single discount rate changed from 3.91 percent as of August 31, 2022 to 4.13 percent as of August 31, 2023. This change decreased the total OPEB liability.

C. Stewardship, Compliance and Accountability

Budget

The Board of Trustees (local school board) is legally required to adopt an annual budget (on a 12-month basis) for the general fund, the food service fund, and the debt service fund. The budgets must be prepared by August 20 and adopted by the local school board before expenditures are made and, if applicable, before the tax rate for the year is adopted. The required supplementary information is reported as follows:

Exhibit G-1	Budgetary Comparison Schedule – General Fund
Exhibit J-2	Budgetary Comparison Schedule – Child Nutrition Fund
Exhibit J-3	Budgetary Comparison Schedule – Debt Service Fund.

Once a budget is approved, it can be amended at the fund and function level only by a majority vote of the members of the Board of Trustees.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under State of Texas law, appropriations lapse at year end August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget.

It is a violation of Texas State Law for expenditures to exceed the budget in any function of the general fund, the food service fund, or the debt service fund.

Expenditures Exceeding Appropriation

The following is disclosed related to expenditures and budget appropriations:

- The current year expenditures did not exceed appropriations in material amounts for any function of the general fund as detailed in Exhibit G-1 "Budgetary Comparison Schedule -General Fund".
- The current year expenditures did not exceed appropriations in a material amount in function 35 in the child nutrition fund as detailed in Exhibit J-2 "Budgetary Comparison Schedule -Child Nutrition Fund". An immaterial excess of expenditures over appropriations is reported.
- The current year expenditures did not exceed appropriations in any functions in the debt service fund as detailed in Exhibit J-3 "Budgetary Comparison Schedule -Debt Service Fund".

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OTHER SUPPLEMENTARY INFORMATION – COMBINING SCHEDULES

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2024

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ -
1240	Due from Other Governments	4,159	12,276	-	455
1000	Total Assets	$ 4,159	$ 12,276	$ -	$ 455
	LIABILITIES				
2160	Accrued Wages Payable	$ 3,727	$ 5,302	$ -	$ 407
2170	Due to Other Funds	-	6,358	-	-
2200	Accrued Expenditures	432	620	-	48
2300	Unearned Revenue	-	(4)	-	-
2000	Total Liabilities	4,159	12,276	-	455
	FUND BALANCES				
	Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 4,159	$ 12,276	$ -	$ 455

270 ESEA V, B,2 Rural & Low Income	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 2,133	$ 18,970	$ 21,103
-	-	908	-	957	-	18,755
$ -	$ -	$ 908	$ -	$ 3,090	$ 18,970	$ 39,858
$ -	$ -	$ 813	$ -	$ 1,850	$ -	$ 12,099
-	-	-	-	-	-	6,358
-	-	95	-	40	-	1,235
-	-	-	-	1,200	-	1,196
-	-	908	-	3,090	-	20,888
-	-	-	-	-	18,970	18,970
-	-	-	-	-	18,970	18,970
$ -	$ -	$ 908	$ -	$ 3,090	$ 18,970	$ 39,858

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ 857	$ -	$ -
5800	State Program Revenues	-	378	-	-
5900	Federal Program Revenues	37,362	123,346	2,560	6,181
5020	Total Revenues	37,362	124,581	2,560	6,181
	EXPENDITURES:				
	Current:				
0011	Instruction	37,362	-	-	6,181
0013	Curriculum and Instructional Staff Development	-	-	2,560	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-	-
0035	Food Services	-	147,817	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
6030	Total Expenditures	37,362	147,817	2,560	6,181
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(23,236)	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	20,113	-	-
1200	Net Change in Fund Balance	-	(3,123)	-	-
0100	Fund Balance - September 1 (Beginning)	-	3,123	-	-
1300	Increase (Decrease) in Fund Balance	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

270 ESEA V, B,2 Rural & Low Income	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 22,570	$ 23,427
-	-	-	9,545	324,629	-	334,552
11,429	75,481	9,983	-	-	-	266,342
11,429	75,481	9,983	9,545	324,629	22,570	624,321
11,429	53,295	9,983	9,545	177,498	-	305,293
-	-	-	-	-	-	2,560
-	-	-	-	8,839	-	8,839
-	22,186	-	-	5,078	-	27,264
-	-	-	-	-	-	147,817
-	-	-	-	210	25,333	25,543
-	-	-	-	11,055	-	11,055
-	-	-	-	121,949	-	121,949
11,429	75,481	9,983	9,545	324,629	25,333	650,320
-	-	-	-	-	(2,763)	(25,999)
-	-	-	-	-	-	20,113
-	-	-	-	-	(2,763)	(5,886)
-	-	-	-	-	7,213	10,336
-	-	-	-	-	14,520	14,520
$ -	$ -	$ -	$ -	$ -	$ 18,970	$ 18,970

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2024

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2015	and prior years	Various	Various	$ Various
2016		1.170000	0.00000	142,150,580
2017		1.042400	0.00000	220,368,984
2018		1.040000	0.22000	170,852,712
2019		1.040000	0.22000	147,296,349
2020		0.970000	0.22000	162,787,446
2021		0.966400	0.22000	158,587,780
2022		0.872000	0.22000	199,841,225
2023		0.854600	0.22000	210,841,655
2024	(School year under audit)	0.669200	0.20000	280,683,181
1000	TOTALS			
8000	Total Taxes Refunded Under Section 26.1115, Tax Code			

Section 313 Valuation Agreement as allowed under the Texas Economic Development Act with multiple entities resulted in a value reduction for maintenance and operation taxes for the current fiscal year. The tax abatement is for maintenance and operation taxes only. Debt service (I&S) taxes are assessed on the entire valuation and are not reduced by the value limitation. Note Y to the financial statements provides disclosure of details of the tax abatement.

(10) Beginning Balance 9/1/2023	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2024	(99) Taxes Refunded Under Section 26.1115c
$ 12,834	$ -	$ 6	$ -	$ (1,570)	$ 11,258	
2,031	-	-	-	(52)	1,979	
1,602	-	-	-	(63)	1,539	
2,583	-	305	64	(78)	2,136	
3,412	-	341	72	(77)	2,922	
194,196	-	76,677	17,391	(93,894)	6,234	
6,820	-	696	158	(71)	5,895	
23,827	-	13,788	3,479	(176)	6,384	
39,083	-	16,623	4,279	(329)	17,852	
-	2,909,322	1,852,732	1,023,349	(3,664)	29,577	
$ 286,388	$ 2,909,322	$ 1,961,168	$ 1,048,792	$ (99,974)	$ 85,776	

$ -

EXHIBIT J-2

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,520	$ 1,520	$ 857	$ (663)
5800	State Program Revenues	1,000	9,899	378	(9,521)
5900	Federal Program Revenues	93,000	93,000	123,346	30,346
5020	Total Revenues	95,520	104,419	124,581	20,162
	EXPENDITURES:				
	Current:				
0035	Food Services	119,609	138,508	147,817	(9,309)
6030	Total Expenditures	119,609	138,508	147,817	(9,309)
1100	Excess (Deficiency) of Revenues Over Expenditures	(24,089)	(34,089)	(23,236)	10,853
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	24,089	34,089	20,113	(13,976)
1200	Net Change in Fund Balances	-	-	(3,123)	(3,123)
0100	Fund Balance - September 1 (Beginning)	3,123	3,123	3,123	-
3000	Fund Balance - August 31 (Ending)	$ 3,123	$ 3,123	$ -	$ (3,123)

EXHIBIT J-3

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,080,687	$ 1,083,287	$ 1,103,975	$ 20,688
5800	State Program Revenues	-	-	2,012	2,012
5020	Total Revenues	1,080,687	1,083,287	1,105,987	22,700
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	630,000	630,000	580,000	50,000
0072	Interest on Long-Term Liabilities	317,790	317,790	237,950	79,840
0073	Bond Issuance Cost and Fees	-	-	1,153	(1,153)
6030	Total Expenditures	947,790	947,790	819,103	128,687
1200	Net Change in Fund Balances	132,897	135,497	286,884	151,387
0100	Fund Balance - September 1 (Beginning)	484,332	484,332	484,332	-
3000	Fund Balance - August 31 (Ending)	$ 617,229	$ 619,829	$ 771,216	$ 151,387

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2024

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	$ 113,960
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	$ 154,078

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during thedistrict's fiscal year.	$ -0-
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	$ 329

REPORTS ON COMPLIANCE and INTERNAL CONTROLS

James E. Rodgers and Company, P.C.

Certified Public Accountants

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Member of Texas Society of CPA's and American Institute of CPA's
Richard E. Rodgers CPA • Gerald L. Rodgers CPA

November 18, 2024

Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Paint Creek Independent School District
Haskell, Texas 79521

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paint Creek Independent School District, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Paint Creek Independent School District's basic financial statements, and have issued our report thereon dated November 18, 2024.

Report On Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Paint Creek Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Paint Creek Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Paint Creek Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

AICPA Governmental Audit Quality Center

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paint Creek Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

James E. Rodgers and Company, P.C.

AICPA Governmental Audit Quality Center

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2024

I. Summary of Auditor Results:		
1.	Type of report issued on the financial statements:	**Unmodified**
2. a.	Significant deficiencies in internal control:	**None**
b.	Significant deficiencies that were material weaknesses:	**None**
3.	Noncompliance, which is material to financial statements:	**None**

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards (GAGAS)*:		
Finding 2024-001: No current year finding		
a.	Condition:	Not applicable
b.	Criteria:	Not applicable
c.	Cause:	Not applicable
d.	Effect:	Not applicable
e.	Recommendation:	Not applicable
f.	District Response:	Not applicable

SCHOOLS FIRST QUESTIONNAIRE

Paint Creek Independent School District — Fiscal Year 2024

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If payments were not made or warrant hold not cleared within 30 days of when due, then payments are NOT timely.)	Yes
SF4	Was the school district issued a warrant hold? (Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, answer is still YES.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds and/or substantial doubt about the district's ability to continue as a going concern?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Govenment Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	$ -0-

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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March 11, 2025

Re: Paint Creek Independent School District
Unlimited Tax School Building Bonds, Series 2025 (the "Bonds")

Ladies and Gentlemen:

We have acted as Bond Counsel to the captioned issuer (the "District") in connection with the issuance of the Bonds, which are being issued in the aggregate original principal amount of $3,675,000. The Bonds are authorized by an order adopted by the Board of Trustees of the District on February 20, 2025 (the "Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and the excludability of interest on the Bonds from gross income for federal income tax purposes. In such capacity, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, including the Order and the federal tax certificate of the District related to the Bonds (the "Tax Certificate"); certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; the provisions of the Internal Revenue Code of 1986, as amended and the regulations, rulings, and judicial decisions relevant to the opinions set forth in paragraph (3) below; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause

interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. 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. Finally, our role in connection with the District's Official Statement, if any, prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

(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 in effect. The Bonds constitute valid and legally binding obligations of the District, and the Bonds have been authorized and delivered in accordance with law.

(2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

(3) Under existing laws, regulations, rulings, and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Respectfully submitted,

Leon | Alcala, PLLC

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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The following is incorporated into the offering document to which it is attached.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

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

History and Purpose

The PSF supports the State's public school system in two major ways: distributions to the constitutionally established Available School Fund (the "ASF"), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a $2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The

Constitution of 1876 described that the PSF would be "permanent," and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund was established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation's

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

Management and Administration of the Fund

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

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

by appropriation to be retained by the SLB.

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

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

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

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

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

With respect to the 2024-2025 State biennium, and for subsequent biennia, the PSF Corporation is required to submit a legislative appropriations request ("LAR") to the LBB and the Office of the Governor that details a request for appropriation of funds to enable the PSF Corporation to carry out its responsibilities for the investment management of the Fund. The requested funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state

fiscal years 2024 and 2025. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

The Total Return Constitutional Amendment

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

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

The Texas Constitution also provides authority to the GLO or another entity (described in statute

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

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

Annual Distributions to the Available School Fund[1]

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

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

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

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

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

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

PSF Corporation Strategic Asset Allocation

The PSFC Board sets the asset allocation policy for the Fund, including determining the available asset classes for investment and approving target percentages and ranges for allocation to each

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

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

ASSET CLASS	August 31, 2023	August 31, 2022	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 2,975.1	$ 2,858.4	$ 116.7	4.1%
Domestic Large Cap	7,896.5	6,402.1	1,494.4	23.3%
Total Domestic Equity	10,871.6	9,260.5	1,611.1	17.4%
International Equity	7,945.5	7,197.9	747.6	10.4%
TOTAL EQUITY	18,817.1	16,458.4	2,358.7	14.3%

FIXED INCOME				
Domestic Fixed Income	5,563.7	5,867.5	(303.8)	-5.2%
U.S. Treasuries	937.5	1,140.2	(202.7)	-17.8%
High Yield Bonds	1,231.6	1,142.5	89.1	7.8%
Emerging Market Debt	869.7	1,190.9	(321.2)	-27.0%
TOTAL FIXED INCOME	8,602.5	9,341.1	(738.6)	-7.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,175.8	2,932.3	243.5	8.3%
Real Estate	6,525.2	6,286.9	238.3	3.8%
Private Equity	8,400.7	7,933.1	467.6	5.9%
Emerging Manager Program	134.5	29.9	104.6	349.8%
Real Return	1,663.7	1,620.3	43.4	2.7%
Real Assets	4,712.1	4,341.3	370.8	8.5%
TOT ALT INVESTMENTS	24,612.0	23,143.8	1,468.2	6.3%
UNALLOCATED CASH	348.2	231.7	116.5	50.3%
TOTAL PSF(CORP) INVESTMENTS	$ 52,379.8	$ 49,175.0	$ 3,204.8	6.5%

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

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

Investment Schedule - PSF(SLB)[1]

Fair Value (in millions) August 31, 2023

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

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

The asset allocation of the Fund's financial assets portfolio is subject to change by the PSF

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

The School District Bond Guarantee Program

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

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

If a school district fails to pay principal or interest on a bond as it is stated to mature, other amounts not due and payable are not accelerated and do not become due and payable by virtue of the district's default. The School District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a school district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed school district

bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond order provision requiring an interest rate change. The guarantee does not extend to any obligation of a school district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

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

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

The Charter District Bond Guarantee Program

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2024 fiscal year, the ratio is 7.69%. At February 26, 2024, there were 186 active open-enrollment charter schools in the State and there were 1,128 charter school campuses authorized under such charters, though as of such date, 212 of such campuses are not currently serving students for various reasons; therefore, there are 916 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not

limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2023

the cost value of the Guarantee Program was $44,034,322,531 (unaudited), thereby producing an IRS Limit of $220,171,612,655 in principal amount of guaranteed bonds outstanding.

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the

Act to modify how the CDBGP Capacity is established effective as of September 1, 2017, and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

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

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

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

Charter District Risk Factors

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

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

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

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

Infectious Disease Outbreak

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054.

That plan was designed to ensure performance of the Agency's essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

million, and $508.4 million, respectively.

Permanent School Fund Guaranteed Bonds

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

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

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

Permanent School Fund Guaranteed Bonds by Category[1]

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

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

[2] At December 31, 2023 (based on unaudited data, which is subject to adjustment), there were $117,374,697,034 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,369 school district issues, aggregating $113,174,765,034 in principal amount and 105 charter district issues, aggregating $4,199,932,000 in principal amount. At December 31, 2023 the projected guarantee capacity available was $26,935,589,587(based on unaudited data, which is subject to adjustment).

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

The following discussion is derived from the Annual Report for the year ended August 31, 2023, including the Message from the Chief Executive Officer of the Fund, the Management's Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets

managed by the PSFC Board are referred to throughout this MD&A as the PSF(CORP). The Fund's non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

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

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

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

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

[1] Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB

managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2023.
[2] Benchmarks are as set forth in the Annual Report for year ended August 31, 2023.

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the

TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

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

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

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

and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

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

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the

meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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