

PRELIMINARY OFFICIAL STATEMENT
Dated April 15, 2025



Ratings:
Fitch: “AAA”
S&P: “AAA”
PSF Guaranteed
See “OTHER INFORMATION – RATINGS,”
“THE PERMANENT SCHOOL FUND
GUARANTEE PROGRAM” and
“APPENDIX D – THE PERMANENT
SCHOOL FUND GUARANTEE PROGRAM”
herein.

NEW ISSUE - Book-Entry-Only

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

\$190,640,000*
FORT BEND INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas, located within Fort Bend County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2025A

Dated: May 1, 2025

Due: August 15, as shown on page 2

Interest to Accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . The Fort Bend Independent School District (the “District” or the “Issuer”) is issuing its \$190,640,000* Fort Bend Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2025A (the “Bonds”). Interest on the Bonds will accrue from their date of initial delivery (the “Date of Delivery”) to the underwriters listed below (the “Underwriters”), and will be payable on August 15 and February 15 of each year commencing August 15, 2025, until stated maturity or prior redemption. Interest accruing on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is Wilmington Trust, National Association, Dallas, Texas. See “THE BONDS - PAYING AGENT/REGISTRAR”.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including, particularly, Chapter 45, Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended (“Chapter 1207”) and Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), an election held in the District on May 6, 2023, and an order approved by the Board of Trustees (the “Board”) of the District on December 16, 2024 (the “Bond Order”). In the Bond Order, as permitted by Chapter 1207 and Chapter 1371, the Board delegated to certain District officials the authority to execute a pricing certificate (the “Pricing Certificate” and, together with the Bond Order, the “Order”) evidencing final terms of the Bonds. **The District has received conditional approval from the Texas Education Agency for the payment of the principal of, and interest on the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”.**

PURPOSE . . . Proceeds from the sale of the Bonds will be utilized to (i) provide funds for the construction, acquisition and equipment of school buildings in the District, including safety and security and technology infrastructure, the purchase of the necessary sites for school buildings and, the purchase of new school buses, (ii) refund the obligations designated on Schedule I hereto (the “Refunded Notes”), in order to provide permanent financing for projects initially funded through the District’s Commercial Paper Program (defined herein), and (iii) pay the costs of issuance of the Bonds. See “THE BONDS – USE OF BOND PROCEEDS”.

CUSIP PREFIX: 346843
PRINCIPAL AMOUNT, MATURITY, INTEREST RATES,
INITIAL YIELDS & 9 DIGIT CUSIP NUMBERS
See Maturity Schedule on Page 2

ADDITIONAL BONDS . . . Concurrently with the issuance of the Bonds, the District is issuing approximately \$143,835,000* of its Variable Rate Unlimited Tax Refunding Bonds, Series 2025B (the “Series 2025B Bonds”). The Series 2025B Bonds are being sold pursuant to a separate offering document. This Preliminary Official Statement relates only to the sale of the Bonds and not the sale of the Series 2025B Bonds.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel. See APPENDIX C – “FORM OF BOND COUNSEL’S OPINION”. Certain legal matters will be passed upon for the Underwriters by Jackson Walker, Houston, Texas as Underwriters’ Counsel.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about Wednesday, May 21, 2025, the Date of Delivery.

SIEBERT WILLIAMS SHANK

CABRERA CAPITAL MARKETS LLC

RAYMOND JAMES

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE***\$190,640,000*****FORT BEND INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS,
SERIES 2025A****CUSIP No. Prefix: 346843⁽¹⁾**

| Principal Amount | Maturity (August 15) | Interest Rate | Initial Yield ⁽²⁾ | CUSIP Suffix ⁽¹⁾ | Principal Amount | Maturity (August 15) | Interest Rate | Initial Yield ⁽²⁾ | CUSIP Suffix ⁽¹⁾ |
|---------------------|-------------------------|------------------|---------------------------------|--------------------------------|---------------------|-------------------------|------------------|---------------------------------|--------------------------------|
| \$20,640,000 | 2026 | | | | \$ 5,400,000 | 2041 | | | |
| 2,730,000 | 2027 | | | | 5,670,000 | 2042 | | | |
| 2,865,000 | 2028 | | | | 5,955,000 | 2043 | | | |
| 3,005,000 | 2029 | | | | 6,250,000 | 2044 | | | |
| 3,155,000 | 2030 | | | | 6,565,000 | 2045 | | | |
| 3,315,000 | 2031 | | | | 6,895,000 | 2046 | | | |
| 3,480,000 | 2032 | | | | 7,235,000 | 2047 | | | |
| 3,655,000 | 2033 | | | | 7,600,000 | 2048 | | | |
| 3,840,000 | 2034 | | | | 7,980,000 | 2049 | | | |
| 4,030,000 | 2035 | | | | 8,380,000 | 2050 | | | |
| 4,230,000 | 2036 | | | | 8,795,000 | 2051 | | | |
| 4,445,000 | 2037 | | | | 9,235,000 | 2052 | | | |
| 4,665,000 | 2038 | | | | 9,700,000 | 2053 | | | |
| 4,900,000 | 2039 | | | | 10,185,000 | 2054 | | | |
| 5,145,000 | 2040 | | | | 10,695,000 | 2055 | | | |

(Interest accrues from the Date of Delivery)

REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, ____, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – OPTIONAL REDEMPTION”.

MANDATORY SINKING FUND REDEMPTION . . . If the Underwriters designate two or more maturities of the Bonds as “Term Bonds,” those Term Bonds will be subject to mandatory sinking fund redemption prior to their scheduled maturity commencing on August 15 of the first year which has been combined to form such Term Bond and continuing on August 15 in each year thereafter until the stated maturity date of that Term Bond. See “THE BONDS – MANDATORY SINKING FUND REDEMPTION”.

* Preliminary, subject to change.

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and CUSIP numbers are included solely for convenience of the registered owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) The initial yields will be established by and are the sole responsibility of the Underwriters, and may subsequently be changed.

[The remainder of this page intentionally left blank.]

USE OF INFORMATION

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

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

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

The information set forth herein has been obtained from the District and other sources the District believes are reliable, but the District makes no representation as to the accuracy or completeness of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

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

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize the market price of the 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, THE FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY (“TEA”) DESCRIBED UNDER “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM,” OR “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 documents 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 THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULES AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

| | |
|--|---|
| THE DISTRICT | The Fort Bend Independent School District (the “District”) is a political subdivision located in Fort Bend County, Texas. The District is approximately 170.99 square miles in area. See “INTRODUCTION – DESCRIPTION OF THE DISTRICT”. |
| THE BONDS | The Bonds are issued as \$190,640,000* Fort Bend Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2025A (the “Bonds”). The Bonds mature on August 15 in each of the years identified in the table appearing on page 2 hereof, unless the Underwriters designate two or more maturities as a term bond. See “THE BONDS – DESCRIPTION OF THE BONDS”. |
| PAYMENT OF INTEREST | Interest on the Bonds accrues from the Date of Delivery (defined on the cover page) to the underwriters listed on the cover page hereof (the “Underwriters”), and is payable initially on August 15, 2025, and on each February 15 and August 15 thereafter until stated maturity or prior redemption. See “THE BONDS – DESCRIPTION OF THE BONDS” and “THE BONDS – OPTIONAL REDEMPTION”. |
| AUTHORITY FOR ISSUANCE | The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including, particularly, Chapter 45, Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended (“Chapter 1207”) and Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), an election held in the District on May 6, 2023, and an order approved by the Board of Trustees (the “Board”) of the District on December 16, 2024 (the “Bond Order”). In the Bond Order, as permitted by Chapter 1207 and Chapter 1371, the Board delegated to certain District officials the authority to execute a pricing certificate (the “Pricing Certificate” and, together with the Bond Order, the “Order”) evidencing final terms of the Bonds. |
| SECURITY FOR THE BONDS | 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, on all taxable property within the District. See “THE BONDS – SECURITY AND SOURCE OF PAYMENT”, “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”. |
| PERMANENT SCHOOL FUND GUARANTEE | The District has received conditional approval from the Texas Education Agency (the “TEA”) for the payment of the principal of, and interest on, the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State. See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”. |
| REDEMPTION | The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, ____, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – OPTIONAL REDEMPTION”. If the Underwriters designate two or more maturities of the Bonds as “term bonds,” those term bonds will also be subject to mandatory sinking fund redemption. See “THE BONDS – MANDATORY SINKING FUND REDEMPTION”. |
| TAX EXEMPTION | In the opinion of Bond Counsel, under existing law, the interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See “TAX MATTERS” herein, including information regarding potential alternative minimum tax consequences for corporations. |

* Preliminary, subject to change.

| | |
|------------------------------------|---|
| USE OF PROCEEDS | Proceeds from the sale of the Bonds will be utilized to (i) provide funds for the construction, acquisition and equipment of school buildings in the District, including safety and security and technology infrastructure, the purchase of the necessary sites for school buildings, and the purchase of new school buses, (ii) refund the obligations designated on Schedule I hereto (the "Refunded Notes"), in order to provide permanent financing for projects initially funded through the District's Commercial Paper Program (defined herein), and (iii) pay the costs of issuance of the Bonds. See "THE BONDS – USE OF BOND PROCEEDS". |
| RATINGS | The Bonds have been rated "AAA" by Fitch Ratings ("Fitch") and "AAA" by S&P Global Ratings ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The presently outstanding unenhanced tax-supported debt of the District is rated "AA+" by Fitch and "AA+" by S&P. The District also has eighteen issues outstanding which are rated "AAA" by Fitch and "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas. The District has received conditional approval from the TEA for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See "OTHER INFORMATION – RATINGS". A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. |
| BOOK-ENTRY-ONLY SYSTEM..... | The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by Wilmington Trust, National Association, Dallas, Texas, the initial paying agent/registrars, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM". |
| PAYMENT RECORD | The District has never defaulted in payment of its tax supported debt. |
| ADDITIONAL BONDS | Concurrently, with the issuance of the Bonds, the District is issuing its approximately \$143,835,000* Variable Rate Unlimited Tax Refunding Bonds, Series 2025B (the "Series 2025B Bonds"). The Series 2025B Bonds are being sold pursuant to a separate offering document. This Official Statement relates only to the sale of the Bonds and not the sale of the Series 2025B Bonds. |

* Preliminary, subject to change.

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SELECTED FINANCIAL INFORMATION

| Fiscal Year Ended 6/30 | Estimated Fort Bend ISD Population ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | Per Capita Taxable Assessed Valuation | Tax Supported Debt Outstanding at End of Year ⁽³⁾ | Per Capita Tax Supported Debt | Ratio of Tax Supported Debt to Taxable Assessed Valuation | % of Total Tax Collections |
|------------------------|---|---|---------------------------------------|--|-------------------------------|---|----------------------------|
| 2021 | 364,771 | \$ 44,976,372,102 | \$ 123,300 | \$ 1,453,858,388 | \$ 3,986 | 3.23% | 99.54% |
| 2022 | 497,861 | 47,895,116,691 | 96,202 | 1,593,105,000 | 3,200 | 3.33% | 99.34% |
| 2023 | 519,431 | 54,986,907,350 | 105,860 | 1,621,385,000 | 3,121 | 2.95% | 99.93% |
| 2024 | 512,203 | 52,577,873,130 | 102,650 | 1,765,610,000 | 3,447 | 3.36% | 98.68% |
| 2025 | 509,667 | 62,098,734,445 | 121,842 | 1,924,915,000 ⁽⁴⁾ | 3,777 ⁽⁴⁾ | 3.10% ⁽⁴⁾ | 93.99% ⁽⁵⁾ |

- (1) Source: District's Annual Comprehensive Financial Reports for fiscal years ending June 30, 2021 through 2024, and the Municipal Advisory Council of Texas for fiscal year ending June 30, 2025.
- (2) Source: District's Annual Comprehensive Financial Reports for fiscal years ending June 30, 2021 through 2024 and Fort Bend Central Appraisal District's Certified Totals for fiscal year ending June 30, 2025. Values are subject to change as contested values are resolved.
- (3) Excludes the District's commercial paper notes issued under the Commercial Paper Program (defined herein as the "Commercial Paper Notes"). The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. See "TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS" herein for certain assumptions regarding the issuance of Commercial Paper Notes and voted authorization.
- (4) Includes the Bonds and the District's Variable Rate Unlimited Tax Refunding Bonds, Series 2025B (the "Series 2025B Bonds"), which are scheduled to close on May 21, 2025 concurrently with the delivery of the Bonds. Preliminary, subject to change. Excludes the obligations to be refunded by the Series 2025B Bonds.
- (5) As of February 28, 2025.

CHANGES IN NET ASSETS CONSOLIDATED STATEMENT SUMMARY

| | Fiscal Year Ended June 30, | | | | |
|-------------------------|----------------------------|------------------|------------------|------------------|--------------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Beginning Net Assets | \$ (369,254,911) | \$ (369,689,603) | \$ (372,639,069) | \$ (274,139,149) | \$ (186,482,035) |
| Total Revenue | 1,095,305,990 | 1,000,508,556 | 975,084,380 | 956,006,053 | 963,278,323 |
| Total Expenditures | (1,082,805,202) | (1,000,073,864) | (972,134,914) | (1,054,505,973) | (1,054,770,305) |
| Prior Period Adjustment | - | - | - | - | 3,834,868 ⁽¹⁾ |
| Ending Net Assets | \$ (356,754,123) | \$ (369,254,911) | \$ (369,689,603) | \$ (372,639,069) | \$ (274,139,149) |

Source: The District's Annual Financial Reports.

- (1) The District implemented the Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, beginning in fiscal year 2020. As a result, the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the student campus activity fund balance as of June 30, 2019 of \$3,834,868 that was previously reported as an Agency Fund in previous years.

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GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

| | For Fiscal Year Ended June 30, | | | | |
|---------------------|--------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Beginning Balance | \$ 200,220,161 | \$ 206,778,954 | \$ 215,928,896 | \$ 241,210,762 | \$ 238,119,693 |
| Total Revenue | 813,214,468 | 737,924,724 | 734,410,128 | 724,903,262 | 710,578,779 |
| Total Expenditures | (802,041,406) ⁽⁴⁾ | (743,251,600) ⁽⁵⁾ | (746,478,098) | (748,713,449) | (710,234,359) |
| Net Funds Available | 11,173,062 ⁽⁴⁾ | (5,326,876) ⁽⁵⁾ | (12,067,970) ⁽³⁾ | (23,810,187) ⁽¹⁾ | 344,420 |
| Other Resources | 717,584 | (1,231,917) | 2,918,028 | (1,471,679) ⁽²⁾ | 2,746,649 |
| Ending Balance | <u>\$ 212,110,807</u> | <u>\$ 200,220,161</u> | <u>\$ 206,778,954</u> | <u>\$ 215,928,896</u> | <u>\$ 241,210,762</u> |

Source: *The District's Annual Financial Reports.*

- (1) The District's general fund balance decreased in fiscal year 2021 due to TEA supplanting the hold harmless provision in place for the 2020-2021 school year for an approximate \$9.2 million of State aid with federal Coronavirus aid, ESSER II funding and an additional \$23.5 million in unbudgeted expenses simply link to the COVID-19 pandemic.
- (2) A transfer of \$1.7 million was made from the general fund to the child nutrition fund to cover fiscal year 2021 deficit due to a decrease of anticipated revenue from local and federal sources offset by a reduction in expenses net of \$259,000 in proceeds from the sale of real or personal property.
- (3) The General Fund balance decreased primarily due to student enrollment and attendance not meeting budget expectations.
- (4) Total revenue and expenditures in fiscal year 2024 are higher than normal partially due to the District passing a Voter Approval Tax Rate Election that raised the maintenance and operations tax rate by \$0.04. The additional revenue was used for salary increases for staff and for additional security staff and services.
- (5) The general fund balance decreased primarily due to student attendance.

For additional information regarding the District, please contact:

Bryan Guinn
Chief Financial Officer
Fort Bend Independent School District
16431 Lexington Boulevard
Sugar Land, Texas 77479
(281) 634-1163
(281) 327-1052 Fax
bryan.guinn@fortbendisd.gov

or

Michelle Aragon
Managing Director
Hilltop Securities Inc.
70 Northeast Loop 410, Suite 750
San Antonio, Texas 78216
(210) 308-2200
(210) 349-7585 Fax
michelle.aragon@hilltopsecurities.com

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

THE BOARD OF TRUSTEES

| | <u>SERVICE</u> | <u>EXPIRES</u> | <u>OCCUPATION</u> |
|--|----------------------|----------------------------|------------------------|
| Kristin Tassin ⁽¹⁾ President, Position 6 | 6 Years 11 Months | May 2027 | Attorney |
| Rick Garcia Vice President, Position 3 | 2 Years 11 Months | May 2025 ⁽²⁾ | IT Project Manager |
| David Hamilton Secretary, Position 7 | 2 Years 11 Months | May 2025 ⁽²⁾⁽³⁾ | Sales |
| Angie Hanan Position 1 | 4 Years 11 Months | May 2026 | Educational Consultant |
| Adam Schoof Position 2 | 11 Months | May 2027 | Police Officer |
| Sonya Jones Position 5 | 1 Year 11 Months | May 2026 | Educator |
| Dr. Shirley Rose-Gilliam Position 4 | 4 years 11 Months | May 2026 | Education Consultant |

(1) Mrs. Tassin previously served as trustee from 2014-2020 for Position 4.

(2) Position elections to be held on May 3, 2025 uniform election date.

(3) Mr. Hamilton will not be seeking re-election.

APPOINTED OFFICIALS

ADMINISTRATIVE OFFICERS

POSITION

Superintendent

Dr. Marc Smith Superintendent of Schools

Executive Leadership Team

Beth Martinez Deputy Superintendent Chief of Staff
 Kathleen Brown Deputy Superintendent of Operations
 Dr. Jaretha Jordan Deputy Superintendent of Teaching and Learning
 Dr. Adam Stephens Chief Academic Officer
 Chassidy Olainu-Alade Interim Chief Communications Officer
 Bryan Guinn Chief Financial Officer
 Glenda Johnson Chief Human Resources Officer
 Long Pham Chief Information Officer
 Dr. Damian Viltz Chief Operations Officer
 Stephanie Williams Chief of Organizational Development
 Vacant Chief of Police
 Dr. Andria Schur Chief of Schools
 Vacant General Counsel

CONSULTANTS AND ADVISORS

Independent Auditors Whitley Penn LLP, Certified Public Accountants
 Houston, Texas

Bond Counsel Bracewell LLP
 Houston, Texas

Financial Advisor Hilltop Securities Inc.
 San Antonio, Texas

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OFFICIAL STATEMENT

RELATING TO

\$190,640,000*

FORT BEND INDEPENDENT SCHOOL DISTRICT

**(A Political Subdivision of the State of Texas, located within Fort Bend County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2025A**

INTRODUCTION

GENERAL . . . This Official Statement, which includes Schedule I and Appendices A and B hereto, provides certain information regarding the issuance of the \$190,640,000* Fort Bend Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2025A (the “Bonds”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in an order approved by the Board of Trustees (the “Board”) of the Fort Bend Independent School District (the “District”) on December 16, 2024 (the “Bond Order”), authorizing the issuance of the Bonds, and a pricing certificate (the “Pricing Certificate”) to be executed pursuant to the Bond Order. The Bond Order and the Pricing Certificate are referred to herein together as the “Order.”

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances and the Texas Permanent School Fund and Guarantee Program. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District’s Financial Advisor, Hilltop Securities Inc. (“HilltopSecurities” or the “Financial Advisor”), San Antonio, Texas, upon payment of reasonable copying, handling and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

Concurrently with the Bonds, the District is issuing its \$143,835,000* Variable Rate Unlimited Tax Refunding Bonds, Series 2025B (the “Series 2025B Bonds”) to refund a portion of the District’s currently outstanding indebtedness in order to achieve market efficiencies in connection with the long-term financing of the variable rate bonds being refunded and to provide funds to refund outstanding Commercial Paper Notes (as defined herein) in order to provide permanent financing for projects originally funded through the District’s Commercial Paper Program (as defined herein). This Official Statement describes only the Bonds and not the sale of the Series 2025B Bonds. Investors interested in purchasing the Series 2025B Bonds should review the separate offering document related thereto.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision of the State of Texas (the “State”) located in Fort Bend County, Texas. The District is governed by a seven-member Board who serve staggered three-year terms with elections being held in May of each year. See “DISTRICT OFFICIALS, STAFF AND CONSULTANTS – THE BOARD OF TRUSTEES”. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of the District who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 170.99 square miles in Fort Bend County.

PLAN OF FINANCE

PURPOSE . . . Proceeds from the sale of the Bonds will be utilized to (i) provide funds for the construction, acquisition and equipment of school buildings in the District, including safety and security and technology infrastructure, the purchase of the necessary sites for school buildings, and the purchase of new school buses, (ii) refund the obligations designated on Schedule I hereto (the “Refunded Notes”), in order to provide permanent financing for projects initially funded through the District’s Commercial Paper Program (defined herein), and (iii) pay the costs of issuance of the Bonds. See “THE BONDS – USE OF BOND PROCEEDS”.

REFUNDED NOTES . . . The Refunded Notes, and interest due thereon, are to be paid on their scheduled maturity date or dates from funds to be deposited with Zions Bancorporation, National Association, d/b/a Amegy Bank, Houston, Texas (the “Escrow Agent”) pursuant to an Escrow Agreement (the “Escrow Agreement”) between the District and the Escrow Agent. The Order provides that the District will deposit certain proceeds of the sale of the Bonds along with other lawfully available funds of the District, if any, with the Escrow Agent in the amount necessary to accomplish the discharge and final payment of the Refunded Notes. Such funds may be held in cash or invested by the Escrow Agent in certain direct/non-callable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) or other permitted defeasance securities (the “Governmental Securities”) and will be held by the Escrow Agent in an escrow fund (the “Escrow Fund”) irrevocably pledged to the payment of principal of and interest on the Refunded Notes. Public Finance Partners LLC will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the amounts on deposit in the Escrow Fund will be

* Preliminary, subject to change.

sufficient to pay, when due, the principal of and interest on the Refunded Notes. The funds on deposit in the Escrow Fund will not be available to pay the Bonds (see “OTHER INFORMATION - VERIFICATION OF MATHEMATICAL COMPUTATIONS”).

By the deposit of the proceeds from the sale of the Bonds, together with other lawfully available funds of the District, if any, in an amount sufficient to accomplish the discharge and final payment of the Refunded Notes pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Notes under the terms of Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), and the District order authorizing the Commercial Paper Program under which the Refunded Notes were issued. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Public Finance Partners LLC, the Refunded Notes will be outstanding only for the purpose of receiving payments from the amounts held for such purpose by the Escrow Agent and such Refunded Notes will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Notes, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated May 1, 2025 and mature on August 15 in each of the years and in the principal amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from the Date of Delivery, currently expected to be May 21, 2025, to the underwriters listed on the cover page hereof (the “Underwriters”) and will be payable on August 15 and February 15 of each year, commencing August 15, 2025 until stated maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by Wilmington Trust, National Association, Dallas, Texas, Texas, the initial paying agent/registrar (the “Paying Agent/Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “- BOOK-ENTRY-ONLY SYSTEM”.

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, Chapter 1207 and Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), an election held in the District on May 6, 2023, and the Order.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are direct obligations of the District and are payable as to principal amount and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the District, as provided in the Order. Additionally, the District has received conditional approval for the payment of the principal of, and interest on, the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State. See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM,” “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and in “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein. In the event the District defeases any of the Bonds, the payment of such Bonds will cease to be guaranteed by the Permanent School Fund of the State.

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds will be utilized to (i) provide funds for the construction, acquisition and equipment of school buildings in the District, including safety and security and technology infrastructure, the purchase of the necessary sites for school buildings, and the purchase of new school buses, (ii) refund the obligations designated on Schedule I hereto (the “Refunded Notes”), in order to provide permanent financing for projects initially funded through the District’s Commercial Paper Program (defined herein), and (iii) pay the costs of issuance of the Bonds.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, ____, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities (or mandatory sinking fund redemption payments in the case of Term Bonds) of Bonds to be redeemed and shall direct the Paying Agent/Registrar to call by lot or other method that results in random selection, the Bonds, or portions thereof, within such maturity, 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 . . . If the Underwriters designate two or more maturities of the Bonds as “Term Bonds,” those Term Bonds will be subject to mandatory sinking fund redemption prior to their scheduled maturity commencing on August 15 of the first year which has been combined to form such Term Bond and continuing on August 15 in each year thereafter until the stated maturity date of that Term Bond. Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed. The principal

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

NOTICE OF REDEMPTION . . . Not less than thirty (30) days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed at the address of the Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

In the 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 registered owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE DISTRICT IN THE NOTICE, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

PERMANENT SCHOOL FUND GUARANTEE . . . In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education for the payment of the principal of, and interest on, the Bonds to be guaranteed under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code). Subject to meeting certain conditions discussed under the heading “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and in “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein, the principal of, and interest on, the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State in accordance with the terms of the Guarantee Program for School District Bonds. In the event of default, registered owners will receive all payments due from the corpus of the Permanent School Fund.

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

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

DTC will act 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 maturity of the Bonds, each in the aggregate principal amount or maturity amount, as applicable, 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

* Preliminary, subject to change.

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 Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar of the Bonds, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of

ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System of the Bonds is discontinued, printed Bonds will be issued to the registered owners thereof and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under “- TRANSFER, EXCHANGE AND REGISTRATION” below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Wilmington Trust, National Association, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid. Any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or their designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or their duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for determining the person to whom the interest is payable on the Bonds on any interest payment date means the close of business on the last Business Day of the month next preceding the 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 from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which will be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

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

BONDHOLDERS’ REMEDIES . . . The Order does not provide for the appointment of a trustee to represent the interests of the registered owners upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by

execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of governmental immunity. Chapter 1371, upon which the District is relying in its issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as they become due or perform other material terms and covenants contained in the Order. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

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

See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX 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. Initially, the only registered owner of the Bonds will be Cede & Co. on behalf of DTC. See "- BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Bonds.

SOURCES AND USES OF PROCEEDS OF THE BONDS . . . The proceeds from the sale of the Bonds along with the District's contribution, if any, will be applied approximately as follows:

| | |
|----------------------------------|------|
| Sources of Funds: | |
| Par Amount of the Bonds | |
| [Net] Premium on Bonds | |
| District Contribution | |
| Total Sources of Funds | \$ - |
| Uses of Funds: | |
| Deposit to the Construction Fund | |
| Deposit to the Escrow Fund | |
| Underwriters' Discount | |
| Costs of Issuance ⁽¹⁾ | |
| Total Uses of Funds | \$ - |

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

LITIGATION RELATING TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM . . . On seven occasions in the last thirty years, the Texas Supreme Court (the “Court”) has issued decisions assessing the constitutionality of the Texas public school finance system (the “Finance System”). The litigation has primarily focused on whether the Finance System, as amended by the Texas Legislature (the “Legislature”) 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 would be adversely affected by any such legislation. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM.”

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

OVERVIEW . . . The following language constitutes only a summary of the public school finance system as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current public school finance system.

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

2023 LEGISLATIVE SESSIONS

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

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

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

2025 LEGISLATIVE SESSION

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

LOCAL FUNDING FOR SCHOOL DISTRICTS

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

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

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

For the 2023-2024 school year, the Legislature reduced the maximum MCR, establishing \$0.6880 as the maximum rate and \$0.6192 as the floor. For the 2024-2025 school year, \$0.6855 was established as a maximum tax rate and \$0.6169 as the floor.

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate”; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district’s MCR for such year. Additionally, a school district’s levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next. See “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 increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district’s own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see “TAX RATE LIMITATIONS - I&S Tax Rate Limitations”), Tier Two funding may not be used for the payment of debt service or capital outlay.

The 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 State Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the State Legislature.

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

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

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

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

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

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

Since future-year IFA awards were not funded by the Legislature for the 2024-2025 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2024-2025 State fiscal biennium on new bonds issued by school districts in the 2024-2025 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible

for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption from \$40,000 to \$100,000. See “— 2023 Legislative Sessions.” Hold-harmless applies only to bonds authorized by voters prior to September 1, 2023.

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

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

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

LOCAL REVENUE LEVEL IN EXCESS OF ENTITLEMENT...A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district’s Tier One Tax Rate and Copper Pennies in excess of the school district’s respective funding entitlements (a “Chapter 49 school district”), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended (“Chapter 49”). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district’s Golden Pennies in excess of the school district’s respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, 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.

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2024-2025 fiscal year, the District was designated as an "excess local revenue" Chapter 49 school district by TEA and required to exercise one of the wealth equalization options permitted under applicable State law. According to currently available information from the TEA, for the 2024-2025 fiscal year, the District is subject to recapture and will reduce its wealth

per student pursuant to Option 3, an agreement to purchase attendance credit pursuant to Chapter 49 (See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – LOCAL REVENUE LEVEL IN EXCESS OF ENTITLEMENT”).

A district’s status of any excess local revenue in Tier One and its wealth per student for Copper Penny purposes in Tier Two must be tested for each future school year and, if it exceeds the maximum permitted levels, the excess must be reduced by exercising one of the permitted wealth equalization options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district’s combined property tax base, and the District’s ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

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

The 2024-2025 original General Fund budget approved by the Board reflected a net surplus of \$924,580 and reflected an increase of \$26.5 million of expenses to align with expected revenues. As of November 2024, budget amendments for fiscal year 2024-2025 have been approved by the Board including approximately \$4.8 million in purchase orders for prior years, \$106,000 for band uniforms, \$226,000 for special education speech language pathologists, and \$108,000 for other sources for sale of property, which resulted in a net deficit of \$4.1million for the amended budget for fiscal year 2024-2025. The district is currently in the process of developing its 2025-2026 budget with board approval no later than June 30, 2025.

In May 2024, the District projected that the costs of some projects planned as part of the \$1.256 billion 2023 bond program would exceed the initial estimates by \$73.8 million. In October 2024, the Board of Trustees voted to defer the planned transportation facility and eliminate Elementary School 55 and allocate the budgets from both projects to contingency. In addition to these actions, the scope of work on several other projects was reassessed to align with the proposed budget for those projects. The 2023 bond program is now within budget and has a contingency balance of \$49.6 million as of March 31, 2025.

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS . . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on March 19, 1963 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 (subject to the compression of the nine available copper pennies in a year in which the state increases the guaranteed yield on those pennies) and the school district’s MCR. A school district’s MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is \$0.93 (see “TAX RATE LIMITATIONS – PUBLIC HEARING AND VOTER-APPROVAL TAX RATE” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – LOCAL FUNDING FOR SCHOOL DISTRICTS” herein).

Furthermore, a school district cannot annually increase its tax rate in excess of the school district’s Voter-Approval Tax Rate without submitting such tax rate to an election and a majority of the voters voting at such election approving the adopted rate (see “TAX RATE LIMITATIONS – PUBLIC HEARING AND VOTER-APPROVAL TAX RATE”).

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 threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed

bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code (except refunding bonds issued to refund commercial paper notes such as the District's Commercial Paper Notes), are not subject to the \$0.50 tax rate test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the \$0.50 threshold tax rate test when applied to subsequent bond issues. A portion of the Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code, as "new money" bonds are subject to the 50-cent Test. A portion of the Bonds are issued as refunding bonds but are issued in part to refund commercial paper notes previously issued by the District and therefore, the portion issued to refund the Refunded Notes is also subject to the 50-cent Test. Under current law, a district may demonstrate its ability to comply with the \$0.50 threshold tax rate test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a district uses projected future taxable values to meet the \$0.50 threshold tax rate test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Attorney General must find that the district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the \$0.50 threshold tax rate test from a tax rate of \$0.45 per \$100 of valuation. The District has not used projected property values or State assistance (other than EDA or IFA allotment funding) to satisfy this threshold test.

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

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

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

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

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

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the school district if the school district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c), (c-1), (c-2), and (d), and, if applicable, subsection (i), and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the school district delivers substantially all of its tax bills. A school district that elects to adopt a tax rate before the adoption of a budget for the fiscal year that begins in the current tax year may adopt a tax rate for the current tax year before receipt of the

certified appraisal roll, so long as the chief appraiser of the appraisal district in which the school district participates has certified to the assessor for the school district an estimate of the taxable value of property in the school district. If a school district adopts its tax rate prior to the adoption of its budget, both the no-new-revenue tax rate and the Voter-Approval Tax Rate of the school district shall be calculated based on the school district's certified estimate of taxable value. A school district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

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

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 EVENTS

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

Hurricane Beryl ("Beryl") made landfall in Texas on July 8, 2024, as a Category 1 hurricane. As a result of Beryl, the District incurred damage to District buildings and related structures as well as trees throughout the District totaling approximately \$5.9 million. The most significant of the damage was roof damage at the District's administration building, which resulted in water infiltrating the building. The District estimates damages to the administration building of approximately \$3.1 million, debris removal costs of approximately \$0.7 million, and other damages of approximately \$2.1 million. The District has made a property insurance claim in connection with the damage at the District administration building and has a \$500,000 deductible associated with its property insurance policy. Additionally, the District has applied for reimbursement from the Federal Emergency Management Agency ("FEMA") for damage to the administrative building and other structures as well as for debris removal. The District currently estimates that all but approximately \$270,000 of such costs could be covered by insurance or FEMA reimbursements.

AD VALOREM PROPERTY TAXATION

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

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

require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

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

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

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.

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

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

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

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

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a

taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

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

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

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

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

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

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

For a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM PROPERTY TAXATION – District Application of Tax Code" herein.

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

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

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

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

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

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

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

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

DISTRICT APPLICATION OF TAX CODE . . . The District does not grant a local option exemptions of the market value of all residence homesteads or the market value of the residence homestead of persons 65 years of age or older and the disabled.

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

The District does not tax Freeport Property.

The District has taken action to tax Goods-in-Transit.

The District does not participate in a TIRZ.

The District does not offer tax abatements.

The District does not tax nonbusiness personal property.

TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

| | | |
|--|----------------|-------------------|
| 2024/2025 Market Valuation Established by Fort Bend Central Appraisal District (excluding totally exempt property) ⁽¹⁾ | | \$ 78,561,441,929 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Disabled Persons (Local and State) | \$ 16,989,477 | |
| Residential Homestead Exemption (State Mandated) | 10,538,634,630 | |
| Residential Homestead Over 65 Exemption (State Mandated) | 316,911,243 | |
| Productivity Loss | 255,694,957 | |
| Circuit Breaker Limitation | 231,424,118 | |
| Homestead Cap Adjustment | 3,801,993,402 | |
| Disabled Veteran Exemption | 538,038,924 | |
| Pollution Exemption | 49,442,724 | |
| Prorated Exempt Property | 4,088,793 | |
| House Bill 366 | 1,236,593 | |
| First Responders Surviving Spouse | 547,792 | |
| Freeport | 530,325,740 | |
| Lease Vehicles Exemption | 162,752,690 | |
| Solar | 14,626,399 | 16,462,707,484 |
| 2024/2025 Taxable Assessed Valuation | | \$ 62,098,734,445 |
| Existing Debt Payable from Ad Valorem Taxes (as of 2/28/2025) ⁽²⁾ | | \$ 1,590,440,000 |
| The Bonds ⁽³⁾ | 190,640,000 | |
| The Series 2025B Bonds ⁽⁴⁾ | 143,835,000 | |
| Total Debt Payable from Ad Valorem Taxes | | \$ 1,924,915,000 |
| Interest and Sinking Fund (as of 2/28/2025) | | \$ 161,325,631 |
| Ratio Tax Supported Debt to Taxable Assessed Valuation | | 3.10% |
| 2025 Estimated Fort Bend ISD Population ⁽⁵⁾ - 509,667 | | |
| Per Capita Taxable Assessed Valuation - \$121,842 | | |
| Per Capita Debt Payable from Ad Valorem Taxes - \$3,777 | | |
| Enrollment 2024/25 - 79,853 | | |
| Per Student Taxable Assessed Valuation - \$777,663 | | |
| Per Student Debt Payable from Ad Valorem Taxes - \$24,106 | | |

- (1) Source: Fort Bend Central Appraisal District ("the Appraisal District") Certified Totals for the fiscal year ending June 30, 2025. Values are subject to change as contested values are resolved.
- (2) Excludes the District's Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. Also excludes the bonds to be refunded with the Series 2025B Bonds; preliminary, subject to change.
- (3) Preliminary, subject to change. A portion of the Bonds is being issued to refund outstanding Commercial Paper Notes.
- (4) Preliminary, subject to change. The Series 2025B Bonds are scheduled to close on May 21, 2025, concurrently with the delivery of the Bonds.
- (5) Source: Municipal Advisory Council of Texas.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

| Category | Taxable Appraised Value for Fiscal Year Ended June 30, | | | | | |
|--|--|------------|--------------------------|------------|--------------------------|------------|
| | 2025 | | 2024 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 61,198,015,900 | 77.90% | \$ 58,305,559,387 | 78.14% | \$ 50,640,771,008 | 77.59% |
| Real, Residential, Multi-Family | 2,400,490,847 | 3.06% | 2,065,883,931 | 2.77% | 1,376,564,704 | 2.11% |
| Real, Vacant Lots/Tracts | 640,704,371 | 0.82% | 555,914,246 | 0.74% | 536,406,064 | 0.82% |
| Real, Acreage (Land Only) | 258,365,859 | 0.33% | 272,579,562 | 0.37% | 255,654,391 | 0.39% |
| Real, Farm and Ranch Improvement | 220,838,114 | 0.28% | 114,931,709 | 0.15% | 98,231,034 | 0.15% |
| Real, Commercial/Industrial | 8,884,632,651 | 11.31% | 8,507,376,031 | 11.40% | 8,060,073,865 | 12.35% |
| Oil, Gas, Minerals | 9,468,875 | 0.01% | 6,455,210 | 0.01% | 9,396,650 | 0.01% |
| Real and Tangible Personal, Utilities | 694,309,010 | 0.88% | 710,269,816 | 0.95% | 569,413,662 | 0.87% |
| Tangible Personal, Commercial/Industrial | 3,762,960,433 | 4.79% | 3,753,474,096 | 5.03% | 3,259,283,707 | 4.99% |
| Mobile Homes | 89,131,021 | 0.11% | 85,763,977 | 0.11% | 71,497,592 | 0.11% |
| Residential Inventory | 330,703,863 | 0.42% | 153,051,116 | 0.21% | 312,035,128 | 0.48% |
| Exempt | 7,148,659 | 0.01% | 22,541,095 | 0.03% | 21,149,379 | 0.03% |
| Special Inventory | 64,672,326 | 0.08% | 66,334,611 | 0.09% | 60,003,780 | 0.09% |
| Total Appraised Value Before Exemptions | \$ 78,561,441,929 | 100.00% | \$ 74,620,134,787 | 100.00% | \$ 65,270,480,964 | 100.00% |
| Adjustments | - | | (10,416,803,556) | | (211,014,308) | |
| Less: Total Exemptions/Reductions | (16,462,707,484) | | (11,625,458,101) | | (10,072,559,306) | |
| Taxable Assessed Value | <u>\$ 62,098,734,445</u> | | <u>\$ 52,577,873,130</u> | | <u>\$ 54,986,907,350</u> | |

| Category | Taxable Appraised Value for Fiscal Year Ended June 30, | | | |
|--|--|------------|--------------------------|------------|
| | 2022 | | 2021 | |
| | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 39,803,836,432 | 76.06% | \$ 37,279,973,830 | 75.99% |
| Real, Residential, Multi-Family | 1,220,451,965 | 2.33% | 1,135,781,631 | 2.32% |
| Real, Vacant Lots/Tracts | 502,991,967 | 0.96% | 512,508,075 | 1.04% |
| Real, Acreage (Land Only) | 291,491,021 | 0.56% | 310,881,921 | 0.63% |
| Real, Farm and Ranch Improvement | 92,761,831 | 0.18% | 89,644,758 | 0.18% |
| Real, Commercial/Industrial | 6,800,785,672 | 12.99% | 6,050,251,935 | 12.33% |
| Oil, Gas, Minerals | 8,998,692 | 0.02% | 5,432,344 | 0.01% |
| Real and Tangible Personal, Utilities | 515,587,290 | 0.99% | 452,053,812 | 0.92% |
| Tangible Personal, Commercial/Industrial | 2,649,160,230 | 5.06% | 2,489,292,904 | 5.07% |
| Mobile Homes | 29,073,788 | 0.06% | 30,002,775 | 0.06% |
| Exempt | 364,764,776 | 0.70% | 619,538,440 | 1.26% |
| Residential Inventory | 3,782,617 | 0.01% | 34,177,596 | 0.07% |
| Special Inventory | 50,874,850 | 0.10% | 50,990,910 | 0.10% |
| Total Appraised Value Before Exemptions | \$ 52,334,561,131 | 100.00% | \$ 49,060,530,931 | 100.00% |
| Adjustments | (278,309,850) | | (157,519,043) | |
| Less: Total Exemptions/Reductions | (4,161,134,590) | | (3,926,639,786) | |
| Taxable Assessed Value | <u>\$ 47,895,116,691</u> | | <u>\$ 44,976,372,102</u> | |

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District. Certified values are subject to change as contested values are resolved and the Appraisal District updates their records.

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TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

| Fiscal Year Ended 6/30 | Estimated Fort Bend ISD Population ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | Taxable Assessed Valuation Per Capita | Tax Supported Debt Outstanding at End of Year ⁽³⁾ | Ratio of Tax Supported Debt to Taxable Assessed Valuation | Tax Supported Debt Per Capita |
|------------------------|---|---|---------------------------------------|--|---|-------------------------------|
| 2021 | 364,771 | \$ 44,976,372,102 | \$ 123,300 | \$ 1,453,858,388 | 3.23% | \$ 3,986 |
| 2022 | 497,861 | 47,895,116,691 | 96,202 | 1,593,105,000 | 3.33% | 3,200 |
| 2023 | 519,431 | 54,986,907,350 | 105,860 | 1,621,385,000 | 2.95% | 3,121 |
| 2024 | 512,203 | 52,577,873,130 | 102,650 | 1,765,610,000 | 3.36% | 3,447 |
| 2025 | 509,667 | 62,098,734,445 | 121,842 | 1,924,915,000 ⁽⁴⁾ | 3.10% ⁽⁴⁾ | 3,777 ⁽⁴⁾ |

- (1) Source: District's Annual Comprehensive Financial Reports for fiscal years ending June 30, 2021 through 2024, and the Municipal Advisory Council of Texas for fiscal year ending June 30, 2025.
- (2) Source: District Annual Comprehensive Financial Reports for fiscal years ending June 30, 2021 through 2024 and the Appraisal District's Certified Totals for fiscal year ending June 30, 2025. Values are subject to change as contested values are resolved.
- (3) Excludes the District's Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. See "TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS" herein for certain assumptions regarding the issuance of Commercial Paper Notes and voted authorization.
- (4) Includes the Bonds and the Series 2025B Bonds, which are scheduled to close on May 21, 2025 concurrently with the delivery of the Bonds. Preliminary, subject to change. Excludes the bond obligations to be refunded by the Series 2025B Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

| Fiscal Year Ended 6/30 | Tax Rate | Local Maintenance ⁽¹⁾ | Interest and Sinking Fund | Tax Levy | % Current Collections | % Total Collections |
|------------------------|-----------|----------------------------------|---------------------------|----------------------------|-----------------------|-----------------------|
| 2021 | \$ 1.2402 | \$ 0.9502 | \$ 0.2800 | \$ 542,365,445 | 98.66% | 99.54% |
| 2022 | 1.2101 | 0.9201 | 0.2900 | 563,674,726 | 98.37% | 99.34% |
| 2023 | 1.1346 | 0.8646 | 0.2900 | 602,809,973 | 99.62% | 99.93% |
| 2024 | 0.9892 | 0.7192 | 0.2700 | 520,100,321 ⁽²⁾ | 98.39% | 98.68% |
| 2025 | 0.9869 | 0.7169 | 0.2700 | 566,824,294 | 95.42% ⁽³⁾ | 93.99% ⁽³⁾ |

- (1) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a description of legislative changes that resulted in M&O tax rate compression.
- (2) Tax levy is lower in fiscal year 2024 than fiscal year 2023 due to state compression of the District's maintenance and operations tax rate.
- (3) Collections through February 28, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS⁽¹⁾

| Name of Taxpayer | Type of Property | 2024/25 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|----------------------------------|-------------------------------------|------------------------------------|---------------------------------------|
| Amazon.com Services LLC | Commercial Business | \$ 707,848,397 | 1.14% |
| Centerpoint Energy Electric | Electric Utility | 358,713,021 | 0.58% |
| Exxonmobil Pipeline CO | Oil & Gas | 138,783,260 | 0.22% |
| ET Fresno LLC | Commercial Property | 128,540,539 | 0.21% |
| First Colony Mall LLC | Commercial Mall Property | 115,000,000 | 0.19% |
| LCFRE Sugar Land Town Square LLC | Commercial Business Office Building | 109,558,075 | 0.18% |
| Comcast of Houston LLC | Cable/ TV/ Internet Utility | 102,489,990 | 0.17% |
| Market Town Center Owner LLC | Commercial Property | 90,065,156 | 0.15% |
| Bechtel Equipment Operations Inc | Equipment | 86,652,090 | 0.14% |
| Tusa HQ LLC | Commercial Property | 78,450,756 | 0.13% |
| | | <u>\$ 1,916,101,284</u> | <u>3.09%</u> |

- (1) Source: The Appraisal District.

TABLE 6 - TAX ADEQUACY

| | |
|---|-----------------------|
| Principal and Interest Requirements for the Period Ended August 31, 2025 ⁽¹⁾ | \$ 165,057,893 |
| Plus: Scheduled Cash Redemption of Series 2020B Bonds | 7,100,000 |
| Less: Additional State Aid for Homestead Exemption | (17,105,060) |
| Less: Debt Service Fund Transfer | (3,180,636) |
| Net Principal and Interest Requirements for the Period Ended August 31, 2025 | <u>\$ 151,872,197</u> |
| \$0.2700 Interest and Sinking Fund Tax Rate @ 99.0% Collections ⁽²⁾ | <u>\$ 165,989,917</u> |

- (1) Includes the Bonds and the Series 2025B Bonds. Excludes the District's Commercial Paper Notes, and the bond obligations to be refunded by the Series 2025B Bonds. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. Preliminary, subject to change.
- (2) Utilizes \$62,098,734,445 in Net Taxable Value in Fiscal Year 2024-2025.

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

| Taxing Jurisdiction | 2024/2025 Taxable Assessed Value | 2024/2025 Tax Rate | Total Tax Supported Debt | Estimated % Applicable | District's Overlapping Tax Supported Debt As of 2/28/2025 | Authorized But Unissued Debt As Of 2/28/2025 ⁽¹⁾ |
|--|---|--------------------------|-----------------------------------|------------------------------|---|--|
| Arcola Municipal Management District # 1 | \$ 84,606,694 | \$ 0.8400 | \$ 21,135,000 | 100.00% | \$ 21,135,000 | \$ 114,385,000 |
| Arcola, City of | 272,899,390 | 0.6500 | 2,595,000 | 100.00% | 2,595,000 | - |
| Big Oaks MUD | 654,391,063 | 0.6000 | 23,855,000 | 100.00% | 23,855,000 | 4,025,000 |
| Blue Ridge West MUD | 542,502,944 | 0.4030 | 17,970,000 | 100.00% | 17,970,000 | - |
| Brazoria Co MUD # 22 | 612,013,680 | 0.9500 | 58,860,000 | 15.61% | 9,188,046 | 133,835,000 |
| Brazoria-Fort Bend Co MUD # 1 | 1,649,704,066 | 0.2800 | 32,785,000 | 43.10% | 14,130,335 | 32,325,000 |
| Burney Road MUD | 475,333,922 | 0.1750 | 2,820,000 | 100.00% | 2,820,000 | 11,185,000 |
| Charleston MUD | 75,616,043 | 1.5000 | 6,085,000 | 100.00% | 6,085,000 | 16,915,000 |
| Chelford City MUD | 626,775,634 | 0.3130 | 14,375,000 | 56.84% | 8,170,750 | 2,465,000 |
| First Colony MUD # 9 | 1,158,808,672 | 0.1249 | 6,090,000 | 100.00% | 6,090,000 | 11,955,000 |
| First Colony MUD # 10 | 609,156,134 | 0.1250 | 7,845,000 | 100.00% | 7,845,000 | 8,700,000 |
| Fort Bend Co | 123,275,193,205 | 0.4120 | 1,114,449,190 | 50.68% | 564,802,849 | 1,120,395,000 |
| Fort Bend Co Drainage District | 121,923,404,659 | 0.0100 | 22,655,000 | 50.68% | 11,481,554 | 528,100,000 |
| Fort Bend Co FWSD # 1 | 651,813,976 | 1.0000 | 31,795,000 | 100.00% | 31,795,000 | 245,105,000 |
| Fort Bend Co LID # 2 | 6,512,187,369 | 0.1180 | 79,725,000 | 100.00% | 79,725,000 | 57,975,000 |
| Fort Bend Co LID # 7 | 2,161,256,712 | 0.3227 | 112,237,000 | 100.00% | 112,237,000 | 30,029,000 |
| Fort Bend Co LID # 12 | 3,544,365,853 | 0.0450 | 8,165,000 | 50.51% | 4,124,142 | 8,705,000 |
| Fort Bend Co LID # 14 | 792,353,830 | 0.1060 | 1,829,000 | 100.00% | 1,829,000 | 6,090,000 |
| Fort Bend Co LID # 15 | 3,615,969,096 | 0.2180 | 82,980,000 | 100.00% | 82,980,000 | 28,400,000 |
| Fort Bend Co LID # 17 | 2,688,929,426 | 0.4300 | 48,935,000 | 100.00% | 48,935,000 | 62,360,000 |
| Fort Bend Co LID # 19 | 1,047,502,292 | 0.4250 | 44,355,000 | 100.00% | 44,355,000 | 6,888,402 |
| Fort Bend Co MUD # 2 | 538,804,520 | 0.5330 | 18,175,000 | 100.00% | 18,175,000 | 30,820,000 |
| Fort Bend Co MUD # 23 | 1,249,579,228 | 0.5600 | 51,400,000 | 100.00% | 51,400,000 | 13,165,000 |
| Fort Bend Co MUD # 24 | 309,681,040 | 1.1600 | 21,835,000 | 100.00% | 21,835,000 | 192,080,000 |
| Fort Bend Co MUD # 25 | 1,650,912,045 | 0.8300 | 104,395,000 | 100.00% | 104,395,000 | 50,325,000 |
| Fort Bend Co MUD # 26 | 474,749,343 | 0.7212 | 34,230,000 | 100.00% | 34,230,000 | 37,879,688 |
| Fort Bend Co MUD # 30 | 1,872,242,104 | 0.4350 | 100,685,000 | 99.52% | 100,201,712 | 46,405,000 |
| Fort Bend Co MUD # 41 | 409,520,930 | 0.4300 | 5,720,000 | 100.00% | 5,720,000 | 21,400,000 |
| Fort Bend Co MUD # 42 | 560,665,733 | 0.2900 | 1,755,000 | 100.00% | 1,755,000 | 190,000 |
| Fort Bend Co MUD # 46 | 431,180,496 | 0.3600 | 5,055,000 | 100.00% | 5,055,000 | 3,200,000 |
| Fort Bend Co MUD # 47 | 360,416,408 | 0.6910 | 11,520,000 | 100.00% | 11,520,000 | 27,000,000 |
| Fort Bend Co MUD # 48 | 629,908,689 | 0.7200 | 23,335,000 | 100.00% | 23,335,000 | 14,385,000 |
| Fort Bend Co MUD # 49 | 115,361,689 | 0.5200 | 245,000 | 100.00% | 245,000 | 1,900,000 |
| Fort Bend Co MUD # 115 | 416,146,386 | 0.3200 | 2,320,000 | 100.00% | 2,320,000 | 16,045,000 |
| Fort Bend Co MUD # 118 | 671,234,405 | 0.5900 | 38,230,000 | 100.00% | 38,230,000 | 5,920,278 |
| Fort Bend Co MUD # 119 | 594,227,980 | 0.3850 | 5,300,000 | 100.00% | 5,300,000 | 17,450,000 |
| Fort Bend Co MUD # 128 | 2,738,337,385 | 0.2650 | 64,680,000 | 100.00% | 64,680,000 | 18,690,000 |
| Fort Bend Co MUD # 129 | 949,093,379 | 0.1900 | 12,080,000 | 100.00% | 12,080,000 | 41,160,000 |
| Fort Bend Co MUD # 131 | 283,040,825 | 0.8500 | 17,385,000 | 100.00% | 17,385,000 | 24,910,000 |
| Fort Bend Co MUD # 134B | 1,472,117,795 | 0.9700 | 137,440,000 | 100.00% | 137,440,000 | 657,480,000 |
| Fort Bend Co MUD # 134C | 1,270,548,693 | 0.7200 | 90,385,000 | 100.00% | 90,385,000 | 584,865,000 |
| Fort Bend Co MUD # 134D | 887,821,644 | 0.9200 | 80,400,000 | 100.00% | 80,400,000 | 118,665,000 |
| Fort Bend Co MUD # 134E | 535,321,255 | 0.8700 | 46,650,000 | 100.00% | 46,650,000 | 255,990,000 |
| Fort Bend Co MUD # 134F | 21,923,763 | 1.4500 | 3,400,000 | 100.00% | 3,400,000 | 664,600,000 |
| Fort Bend Co MUD # 136 | 177,163,563 | 0.3800 | 4,980,000 | 100.00% | 4,980,000 | 20,955,000 |
| Fort Bend Co MUD # 137 | 985,219,419 | 0.2350 | 10,530,000 | 100.00% | 10,530,000 | 71,500,000 |
| Fort Bend Co MUD # 138 | 1,177,006,926 | 0.2300 | 21,415,000 | 100.00% | 21,415,000 | 79,625,000 |
| Fort Bend Co MUD # 139 | 341,083,368 | 0.2900 | 9,615,000 | 100.00% | 9,615,000 | 108,564,000 |
| Fort Bend Co MUD # 141 | 290,552,331 | 1.0100 | 36,735,000 | 100.00% | 36,735,000 | 48,715,000 |
| Fort Bend Co MUD # 143 | 962,947,182 | 1.0600 | 54,275,000 | 57.09% | 30,985,598 | 37,530,000 |
| Fort Bend Co MUD # 146 | 923,298,606 | 0.6700 | 37,045,000 | 31.12% | 11,528,404 | 70,110,000 |
| Fort Bend Co MUD # 149 | 894,937,017 | 0.3350 | 27,080,000 | 100.00% | 27,080,000 | 27,645,000 |
| Fort Bend Co MUD # 165 | 545,886,850 | 0.9400 | 27,485,000 | 100.00% | 27,485,000 | 23,725,000 |
| Fort Bend Co MUD # 168 (Defined Area A) | 45,278,172 | 1.5000 | 3,600,000 | 100.00% | 3,600,000 | 111,800,000 |
| Fort Bend Co MUD # 189 | 79,388,296 | 1.5000 | 7,935,000 | 100.00% | 7,935,000 | 64,840,000 |
| Fort Bend Co MUD # 190 | 531,477,210 | 1.0700 | 66,825,000 | 100.00% | 66,825,000 | 151,638,200 |

TABLE 7 CONTINUED ON NEXT PAGE

| Taxing Jurisdiction | 2024/2025 Taxable Assessed Value | 2024/2025 Tax Rate | Total Tax Supported Debt | Estimated % Applicable | District's Overlapping Tax Supported Debt As of 2/28/2025 | Authorized But Unissued Debt As Of 2/28/2025 ⁽¹⁾ |
|--|---|--------------------------|-----------------------------------|------------------------------|---|--|
| Fort Bend Co MUD # 206 | 230,510,956 | 1.2700 | 24,470,000 | 100.00% | 24,470,000 | 70,110,000 |
| Fort Bend Co MUD # 255 | 22,856,074 | 1.2500 | 4,450,000 | 100.00% | 4,450,000 | 27,645,000 |
| Fort Bend Co Municipal Management District No. | 1,427,204,010 | 0.4100 | 75,200,000 | 100.00% | 75,200,000 | 23,725,000 |
| Fort Bend Co WC&ID # 2 | 7,194,663,691 | 0.2130 | 173,020,000 | 32.91% | 56,940,882 | 111,800,000 |
| Grand Mission MUD # 1 | 647,105,399 | 0.5690 | 31,930,000 | 92.48% | 29,528,864 | 64,840,000 |
| Grand Mission MUD # 2 | 758,278,062 | 0.7500 | 62,100,000 | 99.68% | 61,901,280 | 151,638,200 |
| Harris Co MUD # 393 | 333,774,125 | 0.3700 | 7,955,000 | 7.54% | 599,807 | 78,570,000 |
| Houston Community College System | 284,303,136,473 | 0.0960 | 396,510,000 | 3.51% | 13,917,501 | 1,210,550,000 |
| Houston, City of | 327,240,730,722 | 0.5190 | 3,759,980,000 | 0.63% | 23,687,874 | 292,460,000 |
| Imperial Redevelopment District | 514,724,685 | 1.0500 | 56,615,000 | 100.00% | 56,615,000 | 106,755,000 |
| Kingsbridge MUD | 948,757,298 | 0.3950 | 10,180,000 | 95.92% | 9,764,656 | 2,980,000 |
| Mission Bend MUD # 1 | 628,289,422 | 0.2170 | 5,090,000 | 55.20% | 2,809,680 | 20,011,178 |
| Missouri City Management District # 1 | 433,044,288 | 0.9000 | 35,220,000 | 100.00% | 35,220,000 | 12,670,000 |
| Missouri City Management District # 2 | 328,710,180 | 0.5000 | 11,725,000 | 100.00% | 11,725,000 | 39,760,000 |
| Missouri City, City of | 12,571,485,796 | 0.5710 | 186,330,000 | 94.02% | 175,187,466 | - |
| North Mission Glen MUD | 780,096,200 | 0.3600 | 14,565,000 | 98.76% | 14,384,394 | 1,010,030,000 |
| Palmer Plantation MUD # 1 | 297,931,252 | 0.4000 | 4,125,000 | 100.00% | 4,125,000 | 606,007,000 |
| Palmer Plantation MUD # 2 | 299,007,683 | 0.3660 | 1,120,000 | 100.00% | 1,120,000 | 24,480,000 |
| Pecan Grove MUD | 1,604,613,237 | 0.6050 | 52,045,000 | 62.30% | 32,424,035 | 2,000,000 |
| Renn Road MUD | 383,845,386 | 0.5400 | 7,800,000 | 29.65% | 2,312,700 | 2,704,435 |
| Sienna Management District | 468,406,365 | 0.9800 | 51,762,080 | 100.00% | 51,762,080 | 16,070,000 |
| Sienna MUD # 3 | 1,152,012,585 | 0.4075 | 19,145,000 | 100.00% | 19,145,000 | 263,078,000 |
| Sienna MUD # 4 | 1,166,249,319 | 0.9350 | 146,790,478 | 100.00% | 146,790,478 | 165,620,000 |
| Sienna MUD # 6 | 793,690,231 | 1.0500 | 126,730,496 | 100.00% | 126,730,496 | 50,359,000 |
| Sienna MUD # 10 | 958,908,506 | 0.6150 | 53,019,632 | 100.00% | 53,019,632 | 22,420,000 |
| Sienna MUD # 12 | 1,055,676,888 | 0.5400 | 59,118,061 | 100.00% | 59,118,061 | 1,000,000 |
| Sienna Parks & Levee Improvement District | 7,053,556,242 | 0.4125 | 195,725,000 | 100.00% | 195,725,000 | 7,760,000 |
| Sugar Land, City of | 21,613,664,390 | 0.3530 | 316,845,000 | 88.59% | 280,692,986 | 18,615,000 |
| Fort Bend Independent School District | 62,098,734,445 | 0.9869 | 1,924,915,000 ⁽²⁾ | 100.00% | 1,924,915,000 ⁽²⁾ | 717,680,000 ⁽³⁾ |
| Total Direct and Overlapping Tax Supported Debt | | | | | <u>\$5,731,282,262</u> | |
| Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation | | | | | <u>9.23%</u> | |
| Per Capita Overlapping Tax Supported Debt | | | | | \$ 11,245 | |

(1) Includes new money and refunding authorizations.

(2) Includes the Bonds and the Series 2025B Bonds. Excludes the District's Commercial Paper Notes and the bond obligations to be refunded by the Series 2025B Bonds. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. Preliminary, subject to change.

(3) See "TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS" herein for certain assumptions regarding the issuance of Commercial Paper Notes in reaching the authorized but unissued debt amount.

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DEBT INFORMATION

TABLE 8 - PRO FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS⁽¹⁾

| Period Ending 8/31 | Outstanding Debt ⁽²⁾ | | | The Bonds ⁽³⁾ | | | The Series 2025B Bonds ⁽⁴⁾ | | | Total Tax-Supported Debt Service | % of Principal Retired |
|--------------------------|---------------------------------|-----------------------|------------------------|--------------------------|-----------------------|-----------------------|---------------------------------------|-----------------------|-----------------------|--|------------------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | | |
| 2025 | \$ 95,380,000 | \$ 66,497,257 | \$ 161,877,257 | \$ - | \$ 2,224,133 | \$ 2,224,133 | \$ - | \$ 956,503 | \$ 956,503 | \$ 165,057,893 | |
| 2026 | 74,545,000 | 58,540,161 | 133,085,161 | 20,640,000 | 9,532,000 | 30,172,000 | 2,715,000 | 4,919,157 | 7,634,157 | 170,891,318 | |
| 2027 | 72,400,000 | 61,469,855 | 133,869,855 | 2,730,000 | 8,500,000 | 11,230,000 | 2,855,000 | 4,826,304 | 7,681,304 | 152,781,159 | |
| 2028 | 75,170,000 | 64,101,011 | 139,271,011 | 2,865,000 | 8,363,500 | 11,228,500 | 2,995,000 | 4,728,663 | 7,723,663 | 158,223,174 | |
| 2029 | 75,465,000 | 60,243,799 | 135,708,799 | 3,005,000 | 8,220,250 | 11,225,250 | 3,145,000 | 9,468,900 | 12,613,900 | 159,547,949 | 22.65% |
| 2030 | 79,135,000 | 56,363,494 | 135,498,494 | 3,155,000 | 8,070,000 | 11,225,000 | 3,305,000 | 9,248,750 | 12,553,750 | 159,277,244 | |
| 2031 | 59,360,000 | 52,292,026 | 111,652,026 | 3,315,000 | 7,912,250 | 11,227,250 | 3,470,000 | 9,017,400 | 12,487,400 | 135,366,676 | |
| 2032 | 61,985,000 | 49,418,315 | 111,403,315 | 3,480,000 | 7,746,500 | 11,226,500 | 3,645,000 | 8,774,500 | 12,419,500 | 135,049,315 | |
| 2033 | 64,540,000 | 46,604,602 | 111,144,602 | 3,655,000 | 7,572,500 | 11,227,500 | 3,825,000 | 8,519,350 | 12,344,350 | 134,716,452 | |
| 2034 | 67,160,000 | 43,725,316 | 110,885,316 | 3,840,000 | 7,389,750 | 11,229,750 | 4,020,000 | 8,251,600 | 12,271,600 | 134,386,666 | 41.75% |
| 2035 | 45,825,000 | 41,144,592 | 86,969,592 | 4,030,000 | 7,197,750 | 11,227,750 | 4,215,000 | 7,970,200 | 12,185,200 | 110,382,542 | |
| 2036 | 47,580,000 | 39,104,623 | 86,684,623 | 4,230,000 | 6,996,250 | 11,226,250 | 4,430,000 | 7,675,150 | 12,105,150 | 110,016,023 | |
| 2037 | 49,350,000 | 37,017,669 | 86,367,669 | 4,445,000 | 6,784,750 | 11,229,750 | 4,650,000 | 7,365,050 | 12,015,050 | 109,612,469 | |
| 2038 | 47,960,000 | 34,877,628 | 82,837,628 | 4,665,000 | 6,562,500 | 11,227,500 | 4,880,000 | 7,039,550 | 11,919,550 | 105,984,678 | |
| 2039 | 49,815,000 | 32,786,899 | 82,601,899 | 4,900,000 | 6,329,250 | 11,229,250 | 5,125,000 | 6,697,950 | 11,822,950 | 105,654,099 | 56.63% |
| 2040 | 51,765,000 | 30,595,689 | 82,360,689 | 5,145,000 | 6,084,250 | 11,229,250 | 5,385,000 | 6,339,200 | 11,724,200 | 105,314,139 | |
| 2041 | 53,790,000 | 28,309,732 | 82,099,732 | 5,400,000 | 5,827,000 | 11,227,000 | 5,650,000 | 5,962,250 | 11,612,250 | 104,938,982 | |
| 2042 | 53,790,000 | 25,926,887 | 79,716,887 | 5,670,000 | 5,557,000 | 11,227,000 | 5,935,000 | 5,566,750 | 11,501,750 | 102,445,637 | |
| 2043 | 46,665,000 | 23,601,696 | 70,266,696 | 5,955,000 | 5,273,500 | 11,228,500 | 6,230,000 | 5,151,300 | 11,381,300 | 92,876,496 | |
| 2044 | 45,020,000 | 21,224,501 | 66,244,501 | 6,250,000 | 4,975,750 | 11,225,750 | 6,540,000 | 4,715,200 | 11,255,200 | 88,725,451 | 72.72% |
| 2045 | 46,970,000 | 18,921,950 | 65,891,950 | 6,565,000 | 4,663,250 | 11,228,250 | 6,870,000 | 4,257,400 | 11,127,400 | 88,247,600 | |
| 2046 | 48,945,000 | 16,594,609 | 65,539,609 | 6,895,000 | 4,335,000 | 11,230,000 | 7,215,000 | 3,776,500 | 10,991,500 | 87,761,109 | |
| 2047 | 50,950,000 | 14,199,630 | 65,149,630 | 7,235,000 | 3,990,250 | 11,225,250 | 7,575,000 | 3,271,450 | 10,846,450 | 87,221,330 | |
| 2048 | 53,060,000 | 11,697,735 | 64,757,735 | 7,600,000 | 3,628,500 | 11,228,500 | 7,950,000 | 2,741,200 | 10,691,200 | 86,677,435 | |
| 2049 | 51,765,000 | 9,084,903 | 60,849,903 | 7,980,000 | 3,248,500 | 11,228,500 | 5,625,000 | 2,184,700 | 7,809,700 | 79,888,103 | 89.30% |
| 2050 | 44,285,000 | 6,473,928 | 50,758,928 | 8,380,000 | 2,849,500 | 11,229,500 | 3,760,000 | 1,790,950 | 5,550,950 | 67,539,378 | |
| 2051 | 36,060,000 | 4,239,720 | 40,299,720 | 8,795,000 | 2,430,500 | 11,225,500 | 3,950,000 | 1,527,750 | 5,477,750 | 57,002,970 | |
| 2052 | 17,025,000 | 2,266,525 | 19,291,525 | 9,235,000 | 1,990,750 | 11,225,750 | 4,145,000 | 1,251,250 | 5,396,250 | 35,913,525 | |
| 2053 | 16,630,000 | 1,432,950 | 18,062,950 | 9,700,000 | 1,529,000 | 11,229,000 | 4,355,000 | 961,100 | 5,316,100 | 34,608,050 | |
| 2054 | 13,715,000 | 642,838 | 14,357,838 | 10,185,000 | 1,044,000 | 11,229,000 | 4,575,000 | 656,250 | 5,231,250 | 30,818,088 | 99.45% |
| 2055 | - | - | - | 10,695,000 | 534,750 | 11,229,750 | 4,800,000 | 336,000 | 5,136,000 | 16,365,750 | 100.00% |
| | <u>\$1,596,105,000</u> | <u>\$ 959,400,540</u> | <u>\$2,555,505,540</u> | <u>\$ 190,640,000</u> | <u>\$ 167,362,883</u> | <u>\$ 358,002,883</u> | <u>\$ 143,835,000</u> | <u>\$ 155,948,277</u> | <u>\$ 299,783,277</u> | <u>\$3,213,291,700</u> | |

- (1) Excludes the District's Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. Also excludes the bonds to be refunded with the Series 2025B Bonds; preliminary, subject to change.
- (2) Interest on the District's Variable Rate Unlimited Tax Refunding Bonds, Series 2021B is calculated at an Initial Rate of 0.720% through July 31, 2026 and at the Stepped Rate of 7.000% per annum thereafter. Interest on the District's Variable Rate Unlimited Tax School Building and Refunding Bonds, Series 2025B is calculated at the Initial Rate of 4.00% through July 31, 2027 and at the Stepped Rate of 7.000% per annum thereafter. Excludes the bond obligations to be refunded by the Series 2024B Bonds. Preliminary, subject to change.
- (3) Preliminary, subject to change. Assumes interest at current market rates for purposes of illustration.
- (4) For purposes of illustration, interest calculated at an assumed Initial Rate for the Initial Rate Period for the Series 2025B Bonds and at an assumed Stepped Rate of 7.000% thereafter through stated maturity. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

| | |
|---|----------------|
| Principal and Interest Requirements for the Period Ended August 31, 2026 ⁽¹⁾ | \$ 170,891,318 |
| \$0.270000 Interest and Sinking Fund Tax Rate @ 99.0% Collections ⁽²⁾ | \$ 170,969,615 |

- (1) Includes the Bonds and the Series 2025B Bonds. Excludes the District's Commercial Paper Notes and the refunded obligations refunded by the Series 2025B Bonds. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. Preliminary, subject to change.
- (2) Source: District Officials. Assumes an estimated Tax Year 2025 (Fiscal Year 2025-2026) Taxable Assessed Valuation of \$63,961,696,478.

TABLE 10 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

| Date Authorized | Purpose | Amount Authorized | Amount Previously Issued ⁽¹⁾ | Amount Being Issued ⁽²⁾ | Unissued Balance |
|--------------------|--|------------------------|---|--|-------------------------------|
| November 4, 2014 | School Building Facilities and Equipment | \$ 484,000,000 | \$ 470,750,000 | \$ 3,000,000 | \$ 10,250,000 |
| November 6, 2018 | School Building Facilities and Equipment | 992,600,000 | 936,870,000 | 14,000,000 | 41,730,000 |
| | | | | | - |
| | Proposition A - School Building Facilities and Equipment | 1,180,830,000 | 304,730,000 | 260,500,000 | 615,600,000 ⁽³⁾⁽⁴⁾ |
| May 6, 2023 | Proposition B - Technology Equipment | 52,470,000 | 25,270,000 | - | 27,200,000 |
| | Proposition C - Natatorium | 22,900,000 | - | - | 22,900,000 |
| | | <u>\$2,732,800,000</u> | <u>\$1,737,620,000</u> | <u>\$277,500,000</u> | <u>\$ 717,680,000</u> |

- (1) Includes premium charged against voted authority.
- (2) Represents the allocation of voted authority to the Bonds and the Series 2025B Bonds. Preliminary, subject to change.
- (3) The District may issue and have outstanding from time to time up to \$150,000,000 in Commercial Paper under its Commercial Paper Program utilizing voted authorization from any of the Elections (as defined herein). The "Amount Previously Issued" includes and assumes the issuance and allocation of the full \$150,000,000 capacity of the District's Commercial Paper Program to Proposition A from the 2023 Election. As the Commercial Paper that is ultimately issued utilizing such capacity is refunded with long-term bonds, the District makes such final allocation of the Commercial Paper to the appropriate Election.
- (4) This amount excludes (treats as having been issued) the \$150,000,000 capacity of the District's Commercial Paper Program described in footnote (3).

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . . The District has established a commercial paper program (the "CP Program" or "Commercial Paper Program") pursuant to which it is authorized to issue commercial paper notes ("Commercial Paper Notes" or "Commercial Paper") from time to time under a traditional commercial paper program ("Series A") or a direct purchase commercial paper note program ("Series B") in a maximum aggregate principal amount of not more than \$150,000,000 at any one time outstanding under Series A and Series B pursuant to the authority provided by the elections held in the District on November 4, 2014 (the "2014 Election"), November 6, 2018 (the "2018 Election") and May 6, 2023 (the "2023 Election," and together with the 2014 Election and the 2018 Election, the "Elections"), provided, however, that the aggregate amount of indebtedness issued to finance authorized projects pursuant to such elections cannot exceed the limits approved by the voters at such elections. See "TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS". The termination dates of the credit agreement supporting Series A and the note purchase agreement for Series B are both November 1, 2025, and the total principal commitment under the credit agreement for Series A and the note purchase agreement for Series B is \$150,000,000.

The District expects to continue issuing its Commercial Paper Notes under the Commercial Paper Program to provide interim financing for projects authorized by the 2014 Election, the 2018 Election, and the 2023 Election. Following the issuance of the Bonds and the refunding of the Refunded Notes, the District will have the capacity to have a total of up to \$150,000,000 in Commercial Paper Notes outstanding under the Series A and Series B programs from time to time.

TABLE 11 - OTHER OBLIGATIONS

OTHER OBLIGATIONS . . . In addition to voter authorized ad valorem tax-supported debt, the District may also 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. The District currently has no other such obligations outstanding.

PENSION FUND AND OTHER POST EMPLOYMENT RETIREMENT BENEFITS . . . The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the Plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ended June 30, 2024, the State contributed \$31,629,504 to TRS on behalf of the District's employees and the District paid additional State contributions of \$25,468,583. (For more detailed information concerning the retirement plan see "APPENDIX B – EXCERPTS FROM THE FORT BEND INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT - Note 18.")

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

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Plan"), a cost-sharing multiple-employer defined OPEB health care plan. The TRS-Care Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. The TRS-Care Plan is administered through a trust by the TRS Board of Trustees. Contribution rates are legally established in state statute by the Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care Plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Plan, see "APPENDIX B – EXCERPTS FROM THE FORT BEND INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT - Note 19."

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FINANCIAL INFORMATION

TABLE 12 - CHANGE IN NET ASSETS

| | Fiscal Year Ended June 30, | | | | |
|--|----------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| <u>Program Revenues:</u> | | | | | |
| Charges for Services | \$ 25,683,202 | \$ 23,529,415 | \$ 14,885,224 | \$ 7,006,161 | \$ 21,867,703 |
| Operating Grants & Contributions | 159,351,560 | 142,278,974 | 162,227,459 | 153,115,796 | 173,804,959 |
| Capital Grants & Contributions | - | - | - | - | - |
| State Aid | 370,576,935 | 208,360,378 | 229,953,880 | 250,463,913 | 238,240,004 |
| Property Taxes - General Purpose | 375,295,247 | 463,932,642 | 428,130,705 | 416,147,524 | 405,223,665 |
| Property Taxes - Debt Service | 140,623,564 | 144,331,720 | 135,710,509 | 127,194,796 | 115,048,846 |
| Investment Earnings | 20,431,356 | 15,241,427 | 1,010,264 | 1,372,409 | 6,020,661 |
| Miscellaneous | 444,126 | - | 405,339 | 239,454 | 357,485 |
| Transfers | 2,900,000 | 2,834,000 | 2,761,000 | 466,000 | 2,715,000 |
| Total Revenues | <u>\$ 1,095,305,990</u> | <u>\$ 1,000,508,556</u> | <u>\$ 975,084,380</u> | <u>\$ 956,006,053</u> | <u>\$ 963,278,323</u> |
| <u>Expenses:</u> | | | | | |
| Instruction | \$ 572,454,088 | \$ 537,083,531 | \$ 510,413,907 | \$ 547,263,538 | \$ 567,087,931 |
| Instructional Resources | 10,116,813 | 10,115,672 | 9,913,664 | 10,447,347 | 11,400,388 |
| Curriculum and Staff Development | 26,664,251 | 21,204,691 | 21,955,206 | 22,704,654 | 21,864,029 |
| Instructional Leadership | 21,287,760 | 21,075,780 | 19,746,669 | 22,074,510 | 22,858,143 |
| School Leadership | 51,759,042 | 49,828,394 | 48,927,056 | 52,341,401 | 55,154,914 |
| Guidance and Counseling | 49,193,557 | 41,935,227 | 39,598,277 | 42,449,940 | 43,155,606 |
| Social Work Services | 3,325,058 | 3,200,750 | 2,956,714 | 3,221,659 | 2,481,799 |
| Health Services | 11,377,970 | 10,761,812 | 13,169,382 | 21,751,131 | 10,967,036 |
| Student Transportation | 30,611,747 | 27,885,507 | 27,020,818 | 24,198,457 | 26,147,265 |
| Food Services | 40,111,664 | 33,317,700 | 33,430,892 | 20,405,836 | 29,526,553 |
| Extracurricular Activities | 27,447,079 | 25,989,271 | 24,000,742 | 20,514,305 | 24,647,405 |
| General Administration | 21,054,738 | 19,897,878 | 19,043,439 | 21,019,321 | 23,116,280 |
| Plant Maintenance and Operations | 115,251,697 | 100,725,035 | 102,128,460 | 140,336,823 | 122,040,710 |
| Security and Monitoring Services | 14,854,856 | 11,959,329 | 11,176,791 | 14,469,239 | 13,346,524 |
| Data Processing Services | 28,528,944 | 21,263,200 | 30,090,842 | 37,934,087 | 32,374,940 |
| Community Services | 2,111,717 | 1,885,168 | 2,038,964 | 1,808,099 | 1,525,991 |
| Interest on Long-term Debt | 50,222,088 | 46,433,729 | 44,260,052 | 41,748,923 | 37,943,873 |
| Facilities Repair and Maintenance | - | 9,770,760 | 7,094,017 | 5,204,633 | 5,793,963 |
| Payments Related to Shared Services Arrangements | 611,567 | 566,807 | 576,300 | 711,900 | 697,706 |
| Other Intergovernmental Charges | 5,820,566 | 5,173,623 | 4,592,722 | 3,900,170 | 2,639,249 |
| Total Expenses | <u>\$ 1,082,805,202</u> | <u>\$ 1,000,073,864</u> | <u>\$ 972,134,914</u> | <u>\$ 1,054,505,973</u> | <u>\$ 1,054,770,305</u> |
| Increase (Decrease) in Net Position | \$ 12,500,788 | \$ 434,692 | \$ 2,949,466 | \$ (98,499,920) | \$ (91,491,982) |
| Beginning Net Position | (369,254,911) | (369,689,603) | (372,639,069) | (274,139,149) | (186,482,035) |
| Prior Period Adjustment | - | - | - | - | 3,834,868 ⁽¹⁾ |
| Ending Net Position | <u>\$ (356,754,123)</u> | <u>\$ (369,254,911)</u> | <u>\$ (369,689,603)</u> | <u>\$ (372,639,069)</u> | <u>\$ (274,139,149)</u> |

Source: *The District's Comprehensive Annual Financial Reports.*

- (1) The District implemented the Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, beginning in fiscal year 2020. As a result, the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the student campus activity fund balance as of June 30, 2019 of \$3,834,868 that was previously reported as an Agency Fund in previous years.

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

| | Fiscal Years Ended June 30, | | | | |
|--|------------------------------|-------------------------------|--------------------------------|--------------------------------|-----------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| <u>Revenues:</u> | | | | | |
| Local and Intermediate Sources | \$ 391,261,494 | \$ 475,493,684 | \$ 433,032,620 | \$ 419,629,082 | \$ 418,309,565 |
| State Sources | 412,449,423 | 246,267,954 | 268,364,328 | 290,599,868 | 278,845,262 |
| Federal Sources | 9,503,551 | 16,163,086 | 33,013,180 | 14,674,312 | 13,423,952 |
| Total Revenues | <u>\$ 813,214,468</u> | <u>\$ 737,924,724</u> | <u>\$ 734,410,128</u> | <u>\$ 724,903,262</u> | <u>\$ 710,578,779</u> |
| <u>Expenditures:</u> | | | | | |
| Instruction | \$ 465,760,472 | \$ 421,218,019 | \$ 431,823,770 | \$ 440,790,337 | \$ 414,783,038 |
| Instructional Resources | 7,489,722 | 8,405,680 | 8,619,420 | 8,443,166 | 7,968,666 |
| Curriculum & Staff Development | 16,127,639 | 13,565,737 | 14,336,646 | 14,561,793 | 13,729,814 |
| Instructional Leadership | 18,833,703 | 19,506,301 | 18,824,044 | 19,219,126 | 19,047,793 |
| School Leadership | 50,019,877 | 50,927,915 | 51,322,221 | 48,275,455 | 49,034,089 |
| Guidance & Counseling | 42,250,822 | 38,982,395 | 37,576,528 | 36,142,510 | 34,796,769 |
| Social Work Services | 2,501,910 | 2,940,420 | 2,875,208 | 2,665,313 | 1,799,423 |
| Health Services | 9,446,529 | 8,985,930 | 10,159,854 | 12,870,298 | 8,645,749 |
| Student Transportation | 26,309,829 | 24,608,087 | 24,315,969 | 20,351,905 | 21,810,058 |
| Food Services | 34,977 | 40,091 | 354 | 24 | 49,443 |
| Co-Curricular Activities | 18,000,579 | 17,538,328 | 17,454,530 | 15,565,197 | 15,675,121 |
| General Administration | 20,109,789 | 19,620,190 | 19,505,743 | 19,291,644 | 19,695,678 |
| Plant Maintenance & Operations | 82,271,805 | 78,388,505 | 74,634,837 | 71,944,935 | 70,938,785 |
| Security & Monitoring Services | 13,173,740 | 10,424,454 | 10,514,243 | 11,964,843 | 9,577,827 |
| Data Processing | 16,732,281 | 16,879,381 | 18,369,092 | 21,565,164 | 19,210,161 |
| Community Service | 822,093 | 940,627 | 887,511 | 818,380 | 413,199 |
| Principal on Long Term Debt | 5,825,206 | 4,821,755 | 665,406 | - | - |
| Capital Outlay | - | - | - | - | - |
| Payments to Shared Service Arrangements | 509,867 | 284,163 | - | 343,189 | 419,497 |
| Payments to Tax Appraisal District | 5,820,566 | 5,173,622 | 4,592,722 | 3,900,170 | 2,639,249 |
| Total Expenditures | <u>\$ 802,041,406</u> | <u>\$ 743,251,600</u> | <u>\$ 746,478,098</u> | <u>\$ 748,713,449</u> | <u>\$ 710,234,359</u> |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures | \$ 11,173,062 ⁽⁴⁾ | \$ (5,326,876) ⁽⁵⁾ | \$ (12,067,970) ⁽³⁾ | \$ (23,810,187) ⁽¹⁾ | \$ 344,420 |
| Sale of Real Property | \$ 304,584 | \$ 318,864 | \$ 418,028 | \$ 258,653 | \$ 246,649 |
| Proceeds from Right to Use Leased Assets | - | 3,790,219 | - | - | - |
| Net Transfers | 413,000 | (5,341,000) | 2,500,000 | (1,730,332) ⁽²⁾ | 2,500,000 |
| Total | <u>\$ 717,584</u> | <u>\$ (1,231,917)</u> | <u>\$ 2,918,028</u> | <u>\$ (1,471,679)</u> | <u>\$ 2,746,649</u> |
| Net Change in Fund Balance | \$ 11,890,646 | \$ (6,558,793) | \$ (9,149,942) | \$ (25,281,866) | \$ 3,091,069 |
| Fund Balance - Beginning | 200,220,161 | 206,778,954 | 215,928,896 | 241,210,762 | 238,119,693 |
| Fund Balance - Ending | <u>\$ 212,110,807</u> | <u>\$ 200,220,161</u> | <u>\$ 206,778,954</u> | <u>\$ 215,928,896</u> | <u>\$ 241,210,762</u> |

Source: *The District's Comprehensive Annual Financial Reports.*

- (1) The District's general fund balance decreased in fiscal year 2021 due to TEA supplanting the hold harmless provision in place for the 2020-2021 school year for an approximate \$9.2 million of State aid with federal Coronavirus aid, ESSER II funding and an additional \$23.5 million in unbudgeted expenses that link to the COVID-19 pandemic.
- (2) A transfer of \$1.7 million was made from the general fund to the child nutrition fund to cover fiscal year 2021 deficit due to a decrease of anticipated revenue from local and federal sources offset by a reduction in expenses.
- (3) The general fund balance decreased primarily due to student enrollment and attendance not meeting budget expectations.
- (4) Total revenue and expenditures in fiscal year 2024 are higher than normal partially due to the District passing a Voter Approval Tax Rate Election that raised the maintenance and operations tax rate by \$0.04. The additional revenue was used for salary increases for staff and for additional security staff and services.
- (5) The general fund balance decreased primarily due to student attendance.

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INVESTMENTS

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

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

be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AA+ or an equivalent by at least one nationally recognized rating service if the governing body of the District authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code, as amended.

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.

As a school district that qualifies as an issuer under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased. Texas law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidiary thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. The District has, to date, taken no such action to permit its investment in corporate bonds.

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

INVESTMENT POLICIES . . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. 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 Texas law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or

pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Trustees.

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

TABLE 13 - CURRENT INVESTMENTS⁽¹⁾

As of February 28, 2025, the District's investable funds were invested in the following categories:

| Type of Investment | % of Portfolio | Market Value |
|--------------------|----------------|----------------|
| Cash | 22.25% | \$ 129,630,316 |
| Texpool | 12.77% | 74,385,079 |
| Lone Star | 13.98% | 81,451,013 |
| TexStar | 13.64% | 79,446,059 |
| Texas Range | 13.64% | 79,460,496 |
| Texas CLASS | 4.45% | 25,921,512 |
| Texas FIT | 0.59% | 3,414,585 |
| Securities | 18.67% | 108,779,765 |
| Totals | 100.00% | \$ 582,488,825 |

As of such date, 100% of the District's investment portfolio will mature within 12 months. The market value of the investment portfolio was approximately 100% of its purchase price. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

(1) Unaudited.

TexSTAR is a local government investment pool for which Hilltop Securities Asset Management, LLC provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

TAX MATTERS

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

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

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and a requirement that the issuer file an

information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Order that it will comply with these requirements.

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

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

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

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system, where it will be available to the general public, free of charge, at www.emma.msrb.org. See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for a description of the continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State of Texas, as the case may be, and to provide timely notice of specified material events related to the guarantee to certain information vendors.

ANNUAL REPORTS . . . The District will file certain updated financial information and operating data with the MSRB. The information to be updated includes (i) within six (6) months after the end of each fiscal year of the District ending in and after 2025, financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 13, and (ii) if not provided as part of such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements so to be provided will be (i) prepared in accordance with the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as the District may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available. The District will provide the updated information to the MSRB in electronic format.

The District's current fiscal year end is June 30. If the District changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to such agreement.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document), if it is available to the public on the MSRB's Internet website or has been filed with the SEC. The financial information or operating data will be provided in an electronic format as prescribed by the MSRB.

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

For these purposes, (A) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, (B) as used in clauses (15) and (16) in the immediately preceding paragraph, "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, 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 the Rule effected by the 2018 Release.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

LIMITATIONS AND AMENDMENTS . . . The provisions of the Order described in this “CONTINUING DISCLOSURE OF INFORMATION” caption are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in such provisions of the Order, express or implied, will give any benefit or any legal or equitable right, remedy, or claim under the Order to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the provisions of the Order described in this “CONTINUING DISCLOSURE OF INFORMATION” caption and has not undertaken to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or undertaken to update any information provided in accordance with such provisions of the Order or otherwise, except as expressly provided in the Order. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell the Bonds at any future date.

UNDER NO CIRCUMSTANCES WILL THE DISTRICT BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THE PROVISIONS OF THE ORDER DESCRIBED IN THIS “CONTINUING DISCLOSURE OF INFORMATION” CAPTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH WILL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under the provisions of the Order described in this “CONTINUING DISCLOSURE OF INFORMATION” caption will comprise a breach of or default under the Order for purposes of any other provisions of the Order.

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, but only if (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (A) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such an amendment) of the outstanding Bonds, as applicable, consent to such amendment or (B) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds, as applicable. The District may also repeal or amend the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of this 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 applicable series of Bonds, giving effect to (i) such provisions as so amended and (ii) any amendments or interpretations of the Rule. If the District so amends the provisions of its continuing disclosure agreement, the District will include with any amended financial information or operating data next 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 or operating data so provided.

OTHER INFORMATION

RATINGS

The Bonds have been rated “AAA” by Fitch Ratings (“Fitch”) and “AAA” by S&P Global Ratings (“S&P”) by virtue of the guarantee of the Permanent School Fund of the State of Texas (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). The presently outstanding unenhanced tax-supported debt of the District is rated “AA+” by Fitch and “AA+” by S&P. The District also has eighteen bond issues outstanding which are rated “AAA” by Fitch and “AAA” by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. The District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the District. A revision in a rating agency’s rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

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

Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect hereto or undertaken to independently verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information in this Official Statement appearing under the captions and subcaptions "PURPOSE AND PLAN OF FINANCING – Refunded Notes," "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee," "Book-Entry-Only System," "Bondholders' Remedies" and "Sources and Uses of Proceeds of the Bonds"), and "CONTINUING DISCLOSURE OF INFORMATION" and Bond Counsel is of the opinion that the information contained therein conforms to the provisions of the Order; further, such firm has reviewed the information in this Official Statement appearing under the captions and subcaptions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS – M&O TAX RATE LIMITATIONS" (first paragraph only), "TAX MATTERS," "OTHER INFORMATION - LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," and "OTHER INFORMATION – LEGAL MATTERS" (excluding the last three sentences of the second paragraph thereof), and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Jackson Walker, Houston, Texas.

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

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

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District for \$ _____ (an amount equal to the principal amount of the Bonds, plus a premium of \$ _____, less an underwriting discount of \$ _____). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters, subject to certain restrictions in the Bond Purchase Agreement.

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

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

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

AUDITED FINANCIAL STATEMENTS

Whitley Penn LLP, the District's independent auditor, has not reviewed, commented on, or approved, and is not associated with this Official Statement. Excerpts from the report of Whitley Penn LLP relating to the District's financial statements for the fiscal year ended June 30, 2024 are included in this Official Statement in APPENDIX B; however, Whitley Penn has not been engaged to perform and has not performed, since the date of its report herein, any procedures on the financial statements addressed in that report. Whitley Penn also has not performed any procedures relating to this offering document.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

The Order authorizing the issuance of the Bonds also authorized designated officials of the District to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto. The Order further authorizes its use in the reoffering of the Bonds by the Underwriters.

SCHEDULE I

SCHEDULE OF REFUNDED NOTES*

**Fort Bend Independent School District
Unlimited Tax Commercial Paper Program, Series A**

| <u>Issue Date</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Coupon</u> | <u>Maturity Amount</u> |
|-------------------|----------------------|-----------------------------|---------------|------------------------|
| | 5/23/2025 | \$ 50,000,000.00 | | |
| | | <u>\$ 50,000,000.00</u> | | <u>\$ -</u> |

* Preliminary, subject to change. The District currently expects to issue \$50,000,000 in Commercial Paper Notes prior to the sale of the Bonds.

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT, THE CITY OF SUGAR LAND
AND FORT BEND COUNTY, TEXAS

GENERAL INFORMATION REGARDING THE DISTRICT, THE CITY OF SUGAR LAND AND FORT BEND COUNTY, TEXAS

LOCATION

The District is located in the northeast quadrant of Fort Bend County (the “County”) adjoining the southern city limits of Houston and is accessed by U.S. Highway 59 extending from downtown Houston. The District encompasses the Cities of Sugar Land, Missouri City, Arcola and Meadows Place. The District is also traversed by U.S. Highway 90A, State Highways 6 and 99, and the Sam Houston Tollway. The 2025 population estimate for the District is 510,836. The District is the largest employer in the County and one of the top ten largest school districts in Texas.

LOCAL ECONOMY

The County and the surrounding metropolitan area economy is diverse, with many industries such as technology, petrochemicals, government, agribusiness, and other trades. A suburb of the greater Houston Metro area, the County offers a suburban setting with access to international airports, entertainment venues and downtown Houston.

The population of the County is expected to increase from approximately 890,000 to over one million in the year 2030. The continued growth in the County has led to major infrastructure projects including major highway expansions that feed into various master planned communities, including Aliana, Harvest Green, Riverstone, and Sienna. These infrastructure projects will improve mobility for County residents. Additionally for tax year 2024, adjusted assessed property values have experienced an increase of approximately 13% over the prior tax year 2023, largely due to the new construction in the master planned communities.

ACADEMIC AND COMMUNITY PARTNER ACCOLADES

The District (also referred to herein as FBISD) received an overall “B” rating (score of 89) by the Texas Education Agency (TEA) for the 2021-2022 school year. FBISD received “B” ratings in each of the three categories: (1) Student Achievement which includes STAAR Performance and College, Career and Military Readiness and Graduation Rate; (2) School Progress which includes Academic Growth and Relative Performance; and (3) Closing the Gaps. As a result of numerous lawsuits filed by over 100 school districts over significant changes made to the accountability system, the release of updated ratings have been blocked by the courts until the legal dispute is resolved. As a result, the available ratings are still from the 2021-2022 school year.

80 District seniors were named Semifinalists in the 2025 National Merit Scholarship Program, sponsored by the National Merit Scholarship Corporation. The District’s students are among approximately 16,000 Semifinalists named in the 70th annual National Merit Scholarship Program, based on their junior year performance on the 2023 Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT), which is an initial screen of program entrants. The nationwide pool of Semifinalists, representing less than one percent of U.S. high school seniors, includes the highest-scoring entrants in each state.

The Texas Music Educators Association selected 49 District students as 2025 Texas All-State Musicians. These talented musicians represent approximately 2.6% of the more than 70,000 students who initially auditioned, advancing from the regional and area competitions. The “All-State” honor is the highest awarded given to Texas student musicians.

The graduation rate of the District’s Class of 2023 was over 92.9 percent.

The District’s 2024 graduating Senior Class received over \$185.7 million in academic and athletic scholarship offers.

The District values its community and business partners, who play an integral role in student success. During the 2023-24 school year, volunteers devoted almost 251,000 of recorded volunteer hours at District campuses. If valued at an hourly rate of \$31.94 established by the Independent Sector for all the services rendered, volunteers donated over \$8 million in services to the District last school year.

Since its inception in 1992, the Fort Bend Education Foundation has awarded nearly \$36 million in grants to the District teachers and schools. In May 2024, the Fort Bend Education Foundation presented the District with a check for \$771,448 to fund grant programs to benefit District students and teachers for the 2024/2025 school year.

AWARDS

The Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its annual comprehensive financial report for the twelve months ending June 30, 2023. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized annual comprehensive financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

Additionally, the Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its annual financial report for the twelve months ending June 30, 2023. The Certificate of Excellence in Financial Reporting certifies that the recipient school district presented its annual comprehensive financial report to the ASBO Panel of Review for critical review and evaluation; and the report was judged to have complied with the principles and practices of financial reporting recognized by ASBO.

Both the Certificate of Achievement for Excellence in Financial Reporting and the Certificate of Excellence in Financial Reporting are valid for a period of one year only. The District believes that the current annual comprehensive financial report continues to meet the program requirements for the Certificate of Achievement and the Certificate of Excellence, and has been submitted to the GFOA and the ASBO.

The District was assigned a rating of an “A” for “Superior Achievement” under the recently revised scoring system of the Schools FIRST (Financial Integrity Rating System of Texas), a financial accountability system for Texas school districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature. The primary goal of Schools FIRST is to ensure quality performance in the management of school districts’ financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system. The District has achieved the highest possible rating for seventeen consecutive years.

Lastly, the District was awarded for the seventh consecutive time a Certification of Investment Policy by the Government Treasurers’ Organization of Texas (GTOT) with the latest award applicable for the two year period ending July 2026. The certification recognizes the District for developing an investment policy that meets the requirements of the Public Funds Investment Act and standards for prudent public investing established by the GTOT.

STUDENT ENROLLMENT BY GRADES⁽¹⁾

| Grade | 2024/2025 ⁽²⁾ | 2023/2024 ⁽³⁾ | 2022/2023 ⁽³⁾ | 2021/2022 ⁽³⁾ | 2020/2021 ⁽³⁾ |
|-------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| EC | 526 | 617 | 526 | 620 | 609 |
| Pre-K | 2,193 | 2,329 | 2,214 | 1,839 | 1,498 |
| K | 4,588 | 4,689 | 4,789 | 4,836 | 4,538 |
| 1 | 4,928 | 5,261 | 5,345 | 5,203 | 5,084 |
| 2 | 5,375 | 5,527 | 5,455 | 5,289 | 5,159 |
| 3 | 5,569 | 5,644 | 5,588 | 5,442 | 5,483 |
| 4 | 5,799 | 5,752 | 5,687 | 5,701 | 5,582 |
| 5 | 5,858 | 5,882 | 5,949 | 5,780 | 5,830 |
| 6 | 5,902 | 6,080 | 6,022 | 5,927 | 5,935 |
| 7 | 6,195 | 6,232 | 6,236 | 6,196 | 6,190 |
| 8 | 6,284 | 6,389 | 6,393 | 6,428 | 6,272 |
| 9 | 6,890 | 6,955 | 7,245 | 7,141 | 6,756 |
| 10 | 6,807 | 6,709 | 6,803 | 6,360 | 6,433 |
| 11 | 6,553 | 6,243 | 5,753 | 5,763 | 5,734 |
| 12 | 6,480 | 6,381 | 6,215 | 6,092 | 6,178 |
| Total | <u>79,947</u> | <u>80,690</u> | <u>80,220</u> | <u>78,617</u> | <u>77,281</u> |

(1) Source: District Records.

(2) As of February 28, 2025.

(3) Student count on last school day.

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AVERAGE DAILY ATTENDANCE INCREASES/(DECREASES)

| <u>School Year</u> | <u>ADA</u> | <u>Actual Increase/Decrease</u> | <u>Percent (%)</u> |
|--------------------|-----------------------|-------------------------------------|--------------------|
| 2014-15 | 68,768 | 1,191 | 1.76 |
| 2015-16 | 70,070 | 1,302 | 1.89 |
| 2016-17 | 70,874 | 804 | 1.15 |
| 2017-18 | 71,952 | 1,078 | 1.52 |
| 2018-19 | 72,465 | 513 | 0.71 |
| 2019-20 | 73,580 ⁽¹⁾ | 1,115 | 1.54 |
| 2020-21 | 74,275 ⁽¹⁾ | 695 | 0.94 |
| 2021-22 | 72,748 ⁽¹⁾ | (1,527) | (2.06) |
| 2022-23 | 73,903 | 1,155 | 1.59 |
| 2023-24 | 74,549 | 646 | 0.87 |

(1) Includes CARES Act Elementary and Secondary School Emergency Relief Fund (ESSER) ADA Adjustment received from TEA.

STUDENT ENROLLMENT PROJECTIONS

| <u>Grade</u> | <u>2024-2025</u> | <u>2025-2026</u> |
|--------------|------------------|------------------|
| EC | 503 | 451 |
| Pre-K | 2,179 | 2,343 |
| K | 4,572 | 4,478 |
| 1 | 4,919 | 4,964 |
| 2 | 5,370 | 5,137 |
| 3 | 5,552 | 5,535 |
| 4 | 5,787 | 5,760 |
| 5 | 5,845 | 5,973 |
| 6 | 5,904 | 5,973 |
| 7 | 6,179 | 6,094 |
| 8 | 6,280 | 6,316 |
| 9 | 6,897 | 7,183 |
| 10 | 6,802 | 6,866 |
| 11 | 6,597 | 6,576 |
| 12 | 6,467 | 6,321 |
| Total | <u>79,853</u> | <u>79,970</u> |

HISTORICAL DISTRICT FACULTY

| <u>School Year</u> | <u>Teachers</u> | <u>Professional Support</u> | <u>Campus Administration</u> | <u>Central Administration</u> | <u>Education Aides</u> | <u>Auxiliary</u> | <u>Total Staff</u> |
|--------------------|-----------------|---------------------------------|----------------------------------|-----------------------------------|----------------------------|------------------|------------------------|
| 2014-15 | 4,418 | 949 | 225 | 31 | 646 | 2,358 | 8,627 |
| 2015-16 | 4,510 | 1,006 | 229 | 33 | 669 | 2,403 | 8,850 |
| 2016-17 | 4,468 | 1,076 | 230 | 32 | 721 | 2,462 | 8,989 |
| 2017-18 | 4,639 | 1,182 | 243 | 41 | 795 | 2,856 | 9,756 |
| 2018-19 | 4,646 | 1,261 | 245 | 45 | 863 | 2,903 | 9,963 |
| 2019-20 | 4,861 | 1,310 | 253 | 47 | 1,042 | 2,722 | 10,235 |
| 2020-21 | 5,040 | 1,326 | 256 | 48 | 1,083 | 2,926 | 10,679 |
| 2021-22 | 5,006 | 1,394 | 265 | 43 | 1,030 | 2,724 | 10,462 |
| 2022-23 | 4,793 | 1,368 | 348 | 44 | 1,028 | 2,643 | 10,224 |
| 2023-24 | 4,911 | 1,258 | 345 | 60 | 1,000 | 2,608 | 10,182 |

FORT BEND COUNTY

The County is located just southwest of the City of Houston and Harris County. The County's 2025 population is estimated to be almost 890,000⁽¹⁾, which is an increase over the 2020 census of 822,779. The County encompasses 886 square miles.

The County's population began to grow after 1972 when the master planned communities of Quail Valley, Sugar Creek and First Colony began to attract families to the County area. Currently, twenty-one master planned communities are located in the County.

Industry provides a large number of jobs. The predominant agricultural activity is derived from soybeans, sorghums, rice, nursery crops, irrigation, horses, hay, crops, cotton, corn and livestock. These agricultural profits keep the County balanced, and also contribute a great deal to the economy. In addition to agriculture, industry in the County is varied, and employment opportunities include but are not limited to: Education, Professional, Retail, Finance, Insurance, Real Estate, Manufacturing, Energy Exploration, Technology, Medical, Research, Construction, Mining, Wholesale Trade, Communications, Public Utilities, Transportation, Public Administration, Entertainment and Recreation.

Sources: U.S. Census Bureau, Fort Bend County Greater Fort Bend Economic Development Council, Municipal Advisory Council of Texas, and the Fort Bend Chamber of Commerce.

(1) Source: Fort Bend Economic Development Council.

LEADING EMPLOYERS IN FORT BEND COUNTY⁽¹⁾

| Employer | Principal Line of Business | Approximate Number of Employees ⁽²⁾ |
|-------------------------------|----------------------------|--|
| Fort Bend ISD | Public Education | 10,224 |
| Lamar CISD | Public Education | 5,560 |
| Fort Bend County | County Government | 3,484 |
| Methodist Sugar Land Hospital | Healthcare | 2,700 |
| SLB | Energy Exploration | 2,000 |
| Fluor Corporation | Engineering | 1,600 |
| Richmond State School | Education | 1,314 |
| United Parcel Service | Package Distribution | 1,200 |
| Oak Bend Medical Center | Healthcare | 1,164 |
| Champion X | Oil and Gas | 1,100 |

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

(2) Data is for year 2023.

POPULATION TRENDS

| Year | Fort Bend County | Sugar Land, Texas | State of Texas |
|-------------|------------------|-------------------|----------------|
| 2020 Census | 822,779 | 111,026 | 29,145,505 |
| 2010 Census | 585,375 | 78,817 | 25,145,561 |
| 2000 Census | 354,452 | 63,328 | 20,851,820 |
| 1990 Census | 225,421 | 24,529 | 16,986,510 |

Sources: Fort Bend County Greater Fort Bend Economic Development Council and the U.S. Census Bureau.

LABOR FORCE STATISTICS FOR FORT BEND COUNTY⁽¹⁾

| | 2024 ⁽²⁾ | 2023 ⁽³⁾ | 2022 ⁽³⁾ | 2021 ⁽³⁾ | 2020 ⁽³⁾ |
|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Civilian Labor Force | 449,323 | 432,297 | 419,021 | 409,265 | 402,550 |
| Total Employed | 432,015 | 415,144 | 402,341 | 385,179 | 371,808 |
| Total Unemployed | 17,308 | 17,153 | 16,680 | 24,086 | 30,742 |
| Unemployment Rate | 3.9% | 4.0% | 4.0% | 5.9% | 7.6% |
| | | | | | |
| % Unemployed (Texas) | 3.7% | 3.9% | 3.9% | 5.6% | 7.7% |
| % Unemployed (U.S.) | 3.8% | 3.6% | 3.6% | 5.3% | 8.1% |

(1) Source: Texas Workforce Commission.

(2) As of December 2024.

(3) Actual annual statistics.

HIGHER EDUCATION

Four institutions of higher learning have a presence in the County. These institutions offer traditional classrooms and also the new technology of teleconferencing. These institutions play a key role in the expanding needs of both education and business in the County. These four schools are Houston Community College Southwest, University of Houston System at Fort Bend, Wharton City Junior College - the Centraplex campus in Sugar Land and the University of Houston West Houston Institute at Cinco Ranch.

TRANSPORTATION

Access to the County is provided by Interstate 69 (U.S. Highway 59 -Southwest Freeway) which runs from Houston to the Rio Grande Valley; U.S. Highway 90-A, which traverses the District westward to San Antonio, the Grand Parkway, which when complete, will be a 180-mile circumferential highway encircling the Greater Houston region and State Highway 6, which extends from the Gulf Coast through the southern portion of the District and then continues northward. Additionally, the District is served by the Sam Houston Tollway.

There are three rail companies providing freight service to the County: Kansas City Southern, Union Pacific, and Burlington Northern Sante Fe.

The County is served mainly by the George Bush Intercontinental Airport and the William P. Hobby Airport. Direct access to both is provided by the Sam Houston Tollway. Within the District are Houston Southwest Airport and the Sugar Land Municipal Airport. Each of these airports are fully F.A.A. approved, and serve private and small commercial aircraft.

PARKS AND RECREATION

The County develops and maintains parks and community centers throughout the County. Sugar Land Memorial Park is a 150-acre park which includes a Veterans Memorial, walking/jogging/bike trails, and many other amenities for family enjoyment. The Brazos Bend State Park is a 4,897 acre park including nature trails, camping and the George Observatory. Kitty Hollow Park is a 190-acre park on the east side of the county. Also, within the separate master planned communities, homeowners are provided additional facilities and programs, including eight country clubs.

There is an abundance of recreational activities throughout the County. In addition to the parks, the County has the Challenger Learning Center, where one can learn about the Challenger Spacecraft, and the Sugar Land Ice & Sports Center. Also, there is the George Ranch, a 22,000 acre working ranch including a restored Victorian mansion, blacksmith shop and farm buildings. Finally, there is the Imperial Sugar Refinery, which is located in the same location where cane sugar was first brought to Texas in 1843.

The County Fair and Rodeo is the largest county fair in Texas and draws over 200,000 visitors each year to the County. In 2024, over \$1.4 million was generated for the youth of the county through the auctions and scholarship programs.

APPENDIX B

EXCERPTS FROM THE
FORT BEND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2024

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Fort Bend Independent School District

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements, budgetary comparison schedules, 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 and individual fund financial statements, budgetary comparison schedules, 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 introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
November 18, 2024

FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Fort Bend Independent School District, we offer this narrative overview of the District's financial performance for the year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter located in the front of this report, the independent auditors' report, and the District's Basic Financial Statements that follow this section.

Financial Highlights

The liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources of the District as of June 30, 2024, by \$352.9 million on the government-wide financial statements. This is mainly due to implementation of Governmental Accounting Standards Board ("GASB") 68 *Accounting and Financial Reporting for Pensions* and GASB 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* and reflecting the District's proportionate share of the pension and other post-employment benefit liability in the financials. This change does not affect the financial stability of the District, nor does it change how the District conducts its financial decision making. Rather, the District is reflecting the District's portion of the liability that the State of Texas manages and operates.

The District's governmental funds financial statements reported combined ending fund balances of \$532.5 million as of June 30, 2024, an increase of \$152.1 million in comparison to the prior year. There was an increase of \$11.9 million to the fund balance, an increase of \$116.9 million in the Capital Projects Fund balance, an increase in the Debt Service Fund balance of \$18.4 million and an increase of \$4.9 million in Non-Major Governmental Funds, mostly due to the National School Breakfast and Lunch Fund.

At the end of the current fiscal year, total unassigned fund balance for the General Fund was \$141.4 million or 17.6 percent of the total General Fund expenditures of \$802.0 million. In addition, the General Fund has a committed fund balance of \$63.8 million for state revenue stabilization, or 8.0 percent of total General Fund expenditures. Combined, the unassigned and committed fund balances total 25.6 percent, which exceeds board policy requirement of 25 percent.

Overview of the Financial Statements

The Annual Comprehensive Financial Report is composed of three main sections - (A) Introductory Section, (B) Financial Section and (C) the Statistical Section. The Financial Section of this Annual Comprehensive Financial Report consists of four parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplementary information, and (4) other supplementary information, which is an optional section that presents additional information such as combining and individual fund statements and schedules for non-major and major governmental funds, internal service funds, fiduciary funds, capital assets and required compliance information.

The Management's Discussion and Analysis section is intended to serve as an introduction to the District's Basic Financial Statements. The District's Basic Financial Statements comprise three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements.

The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the government, which report the District's operations in more detail than the government-wide statements.

Governmental fund statements tell how general government services were financed in the short term as well as what remains for future spending.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the District's self-insurance programs.

FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (continued)

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a *trustee or custodian* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Basic Financial Statements

Government-Wide Statements

All of the District's services are reported in the government-wide financial statements, including instructional, instructional leadership, student support services, general administration, support services, and debt services. Property taxes, state foundation funds and grants finance most of these activities.

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position presents information on all of the District's assets, deferred outflows and inflows of resources, and liabilities, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To fully assess the overall health of the District, however, non-financial factors need to be considered as well, such as changes in the District's average daily attendance, its property tax based and the condition of the District's facilities.

The Statement of Activities presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The government-wide financial statements include the District's Extended Learning Fund, Facility Rental fund, and CTE Center Fund. The extended learning program provides K-6th grade students homework help and enrichment activities, while the facility rental program provides rental space for participants. The CTE center handles the business-type activities for the students throughout the District. The costs associated with these programs are accounted for as business-type activities.

Fund Financial Statements

A fund is a group 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 requirements. The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole.

Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants.

The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements (continued)

Fund Financial Statements (continued)

The District has three fund types:

Governmental funds: Government 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.

Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide 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. In 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 32 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined in 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 the financial statements. The District adopts an annual appropriated budget for its General Fund, National School Breakfast and Lunch Program Fund, and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

Proprietary funds: Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types – enterprise and internal service funds. The District's enterprise fund is used to account for its business-type activities which includes extended learning, facility rental, and career and technical. The internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses an internal service fund to report activities for its print shop, self-funded insurance programs, and technology replacement.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds are excluded from the activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

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

FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements (continued)

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The Required Supplementary Information relates to general fund budgetary comparison information and required pension system and other post-employment benefits information.

Other Supplementary Information

The Other Supplementary Information section contains information for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information includes combining and individual fund statements for non-major governmental funds, enterprise funds, internal service funds and budget comparisons for funds required to be reported, which do not meet the criteria for required supplementary information. This section also includes certain compliance schedules required by State Regulatory agencies.

Government-Wide Financial Analysis

Presented in the following pages, Tables I and II are summarized Statement of Net Position and Statement of Changes in Net Position for both current and prior-year data. Our analysis focuses on the current year and the comparison of prior-year amounts on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2024, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$352.9 million.

Table I - Net Position Summary

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|--------------------------------|-------------------------|---------------------------------|---------------------|-------------------------|-------------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Current and other assets | \$ 701,559,590 | \$ 552,074,539 | \$ 3,589,337 | \$ 4,461,871 | \$ 705,148,927 | \$ 556,536,410 |
| Right to use Leased assets | - | - | - | - | - | - |
| Capital assets | 1,500,247,229 | 1,493,488,857 | 1,262,688 | 1,349,887 | 1,501,509,917 | 1,494,838,744 |
| Total Assets | 2,201,806,819 | 2,045,563,396 | 4,852,025 | 5,811,758 | 2,206,658,844 | 2,051,375,154 |
| Total Deferred Outflows of Resources | 192,553,632 | 209,194,565 | - | - | 192,553,632 | 209,194,565 |
| Current liabilities | 162,900,682 | 253,499,068 | 960,546 | 787,241 | 163,861,228 | 254,286,309 |
| Long-term liabilities | 2,352,288,936 | 2,110,834,017 | - | - | 2,352,288,936 | 2,110,834,017 |
| Total Liabilities | 2,515,189,618 | 2,364,333,085 | 960,546 | 787,241 | 2,516,150,164 | 2,365,120,326 |
| Total Deferred Inflows of Resources | 235,924,956 | 259,679,787 | - | - | 235,924,956 | 259,679,787 |
| Net Investment in capital assets | 159,389,639 | 89,849,079 | 1,262,688 | 1,349,887 | 160,652,327 | 91,198,966 |
| Federal and state programs | 28,236,669 | 23,899,330 | - | - | 28,236,669 | 23,899,330 |
| Restricted | 145,182,337 | 123,509,555 | - | - | 145,182,337 | 123,509,555 |
| Unrestricted | (689,562,768) | (606,512,875) | 2,628,791 | 3,674,583 | (686,933,977) | (602,838,292) |
| Total Net Position | \$ (356,754,123) | \$ (369,254,911) | \$ 3,891,479 | \$ 5,024,470 | \$ (352,862,644) | \$ (364,230,441) |

Unrestricted net position for governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, amounted to a deficit of \$686.9 million as of June 30, 2024.

An additional portion of the District's net position of \$173.4 million, represents resources that are subject to external restrictions on how they may be used.

FORT BEND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis (continued)

Net Position (continued)

Government-wide net investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding, amounted to \$160.7 million as of June 30, 2024. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The calculation of net investment in capital assets excludes certain debt amounts that funded repair work that was not capitalized due to existing assets already being depreciated.

Changes in Net Position

The Net Position of the governmental activities of the District increased by \$12.5 million for the year ended June 30, 2024. The total revenues from taxpayers, user service fees, grants and state funds for the District was \$1.1 billion, a \$94.7 million increase from fiscal year 2023. In fiscal year 2024 state legislation included an increase to the homestead exemption which reduced total tax collections, but this loss of funding was replaced with additional state funding as a hold harmless. The overall increase in funding for fiscal year 2024 was primarily due to the voter approval tax rate election ("VATRE") passing. This allowed the district to increase the number of pennies in its maintenance and operation tax rate used to calculate the overall tax levy, which resulted in an increase in tax collections for fiscal year 2024. The other areas that contributed in small part to the increase in revenue was an increase in property values, an increase in average data attendance due to higher enrollment, and higher interest income due to higher interest rates offset by higher pension and other post-employment benefit expense.

Table II - Change in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|--------------------------------|-------------------------|---------------------------------|---------------------|-------------------------|-------------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 25,683,202 | \$ 23,529,415 | \$ 10,217,323 | \$ 10,128,264 | \$ 35,900,525 | \$ 33,657,679 |
| Operating grants and contributions | 159,351,560 | 142,278,974 | - | - | 159,351,560 | 142,278,974 |
| General Revenues | | | | | | |
| Property taxes | 515,918,811 | 608,264,362 | - | - | 515,918,811 | 608,264,362 |
| State and other grants | 370,576,935 | 208,360,378 | - | - | 370,576,935 | 208,360,378 |
| Investment earnings | 20,431,356 | 15,241,427 | 249,642 | 191,046 | 20,680,998 | 15,432,473 |
| Miscellaneous | 444,126 | - | - | (878,114) | 444,126 | (878,114) |
| Total Revenues | 1,092,405,990 | 997,674,556 | 10,466,965 | 9,441,196 | 1,102,872,955 | 1,007,115,752 |
| Expenses | | | | | | |
| Instructional | 609,235,152 | 568,403,894 | - | - | 609,235,152 | 568,403,894 |
| Instructional leadership | 73,046,802 | 70,904,174 | - | - | 73,046,802 | 70,904,174 |
| Student support services | 162,067,075 | 143,090,267 | - | - | 162,067,075 | 143,090,267 |
| General administration | 21,054,738 | 19,897,878 | - | - | 21,054,738 | 19,897,878 |
| Support services | 158,635,497 | 133,947,564 | - | - | 158,635,497 | 133,947,564 |
| Community services | 2,111,717 | 1,885,168 | - | - | 2,111,717 | 1,885,168 |
| Interest expense | 50,222,088 | 46,433,729 | - | - | 50,222,088 | 46,433,729 |
| Facilities repairs and maintenance | - | 9,770,760 | - | - | - | 9,770,760 |
| Intergovernmental charges | 6,432,133 | 5,740,430 | - | - | 6,432,133 | 5,740,430 |
| Business-type activities | - | - | 8,699,956 | 7,876,490 | 8,699,956 | 7,876,490 |
| Total Expenses | 1,082,805,202 | 1,000,073,864 | 8,699,956 | 7,876,490 | 1,091,505,158 | 1,007,950,354 |
| Excess (deficiency) before transfers | 9,600,788 | (2,399,308) | 1,767,009 | 1,564,706 | 11,367,797 | (834,602) |
| Transfers | 2,900,000 | 2,834,000 | (2,900,000) | (2,834,000) | - | - |
| Increase (decrease) in net position | 12,500,788 | 434,692 | (1,132,991) | (1,269,294) | 11,367,797 | (834,602) |
| Net Position - Beginning | (369,254,911) | (369,689,603) | 5,024,470 | 6,293,764 | (364,230,441) | (363,395,839) |
| Net Position - Ending | \$ (356,754,123) | \$ (369,254,911) | \$ 3,891,479 | \$ 5,024,470 | \$ (352,862,644) | \$ (364,230,441) |

FORT BEND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis (continued)

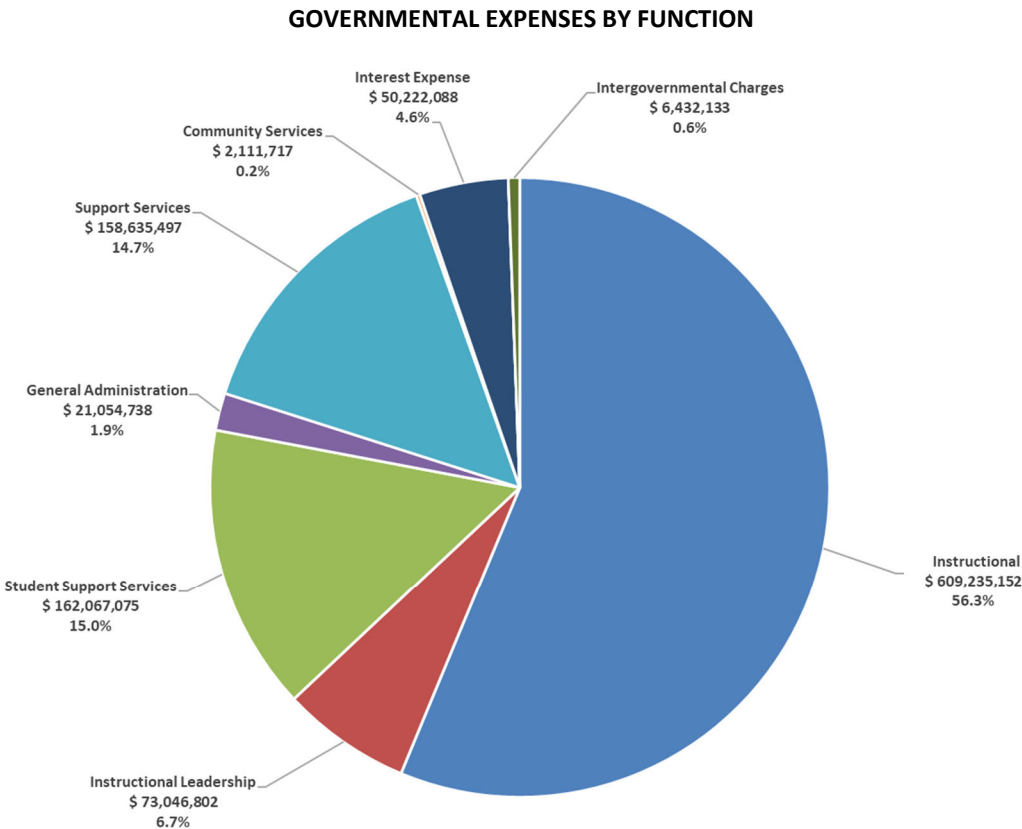
Governmental Activities

Property tax revenue decreased by \$92.3 million due to the homestead exemption increasing from \$40,000 to \$100,000 from Proposition 4 passing which was offset by an increase in property values and approval of VATRE by the voters. Investment income was \$5.2 million greater than previous year due to higher interest rates earned. State revenues increased by \$162.2 million due to state holding districts harmless for Proposition 4 as well as increase in weighted average daily attendance over the prior year. Operating grants and contributions increased by \$17.1 million primarily attributable to \$16.4 million state hold harmless for Proposition 4 for the Debt Service Fund, \$4.0 million increase in TRS on-behalf benefit and offset by lower pension and OPEB revenue allocations.

The chart below shows the percentage for each revenue type:

| | 2024 | % | 2023 | % |
|------------------------------------|-------------------------|---------------|-----------------------|---------------|
| Program Revenues | | | | |
| Charges for services | \$ 25,683,202 | 2.4% | \$ 23,529,415 | 2.3% |
| Operating grants and contributions | 159,351,560 | 14.6% | 142,278,974 | 14.3% |
| General Revenues | | | | |
| Property taxes | 515,918,811 | 47.2% | 608,264,362 | 61.0% |
| State and other grants | 370,576,935 | 33.9% | 208,360,378 | 20.9% |
| Investment earnings | 20,431,356 | 1.9% | 15,241,427 | 1.5% |
| Miscellaneous | 444,126 | 0.0% | - | 0.0% |
| Total Revenues | <u>\$ 1,092,405,990</u> | <u>100.0%</u> | <u>\$ 997,674,556</u> | <u>100.0%</u> |

Approximately 47.2 percent of the District's revenues came from property taxes, with an additional 33.9 percent derived from state funding formulas and other grants. Last fiscal year approximately 61.0 percent of the District's revenues came from property taxes and 20.9 percent came from state funding formulas and other grants.



FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis (continued)

Governmental Activities (continued)

Expenses increased \$82.7 million as compared to prior year. The increase was mainly attributable to \$35.2 million from passage of the VATRE, which allowed the District to provide raises and armed security personnel to all campuses. In addition, \$2.8 million of the increase is attributable to a step increase. Three new campuses were opened during the year, which added \$3.6 million of additional operating expenses (non-payroll) and \$3.9 million in additional staffing due to enrollment growth. Interest expense was \$3.8 million higher and pension/other post-employment benefit expenditures were \$10 million higher. Operating expenses increased by \$6.1 million due to inflationary factors and enrollment increases. The district had an increase of \$6.7 million in depreciation expenses.

Total governmental activities expenses, per pupil, totaled \$12,755 for fiscal year 2024 compared to \$12,334 for fiscal year 2023 based on average daily attendance. This increase is primarily due to raises that were provided to employees as a result of the successful VATRE. Over 56 percent of the District's expenses were expended for instructional activities. When combined with student and other support services such as transportation, counseling and nursing, 84 percent of the District's expenses were spent on direct student services.

Business-Type Activities

Revenues for the District's business-type activities were \$10.5 million, expenses were \$8.7 million, and transfers out were \$2.9 million, for the year ended June 30, 2024. That compares to revenues of \$10.3 million, \$7.9 million of expenses, and other uses including transfers of \$3.7 million for the year ended June 30, 2023. The increase in revenue is attributable to the increase in facility rental revenue.

Financial Analysis of the District's Funds

Governmental Funds

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

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

As of June 30, 2024, the District's governmental funds (shown on Exhibit C-1) reported an ending fund balance of \$532.5 million, an increase of \$152.1 million from last year. The General Fund balance increased by \$11.9 million primarily due to revenues being higher by \$4.7 million in state revenue for hold harmless from state for the over 65 and disabled property tax exemption and expenditure savings of \$7.2 million primarily due to payroll savings from vacancies. The Debt Service fund balance increased by \$18.4 million due to higher state revenue for the over 65 and disabled property tax exemption and higher interest income. The Capital Project fund balance increased by \$116.9 million due to proceeds from the issuance of the Series 2024A and Series 2024B bonds that were issued in June 2024. The Non-major Governmental fund balance increased by \$4.9 million mainly due to the growth in the National School Breakfast and Lunch fund as a result of federal assistance.

FORT BEND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District's Funds (continued)

Governmental Funds (continued)

A recap of governmental fund balance as of June 30, 2024, follows:

| | |
|---|-----------------------------|
| Nonspendable | |
| Inventories | \$900,590 |
| Prepaid items | 1,135,666 |
| Restricted | |
| Grant funds | 28,236,669 |
| Capital acquisitions and contractual programs | 124,138,931 |
| Debt service | 160,161,384 |
| Committed | |
| State revenue stabilization | 63,800,000 |
| Campus activity funds | 7,889,946 |
| Assigned for other purposes | 4,841,266 |
| Unassigned | <u>141,433,285</u> |
| | <u><u>\$532,537,737</u></u> |

General Fund

The General Fund is the primary operating fund of the District. At the end of the year ended June 30, 2024, unassigned fund balance of the general fund was \$141.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.6 percent of the total General Fund actual expenditures for fiscal year 2024, while total fund balance represents 26.4 percent of that same amount.

General Fund had a net increase of \$11.9 million in fund balance for the year ended June 30, 2024, and maintained over 90 days of fund balance as of June 30, 2024. The District held VATRE in November 2023 that passed providing \$35.2 million of additional revenue for fiscal year ended June 30, 2024. The District adopted an original budget with a net change of \$0.9 million which included a teacher step increase but no other raises. The VATRE allowed the District to provide raises to District staff as well as provide additional security at campuses. See further analysis below for additional steps the District took for future year budgeting under "Economic Factors and Next Year's Budgets and Rates."

Debt Service Fund

The Debt Service Fund realized revenues of \$166.4 million and expenditures of \$137.9 million for the year ended June 30, 2024. Expenditures include \$74.4 million of principal payments, \$60.0 million in interest, and \$3.5 million in issuance costs and fees. In addition, the Debt Service Fund had other financing sources of \$318.9 million related to proceeds of the Series 2014, Series 2016A, Series 2019A, and Series 2022B refunding bonds and commercial paper refunding, and \$329.1 million in other financing uses for the Series 2014, Series 2019A and Series 2022B refundings as fully explained in Note 10. The fund balance of the Debt Service Fund, restricted for the payment of the District's debt, increased by \$18.4 million and totaled \$160.2 million as of June 30, 2024. The District maintained the tax rate at \$0.27 cents.

Capital Projects Fund

The Capital Projects Fund incurred fund balance increase of \$116.9 million due to the difference between construction related expenditures of \$121.7 million, \$2.6 million of revenue, the issuance of capital related debt of \$232.2 million and related premium of \$3.4 million, sale of property of \$0.2 million and a transfer in of \$0.2 million. This resulted in fund balance of \$124.1 million at year end. The majority of 2018 bond projects are nearing completion with the 2023 bond projects just starting.

FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District's Funds (continued)

Governmental Funds (continued)

General Fund Budgetary Highlights

The District revised the General Fund budget several times during the year ended June 30, 2024. Budget revenue amendments totaling \$40.9 million were approved by the Board of Trustees. Revenue changes included:

Local Revenues:

- \$21.8 million increase between local and state revenues due to the VATRE passing on November 7, 2023
- \$148.0 million reduction in local revenue due to passage of state Proposition 4 on November 7, 2023, which increased the homestead exemption from \$40,000 to \$100,000 offset by increase in state revenue increasing by similar amount due to hold harmless provided by the state
- \$3.1 million increase in interest income due to increasing rates throughout the fiscal year
- \$3.9 million reduction in property taxes due to refunds, tax settlements and lower property values based on supplements received subsequent to certified values

State Revenues:

- \$148.0 million increase due to hold harmless explained above
- \$13.4 million increase due to VATRE passing on November 7, 2023
- \$1.3 million decrease to various foundation school program student groups lower than original budget
- \$12.3 million of increase in state revenue for TRS on behalf revenue

Federal Revenues:

- \$4.3 million reduction due primarily to lower school health and related services revenue as a result of state reduction in random moment time study percentage being lowered for entire state

Budgeted appropriations for expenditures for the General Fund were Increased by \$42.6 million. This was due to:

- \$35.2 million increase due to proceeds of VATRE which funded raises and security
- \$12.3 million increase in TRS on-behalf expense
- \$12.1 million reduction primarily due to payroll vacancy rate lower than originally budgeted
- \$3.6 million increase for purchase orders rolled from the prior fiscal year
- \$1.4 million increase in transportation costs due to contract cost increases
- \$1.2 million for increase in special education expenditures due to additional enrollment
- \$1.0 million increase for property insurance

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2024, the District's capital assets were \$1.5 billion, net of accumulated depreciation/amortization. The investments in capital assets include a broad range of capital assets, including land, buildings, and improvements (includes infrastructure), furniture and equipment, construction in progress (see Table III), right-to-use leased assets and subscription-based arrangements. This amount represents a net increase (including additions and deletions) of \$6.7 million. Major additions for 2024 include rebuilds for Barrington, Mission Bend and Briargate elementary schools, renovation of an alternative learning center to an elementary school, costs related to a new middle school and Crawford High School.

FORT BEND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District's Funds (continued)

Capital Assets and Debt Administration (continued)

Table III – Capital Asset Summary

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-------------------------|--------------------------|---------------------|-------------------------|-------------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 105,397,598 | \$ 105,297,194 | \$ - | \$ - | \$ 105,397,598 | \$ 105,297,194 |
| Construction in Progress | 115,471,366 | 295,680,230 | - | - | 115,471,366 | 295,680,230 |
| Buildings and Improvements | 1,243,076,574 | 1,056,426,865 | 1,262,688 | 1,334,490 | 1,244,339,262 | 1,057,761,355 |
| Furniture and Equipment | 17,566,421 | 12,850,751 | - | - | 17,566,421 | 12,850,751 |
| Vehicles | 11,414,599 | 13,072,719 | - | - | 11,414,599 | 13,072,719 |
| Subscription based IT assets | 4,199,941 | 5,441,979 | - | 15,397 | 4,199,941 | 5,457,376 |
| Right to use Leased assets | 3,120,730 | 4,719,120 | - | - | 3,120,730 | 4,719,120 |
| Total Capital Assets, Net of Depreciation/Amortization | \$ 1,500,247,229 | \$ 1,493,488,858 | \$ 1,262,688 | \$ 1,349,887 | \$ 1,501,509,917 | \$ 1,494,838,745 |

Additional information on the District's capital assets can be found in Note 7, Note 8, and Note 9 of the financial statements.

Debt Administration

On June 30, 2024, the District had total long-term liabilities of \$2.4 billion. Of this amount, \$1.8 billion comprises debt backed by the full faith of the State of Texas Permanent School Fund. The District experienced a \$35.5 million increase in its portion of the Texas Retirement System (TRS) net pension liability and a \$15.2 million decrease in its portion of the TRS-Care other post-employment benefit (OPEB) liability.

The District's current underlying credit rating is "AA+" by Fitch and "AA+" by S&P Global and is given without consideration of credit enhancement. In addition, the Texas Permanent School Fund is rated "AAA" by Fitch.

TABLE IV – District's Outstanding Debt

| Governmental Activities | 2024 | 2023 |
|--------------------------------------|-------------------------|-------------------------|
| Bonds payable (net) | \$ 1,876,274,768 | \$ 1,740,192,920 |
| Net pension liability | 323,041,012 | 287,544,460 |
| Other post-employment liability | 132,655,437 | 147,868,383 |
| Right to use lease liability | 3,180,019 | 4,773,978 |
| Subscription based IT arrangements | 3,850,793 | 5,257,494 |
| Other governmental liabilities | 13,286,905 | 13,796,841 |
| Total Governmental Activities | | |
| Long-Term Liabilities | \$ 2,352,288,934 | \$ 2,199,434,076 |

More detailed information about the District's debt, pension, and OPEB liability are presented in Note 10, Note 18, and Note 19 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The General Fund budget for fiscal year 2025 was approved by the Board of Trustees on June 10, 2024. The approved budget includes \$827.0 million in revenues, \$828.6 million in expenditures, \$2.5 million in net transfers with a surplus of \$0.9 million. That compares to the fiscal year 2024 original budgeted expenditures of \$767.7 million which was prior to the November 2023 VATRE passing. The fiscal year 2025 budget assumes maintaining at least a 90-day fund balance at the end of fiscal year 2025. The budget also includes the re-opening of Barrington Place Elementary, a teacher step increase, \$2.4 million of new campus-based positions due to student enrollment growth, \$2.7 million for special education expenditures based on student

FORT BEND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District's Funds (continued)

Economic Factors and Next Year's Budgets and Rates (continued)

growth and \$4.8 million for District priorities. The budget adopted was based on a maintenance and operations ("M&O") tax rate of \$0.7169.

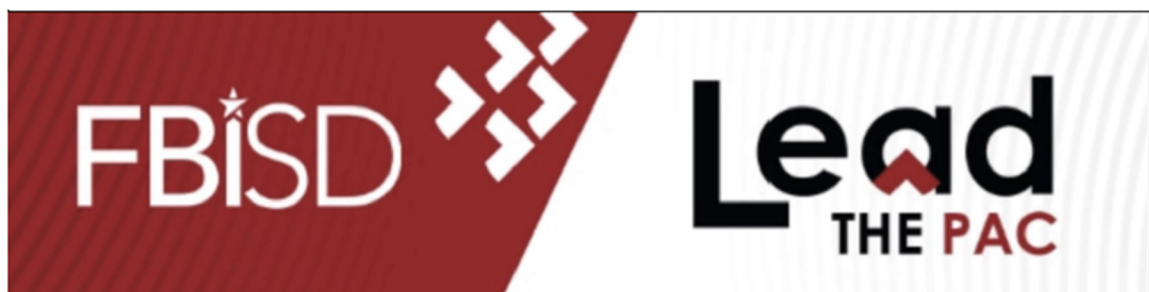
The Debt Service adopted Budget for 2024-25 assumed 5 percent property value growth and a tax rate of \$0.27. However, certified property value growth, received from Fort Bend County Tax Appraisal District at the end of July 2024 was 7 percent.

The District will continue to refine budget estimates, project actual operating results, develop strategies to provide educational services efficiently and effectively, actively promote changes in the state funding formula, and monitor state legislation affecting school district funding.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate 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, and finance office.

BASIC FINANCIAL STATEMENTS



FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

Exhibit A-1

| Data Control Codes | | Governmental Activities | Business-type Activities | Total |
|---------------------------------------|---|------------------------------------|-------------------------------------|-------------------------|
| Assets | | | | |
| 1110 | Cash and cash equivalents | \$ 162,987,337 | \$ 190,202 | \$ 163,177,539 |
| 1120 | Investments | 384,421,958 | 3,095,971 | 387,517,929 |
| 1225 | Property taxes receivables, net | 15,895,077 | - | 15,895,077 |
| 1240 | Due from other governments | 133,963,171 | - | 133,963,171 |
| 1260 | Internal balances | (102,167) | 102,167 | - |
| 1290 | Other receivables, net | 1,284,877 | 200,997 | 1,485,874 |
| 1300 | Inventories | 1,629,306 | - | 1,629,306 |
| 1410 | Prepaid items | 1,480,031 | - | 1,480,031 |
| | Capital assets not subject to depreciation | | | |
| 1510 | Land | 105,397,598 | - | 105,397,598 |
| 1580 | Construction in progress | 115,471,366 | - | 115,471,366 |
| | Capital assets net of depreciation/amortization | | | |
| 1520 | Buildings and improvements, net | 1,243,076,574 | 1,262,688 | 1,244,339,262 |
| 1530 | Furniture and equipment, net | 17,566,421 | - | 17,566,421 |
| 1540 | Vehicles, net | 11,414,599 | - | 11,414,599 |
| 1550 | Right to use leased assets, net | 3,120,730 | - | 3,120,730 |
| 1553 | Subscription Based IT assets, net | 4,199,941 | - | 4,199,941 |
| 1000 | Total Assets | 2,201,806,819 | 4,852,025 | 2,206,658,844 |
| Deferred Outflows of Resources | | | | |
| 1705 | Deferred outflow relating to pensions activities | 132,491,956 | - | 132,491,956 |
| 1706 | Deferred outflow relating to other post-employment benefits | 60,061,676 | - | 60,061,676 |
| 1700 | Total Deferred Outflows of Resources | 192,553,632 | - | 192,553,632 |
| Liabilities | | | | |
| | Current liabilities | | | |
| 2110 | Accounts payable | 24,288,969 | 99,413 | 24,388,382 |
| 2140 | Interest payable | 18,478,363 | - | 18,478,363 |
| 2150 | Payroll deductions and withholding | 10,369,118 | 36,756 | 10,405,874 |
| 2160 | Accrued wages payable | 75,394,686 | 333,043 | 75,727,729 |
| 2180 | Due to other governments | 2,432 | 49 | 2,481 |
| 2200 | Accrued expenses | 6,412,158 | - | 6,412,158 |
| 2300 | Unearned revenue | 27,954,956 | 491,285 | 28,446,241 |
| | Noncurrent liabilities | | | |
| 2501 | Due within one year | 112,402,077 | - | 112,402,077 |
| | Due in more than one year | | | |
| 2502 | Bonds payable and other | 1,784,190,410 | - | 1,784,190,410 |
| 2540 | Net pension liability | 323,041,012 | - | 323,041,012 |
| 2545 | Net other post-employment benefit liability | 132,655,437 | - | 132,655,437 |
| 2000 | Total Liabilities | 2,515,189,618 | 960,546 | 2,516,150,164 |
| Deferred inflows of Resources | | | | |
| 2603 | Deferred gain on refunding | 16,128,719 | - | 16,128,719 |
| 2605 | Deferred inflow relating to pensions activities | 16,990,957 | - | 16,990,957 |
| 2606 | Deferred inflow relating to other post-employment benefits | 202,805,280 | - | 202,805,280 |
| 2600 | Total Deferred Inflows of Resources | 235,924,956 | - | 235,924,956 |
| Net Position | | | | |
| 3200 | Net investment in capital assets | 159,389,639 | 1,262,688 | 160,652,327 |
| | Restricted | | | |
| 3820 | Federal and state programs | 28,236,669 | - | 28,236,669 |
| 3850 | Debt service | 145,182,337 | - | 145,182,337 |
| 3900 | Unrestricted | (689,562,768) | 2,628,791 | (686,933,977) |
| 3000 | Total Net Position | \$ (356,754,123) | \$ 3,891,479 | \$ (352,862,644) |

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

Exhibit B-1

Page 1 of 2

| Data Control Codes | Functions/Programs | Program Revenue | | |
|--------------------------|--|-------------------------|----------------------|---------------------------------------|
| | | Expenses | Charges for Services | Operating Grants and Contributions |
| | Governmental Activities | | | |
| 11 | Instruction | \$ 572,454,088 | \$ 3,568,730 | \$ 59,513,367 |
| 12 | Instructional resources and media services | 10,116,813 | 156,144 | 435,266 |
| 13 | Curriculum and staff development | 26,664,251 | 34,722 | 10,901,051 |
| 21 | Instructional leadership | 21,287,760 | - | 2,692,873 |
| 23 | School leadership | 51,759,042 | 50,531 | 2,942,714 |
| 31 | Guidance, counseling and evaluation services | 49,193,557 | 1,195,269 | 6,641,404 |
| 32 | Social work services | 3,325,058 | 1,543 | 836,911 |
| 33 | Health services | 11,377,970 | - | 4,337,497 |
| 34 | Student transportation | 30,611,747 | - | 1,720,595 |
| 35 | Food service | 40,111,664 | 11,015,606 | 33,700,508 |
| 36 | Extracurricular activities | 27,447,079 | 9,525,293 | 719,133 |
| 41 | General administration | 21,054,738 | 78,413 | 6,945,665 |
| 51 | Plant, maintenance and operations | 115,251,697 | - | 3,840,371 |
| 52 | Security and monitoring services | 14,854,856 | 56,951 | 824,601 |
| 53 | Data processing services | 28,528,944 | - | 918,834 |
| 61 | Community services | 2,111,717 | - | 1,180,056 |
| 72 | Interest expense | 50,222,088 | - | 20,203,335 |
| 81 | Facilities repair and maintenance | - | - | 895,679 |
| 93 | Payments related to shared services arrangements | 611,567 | - | 101,700 |
| 99 | Payments for tax appraisal costs | 5,820,566 | - | - |
| TG | Total Governmental Activities | <u>\$ 1,082,805,202</u> | <u>\$ 25,683,202</u> | <u>\$ 159,351,560</u> |
| | Business-Type Activities | | | |
| 01 | Extended learning program | 8,108,885 | 8,872,426 | - |
| 02 | Facility rental program | 534,555 | 1,206,706 | - |
| 03 | CTE Center | 56,516 | 138,191 | - |
| TB | Total Business-Type Activities | <u>8,699,956</u> | <u>10,217,323</u> | <u>-</u> |
| TP | Total Primary Government | <u>\$ 1,091,505,158</u> | <u>\$ 35,900,525</u> | <u>\$ 159,351,560</u> |

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

Exhibit B-1
Page 2 of 2

| Data Control Codes | Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------|--|---|-----------------------------|-------------------------|
| | | Primary Government | | |
| | | Governmental Activities | Business-type Activities | Total |
| | Governmental Activities | | | |
| 11 | Instruction | \$ (509,371,991) | \$ - | \$ (509,371,991) |
| 12 | Instructional resources and media services | (9,525,403) | - | (9,525,403) |
| 13 | Curriculum and staff development | (15,728,478) | - | (15,728,478) |
| 21 | Instructional leadership | (18,594,887) | - | (18,594,887) |
| 23 | School leadership | (48,765,797) | - | (48,765,797) |
| 31 | Guidance, counseling and evaluation services | (41,356,884) | - | (41,356,884) |
| 32 | Social work services | (2,486,604) | - | (2,486,604) |
| 33 | Health services | (7,040,473) | - | (7,040,473) |
| 34 | Student transportation | (28,891,152) | - | (28,891,152) |
| 35 | Food service | 4,604,450 | - | 4,604,450 |
| 36 | Extracurricular activities | (17,202,653) | - | (17,202,653) |
| 41 | General administration | (14,030,660) | - | (14,030,660) |
| 51 | Plant, maintenance and operations | (111,411,326) | - | (111,411,326) |
| 52 | Security and monitoring services | (13,973,304) | - | (13,973,304) |
| 53 | Data processing services | (27,610,110) | - | (27,610,110) |
| 61 | Community services | (931,661) | - | (931,661) |
| 72 | Interest expense | (30,018,753) | - | (30,018,753) |
| 81 | Facilities repair and maintenance | 895,679 | - | 895,679 |
| 93 | Payments related to shared services arrangements | (509,867) | - | (509,867) |
| 99 | Payments for tax appraisal costs | (5,820,566) | - | (5,820,566) |
| TG | Total Governmental Activities | <u>\$ (897,770,440)</u> | <u>\$ -</u> | <u>\$ (897,770,440)</u> |
| | Business-Type Activities | | | |
| 01 | Extended learning program | - | 763,541 | 763,541 |
| 02 | Facility rental program | - | 672,151 | 672,151 |
| 03 | CTE Center | - | 81,675 | 81,675 |
| TB | Total Business-Type Activities | <u>-</u> | <u>1,517,367</u> | <u>1,517,367</u> |
| TP | Total Primary Government | <u>(897,770,440)</u> | <u>1,517,367</u> | <u>(896,253,073)</u> |
| | General Revenues and Transfers | | | |
| | General Revenues | | | |
| MT | Property taxes, levied for general purposes | 375,295,247 | - | 375,295,247 |
| DT | Property taxes, levied for debt service | 140,623,564 | - | 140,623,564 |
| SF | State-aid formula grants | 370,576,935 | - | 370,576,935 |
| IE | Investment earnings | 20,431,356 | 249,642 | 20,680,998 |
| MI | Miscellaneous | 444,126 | - | 444,126 |
| FR | Transfers | 2,900,000 | (2,900,000) | - |
| TR | Total General Revenues and Transfers | <u>910,271,228</u> | <u>(2,650,358)</u> | <u>907,620,870</u> |
| CN | Change in net position | 12,500,788 | (1,132,991) | 11,367,797 |
| NB | Net position - Beginning | <u>(369,254,911)</u> | <u>5,024,470</u> | <u>(364,230,441)</u> |
| NE | Net position - Ending | <u>\$ (356,754,123)</u> | <u>\$ 3,891,479</u> | <u>\$ (352,862,644)</u> |

FORT BEND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2024

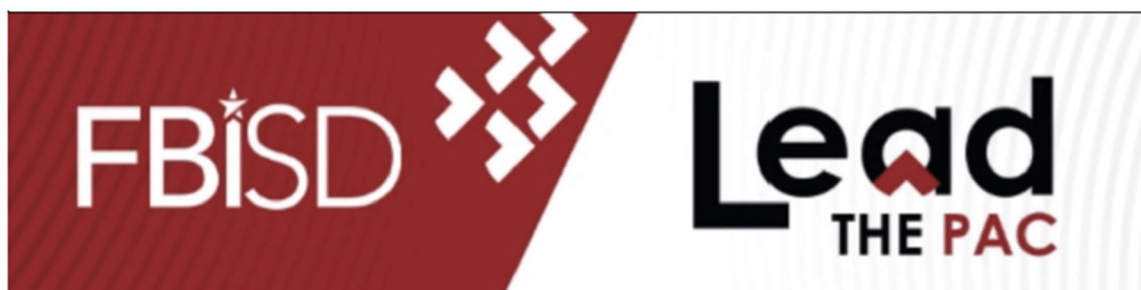
Exhibit C-1
Page 1 of 2

| Data Control Codes | | General Fund | Debt Service Fund | Capital Projects Fund |
|--|---|-----------------------|------------------------------|----------------------------------|
| Assets | | | | |
| 1110 | Cash and cash equivalents | \$ 154,360,621 | \$ 15,627 | \$ 285,836 |
| 1120 | Investments | 44,698,267 | 151,737,388 | 148,350,706 |
| | Receivables | | | |
| 1220 | Property taxes - delinquent | 21,287,158 | 6,774,482 | - |
| 1230 | Allowance for uncollectible taxes (credit) | (9,443,730) | (2,722,833) | - |
| 1240 | Due from other governments | 112,101,615 | 8,279,074 | 333,553 |
| 1260 | Due from other funds | 4,737,794 | 203 | 1,277 |
| 1290 | Other receivables | 63,227 | 12,438 | 2,992 |
| 1310 | Inventories, at cost | 900,590 | - | - |
| 1410 | Prepaid items | 1,135,666 | 2,228 | - |
| 1000 | Total Assets | 329,841,208 | 164,098,607 | 148,974,364 |
| Liabilities, Deferred Inflows, and Fund Balance | | | | |
| Liabilities | | | | |
| 2100 | Accounts payable | 4,384,907 | 3,500 | 18,404,273 |
| 2150 | Payroll deductions and withholding | 9,093,915 | - | 19,678 |
| 2160 | Accrued wages payable | 69,751,410 | - | - |
| 2170 | Due to other funds | 5,897,282 | 434,407 | 50 |
| 2180 | Due to other governments | - | - | - |
| 2200 | Accrued expenditures | 726 | - | 6,411,432 |
| 2300 | Unearned revenue | 18,272,998 | - | - |
| 2000 | Total Liabilities | 107,401,238 | 437,907 | 24,835,433 |
| Deferred Inflows of Resources | | | | |
| | Deferred inflows | 10,329,163 | 3,499,316 | - |
| 2600 | Deferred Inflows of Resources | 10,329,163 | 3,499,316 | - |
| Fund Balance | | | | |
| Nonspendable | | | | |
| 3410 | Investment in inventory | 900,590 | - | - |
| 3430 | Prepaid items | 1,135,666 | - | - |
| Restricted | | | | |
| 3450 | Food service or federal/state grants | - | - | - |
| 3470 | Capital acquisitions and contractual programs | - | - | 124,138,931 |
| 3480 | Retirement of long-term debt | - | 160,161,384 | - |
| Committed | | | | |
| 3545 | State revenue stabilization | 63,800,000 | - | - |
| 3545 | Campus activity funds | - | - | - |
| 3590 | Assigned for other purposes | 4,841,266 | - | - |
| 3600 | Unassigned | 141,433,285 | - | - |
| 3000 | Total Fund Balances | 212,110,807 | 160,161,384 | 124,138,931 |
| 4000 | Total Liabilities, Deferred Inflows, and Fund Balances | \$ 329,841,208 | \$ 164,098,607 | \$ 148,974,364 |

FORT BEND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2024

Exhibit C-1
Page 2 of 2

| Data Control Codes | | Non-major Governmental Funds | Total Governmental Funds |
|--|---|---|---|
| Assets | | | |
| 1110 | Cash and cash equivalents | \$ 4,648,946 | \$ 159,311,030 |
| 1120 | Investments | 32,481,413 | 377,267,774 |
| | Receivables | | |
| 1220 | Property taxes - delinquent | - | 28,061,640 |
| 1230 | Allowance for uncollectible taxes (credit) | - | (12,166,563) |
| 1240 | Due from other governments | 13,248,929 | 133,963,171 |
| 1260 | Due from other funds | 17,424 | 4,756,698 |
| 1290 | Other receivables | 1,455 | 80,112 |
| 1310 | Inventories, at cost | 632,304 | 1,532,894 |
| 1410 | Prepaid items | - | 1,137,894 |
| 1000 | Total Assets | 51,030,471 | 693,944,650 |
| Liabilities, Deferred Inflows, and Fund Balance | | | |
| Liabilities | | | |
| 2100 | Accounts payable | 558,717 | 23,351,397 |
| 2150 | Payroll deductions and withholding | 789,309 | 9,902,902 |
| 2160 | Accrued wages payable | 5,643,276 | 75,394,686 |
| 2170 | Due to other funds | 4,729,237 | 11,060,976 |
| 2180 | Due to other governments | 2,408 | 2,408 |
| 2200 | Accrued expenditures | - | 6,412,158 |
| 2300 | Unearned revenue | 3,180,909 | 21,453,907 |
| 2000 | Total Liabilities | 14,903,856 | 147,578,434 |
| Deferred Inflows of Resources | | | |
| | Deferred inflows | - | 13,828,479 |
| 2600 | Deferred Inflows of Resources | - | 13,828,479 |
| Fund Balance | | | |
| Nonspendable | | | |
| 3410 | Investment in inventory | - | 900,590 |
| 3430 | Prepaid items | - | 1,135,666 |
| Restricted | | | |
| 3450 | Food service or federal/state grants | 28,236,669 | 28,236,669 |
| 3470 | Capital acquisitions and contractual programs | - | 124,138,931 |
| 3480 | Retirement of long-term debt | - | 160,161,384 |
| Committed | | | |
| 3545 | State revenue stabilization | - | 63,800,000 |
| 3545 | Campus activity funds | 7,889,946 | 7,889,946 |
| 3590 | Assigned for other purposes | - | 4,841,266 |
| 3600 | Unassigned | - | 141,433,285 |
| 3000 | Total Fund Balances | 36,126,615 | 532,537,737 |
| 4000 | Total Liabilities, Deferred Inflows, and Fund Balances | \$ 51,030,471 | \$ 693,944,650 |



FORT BEND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
June 30, 2024

Exhibit C-2

**Data
Control
Codes**

| | | | |
|-----------|---|-----------|----------------------|
| | Total fund balance, governmental funds | \$ | 532,537,737 |
| | Amounts reported for governmental activities in the statement of net position are different because: | | |
| 1 | Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds | \$ | 1,499,688,934 |
| 2 | Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures. These property taxes (net of allowance for uncollectible accounts) are deferred inflows of resources in the fund financial statements | \$ | 13,828,479 |
| 3 | Deferred amount on refunding | \$ | (16,128,719) |
| | Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. | | |
| | Long-term liabilities at year end consist of: | | |
| 4 | General obligation bonds | \$ | (1,765,610,000) |
| 5 | Premiums on issuance | \$ | (110,664,768) |
| 6 | Accrued compensated absences | \$ | (2,618,814) |
| 7 | Accrued interest payable | \$ | (18,478,363) |
| 8 | Net pension liability | \$ | (323,041,012) |
| 9 | Net other post-employment liability | \$ | (132,655,437) |
| 10 | Right to use lease liabilities | \$ | (2,656,613) |
| 11 | Subscription based IT arrangements | \$ | (3,850,793) |
| 12 | Deferred outflows and inflows relating to pension and other post-employment benefit activities | \$ | (27,242,605) |
| 13 | Addition of internal service fund net position | \$ | 137,851 |
| 19 | Total net position - governmental activities | <u>\$</u> | <u>(356,754,123)</u> |

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024

Exhibit C-3

Page 1 of 2

| Data Control Codes | | General Fund | Debt Service Fund | Capital Projects Fund |
|---------------------------------------|--|-----------------------|------------------------------|----------------------------------|
| Revenues | | | | |
| 5700 | Local and intermediate sources | \$ 391,261,494 | \$ 146,199,847 | \$ 1,367,565 |
| 5800 | State program revenue | 412,449,423 | 20,194,429 | - |
| 5900 | Federal program revenue | 9,503,551 | - | 1,272,271 |
| 5020 | Total Revenues | 813,214,468 | 166,394,276 | 2,639,836 |
| Expenditures | | | | |
| Current: | | | | |
| 0011 | Instruction | 465,760,472 | - | 4,323,973 |
| 0012 | Instructional resources and media services | 7,489,722 | - | - |
| 0013 | Curriculum and staff development | 16,127,639 | - | - |
| 0021 | Instructional leadership | 18,833,703 | - | - |
| 0023 | School leadership | 50,019,877 | - | - |
| 0031 | Guidance, counseling and evaluation services | 42,250,822 | - | - |
| 0032 | Social work services | 2,501,910 | - | - |
| 0033 | Health services | 9,446,529 | - | - |
| 0034 | Student transportation | 26,309,829 | - | 504,881 |
| 0035 | Food service | 34,977 | - | - |
| 0036 | Extracurricular activities | 18,000,579 | - | 1,219,003 |
| 0041 | General administration | 20,109,789 | - | - |
| 0051 | Plant, maintenance and operations | 82,271,805 | - | 30,798,989 |
| 0052 | Security and monitoring services | 13,173,740 | - | 597,239 |
| 0053 | Data processing services | 16,732,281 | - | 11,086,890 |
| 0061 | Community services | 822,093 | - | - |
| Debt service: | | | | |
| 0071 | Principal on long-term debt | 5,825,206 | 74,365,806 | 919,393 |
| 0072 | Interest on long-term debt | - | 59,965,012 | - |
| 0073 | Bond issuance costs and fees | - | 3,526,486 | - |
| Capital outlay: | | | | |
| 0081 | Facilities acquisition and construction | - | - | 72,294,645 |
| Intergovernmental: | | | | |
| 0093 | Payments related to shared service arrangements | 509,867 | - | - |
| 0099 | Payments for tax appraisal costs | 5,820,566 | - | - |
| 6030 | Total Expenditures | 802,041,406 | 137,857,304 | 121,745,013 |
| 1100 | Excess (deficiency) of revenues over (under) expenditures | 11,173,062 | 28,536,972 | (119,105,177) |
| Other Financing Sources (Uses) | | | | |
| 7901 | Refunding bonds issued | - | 314,246,958 | - |
| 7911 | Capital related debt issued | - | - | 232,248,042 |
| 7912 | Sale of real or personal property | 304,584 | - | 166,769 |
| 7915 | Transfers in | 2,500,000 | - | 220,000 |
| 7916 | Premium or discount on issuance of bonds | - | 4,715,517 | 3,401,336 |
| 8911 | Transfers out | (2,087,000) | - | - |
| 8949 | Payment to refunding escrow agent | - | (329,107,905) | - |
| 7080 | Total Other Financing Sources (Uses) | 717,584 | (10,145,430) | 236,036,147 |
| 1200 | Net change in fund balances | 11,890,646 | 18,391,542 | 116,930,970 |
| 0100 | Fund Balances - Beginning | 200,220,161 | 141,769,842 | 7,207,961 |
| 3300 | Fund Balances - Ending | \$ 212,110,807 | \$ 160,161,384 | \$ 124,138,931 |

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024

Exhibit C-3

Page 2 of 2

| Data Control Codes | Non-major Governmental Funds | Total Governmental Funds |
|---|---|---|
| Revenues | | |
| 5700 Local and intermediate sources | \$ 22,833,664 | \$ 561,662,570 |
| 5800 State program revenue | 5,177,495 | 437,821,347 |
| 5900 Federal program revenue | 96,659,703 | 107,435,525 |
| 5020 Total Revenues | 124,670,862 | 1,106,919,442 |
| Expenditures | | |
| Current: | | |
| 0011 Instruction | 42,383,501 | 512,467,946 |
| 0012 Instructional resources and media services | 324,912 | 7,814,634 |
| 0013 Curriculum and staff development | 10,653,228 | 26,780,867 |
| 0021 Instructional leadership | 1,948,347 | 20,782,050 |
| 0023 School leadership | 1,063,705 | 51,083,582 |
| 0031 Guidance, counseling and evaluation services | 6,439,280 | 48,690,102 |
| 0032 Social work services | 770,419 | 3,272,329 |
| 0033 Health services | 1,854,208 | 11,300,737 |
| 0034 Student transportation | 920,954 | 27,735,664 |
| 0035 Food service | 42,254,182 | 42,289,159 |
| 0036 Extracurricular activities | 7,685,098 | 26,904,680 |
| 0041 General administration | 290,363 | 20,400,152 |
| 0051 Plant, maintenance and operations | 1,292,021 | 114,362,815 |
| 0052 Security and monitoring services | 357,624 | 14,128,603 |
| 0053 Data processing services | 150,382 | 27,969,553 |
| 0061 Community services | 1,268,659 | 2,090,752 |
| Debt service: | | |
| 0071 Principal on long-term debt | - | 81,110,405 |
| 0072 Interest on long-term debt | - | 59,965,012 |
| 0073 Bond issuance costs and fees | - | 3,526,486 |
| Capital outlay: | | |
| 0081 Facilities acquisition and construction | - | 72,294,645 |
| Intergovernmental: | | |
| 0093 Payments related to shared service arrangements | 101,700 | 611,567 |
| 0099 Payments for tax appraisal costs | - | 5,820,566 |
| 6030 Total Expenditures | 119,758,583 | 1,181,402,306 |
| 1100 Excess (deficiency) of revenues over (under) expenditures | 4,912,279 | (74,482,864) |
| Other Financing Sources (Uses) | | |
| 7901 Refunding bonds issued | - | 314,246,958 |
| 7911 Capital related debt issued | - | 232,248,042 |
| 7912 Sale of real or personal property | - | 471,353 |
| 7915 Transfers in | - | 2,720,000 |
| 7916 Premium or discount on issuance of bonds | - | 8,116,853 |
| 8911 Transfers out | - | (2,087,000) |
| 8949 Payment to refunding escrow agent | - | (329,107,905) |
| 7080 Total Other Financing Sources (Uses) | - | 226,608,301 |
| 1200 Net change in fund balances | 4,912,279 | 152,125,437 |
| 0100 Fund Balances - Beginning | 31,214,336 | 380,412,300 |
| 3300 Fund Balances - Ending | \$ 36,126,615 | \$ 532,537,737 |

FORT BEND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
For the Year Ended June 30, 2024

Exhibit C-4

| Data Control Codes | | |
|-----------------------------------|---|----------------------|
| | Net change in fund balances - total governmental funds (from C-3) | \$ 152,125,437 |
| | Amounts reported for governmental activities in the statement of activities (B-1) are different because: | |
| | Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation. | |
| 1 | Governmental funds capital outlay | 81,819,841 |
| 2 | Governmental activities depreciation expense | (67,957,175) |
| 3 | This is the amount of loss on disposal of assets | (9,935,289) |
| 4 | Property tax revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds | 587,503 |
| 5 | Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position | 74,340,000 |
| 6 | Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities. | (546,495,000) |
| 7 | Payment to escrow agent for refunding | 329,107,905 |
| 8 | Premium received from issuance of long-term debt | (8,116,854) |
| | Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds | |
| 9 | Changes in pension liabilities and related deferred inflows/outflows of resources | (16,047,134) |
| 10 | Changes in OPEB liabilities and related deferred inflows/outflows of resources | 6,675,423 |
| 11 | Amortization of bond premium | 9,912,507 |
| 12 | Accrued Interest on long-term debt | 2,868,220 |
| 13 | Compensated absences | 162,134 |
| 14 | Amortization of refunding | 1,371,596 |
| 15 | Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds. | (3,805,819) |
| 16 | Payment of right to use lease payable is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position | 1,406,739 |
| 17 | Payment of SBITA payable is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position | 4,480,752 |
| 18 | Change in net position of governmental activities | \$ 12,500,788 |

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

Exhibit D-1

| Data Control Codes | | Business-Type | Governmental |
|--------------------------|---------------------------------------|------------------------------------|---------------------------------|
| | | Activities | Activities |
| | | Total Nonmajor Enterprise Funds | Total Internal Service Funds |
| Assets | | | |
| Current Assets | | | |
| 1110 | Cash and cash equivalents | \$ 190,202 | \$ 3,676,307 |
| 1120 | Investments | 3,095,971 | 7,154,184 |
| | Receivables | | |
| 1260 | Due from other funds | 132,841 | 6,333,472 |
| 1290 | Other receivables | 200,997 | 1,204,765 |
| 1310 | Inventories, at cost | - | 96,412 |
| 1410 | Prepaid Items | - | 342,137 |
| | Total Current Assets | 3,620,011 | 18,807,277 |
| Non-Current Assets | | | |
| | Buildings and Equipment | | |
| 1520 | Buildings and improvement | 2,993,135 | - |
| 1530 | Furniture and equipment | 1,552,219 | 1,799,581 |
| 1540 | Vehicles | - | 18,655 |
| 1550 | Right to use leased asset | - | 607,968 |
| 1570 | Accumulated depreciation/amortization | (3,282,666) | (1,867,909) |
| | Total Non-Current Assets | 1,262,688 | 558,295 |
| 1000 | Total Assets | 4,882,699 | 19,365,572 |
| Liabilities | | | |
| Current Liabilities | | | |
| 2100 | Accounts payable | 99,413 | 937,572 |
| 2150 | Payroll deductions and withholding | 36,756 | 466,216 |
| 2160 | Accrued wages payable | 333,043 | - |
| 2170 | Due to other funds | 30,674 | 131,361 |
| 2180 | Due to other governments | 49 | 24 |
| 2300 | Unearned revenue | 491,285 | 6,501,049 |
| | Total Current Liabilities | 991,220 | 8,036,222 |
| Non-Current Liabilities | | | |
| | Due within one year | | |
| 2123 | Claims payable | - | 8,088,082 |
| 2130 | Right to use leased liability | - | 116,254 |
| | Due in more than one year | | |
| 2531 | Right to use leased liability | - | 407,152 |
| 2590 | Claims and judgments | - | 2,580,011 |
| | Total Non-Current Liabilities | - | 11,191,499 |
| 2000 | Total Liabilities | 991,220 | 19,227,721 |
| Net Position | | | |
| 3200 | Net investment in capital assets | 1,262,688 | 34,889 |
| 3900 | Unrestricted | 2,628,791 | 102,962 |
| 3000 | Total Net Position | \$ 3,891,479 | \$ 137,851 |

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2024

Exhibit D-2

| Data Control Codes | | Business-type Activities | Governmental Activities |
|--------------------------|--|------------------------------------|---------------------------------|
| | | Total Nonmajor Enterprise Funds | Total Internal Service Funds |
| | Operating Revenues | | |
| 5754 | Charges for sales and services | \$ 10,217,323 | \$ 77,897,853 |
| 5020 | Total Operating Revenues | <u>10,217,323</u> | <u>77,897,853</u> |
| | Operating Expenses | | |
| 6100 | Payroll costs | 6,772,853 | 1,411,113 |
| 6200 | Purchased and contracted services | 1,227,235 | 8,725,488 |
| 6300 | Supplies and materials | 170,719 | 177,558 |
| 6400 | Other operating expenses | 441,950 | 74,004,186 |
| 6449 | Depreciation/amortization | 87,199 | 140,402 |
| 6500 | Debt service | - | 14,977 |
| 6030 | Total Operating Expenses | <u>8,699,956</u> | <u>84,473,724</u> |
| 1200 | Operating Income (Loss) | <u>1,517,367</u> | <u>(6,575,871)</u> |
| | Non-Operating Revenue (Expenses) | | |
| 7912 | Sale of property | - | 1,000 |
| 7955 | Investment earnings | 249,642 | 502,052 |
| | Total Non-operating Revenues (Expenses) | <u>249,642</u> | <u>503,052</u> |
| | Income (Loss) before Transfers | <u>1,767,009</u> | <u>(6,072,819)</u> |
| 7915 | Transfers in | - | 6,300,000 |
| 8911 | Transfers out | (2,900,000) | (4,033,000) |
| | Total Transfers in(out) | <u>(2,900,000)</u> | <u>2,267,000</u> |
| 1300 | Change in Net Position | (1,132,991) | (3,805,819) |
| 0100 | Net Position - Beginning | <u>5,024,470</u> | <u>3,943,670</u> |
| 3300 | Net Position - Ending | <u>\$ 3,891,479</u> | <u>\$ 137,851</u> |

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2024

Exhibit D-3

| | Business-type Activities | Governmental Activities |
|--|--|---|
| | Total Enterprise Enterprise Funds | Total Internal Service Funds |
| Increase (Decrease) in Cash and Cash Equivalents | | |
| Cash Flow from Operating Activities | | |
| Cash receipts for interfund services provided | \$ 10,009,743 | \$ 77,456,337 |
| Cash payments to suppliers for goods and services | (1,784,849) | (83,376,370) |
| Cash payments to employees | (6,705,233) | (1,326,016) |
| Net Cash Provided by (Used for) Operating Activities | <u>1,519,661</u> | <u>(7,246,049)</u> |
| Cash Flow from Non-Capital Financing Activities | | |
| Advances from other funds | - | 2,267,000 |
| Advances to other funds | (2,900,000) | - |
| Net Cash Provided by (Used for) Non-Capital Financing Activities | <u>(2,900,000)</u> | <u>2,267,000</u> |
| Cash Flow from Capital and Related Financing Activities | | |
| Sale of property | - | 1,000 |
| Payments on right to use leased assets | - | (99,539) |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | <u>-</u> | <u>(98,539)</u> |
| Cash Flow from Investing Activities | | |
| Sale of investment | 975,314 | 5,232,896 |
| Interest on investments | 249,642 | 502,052 |
| Net Cash Provided by (Used for) Investing Activities | <u>1,224,956</u> | <u>5,734,948</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (155,383) | 657,360 |
| Cash and Cash Equivalents at Beginning of Year | <u>345,585</u> | <u>3,018,947</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 190,202</u> | <u>\$ 3,676,307</u> |
| Reconciliation to Balance Sheet | | |
| Cash and Cash Equivalents Per Cash Flow | <u>\$ 190,202</u> | <u>\$ 3,676,307</u> |
| Cash and Cash Equivalents per Balance Sheet | <u>\$ 190,202</u> | <u>\$ 3,676,307</u> |
| Reconciliation of Operating Income (loss) to Net cash Provided by (used for) Operating Activities | | |
| Operating Income (Loss) | \$ 1,517,367 | \$ (6,575,871) |
| Interest payments on right to use leased asset | - | 14,977 |
| Adjustments to reconcile Operating Income (Loss) to net cash Provided by (used for) Operating Activities: | | |
| Depreciation/amortization | 87,199 | 140,402 |
| Change in Assets and Liabilities | | |
| Decrease (Increase) in other receivables (net) | (74,739) | (441,516) |
| Decrease (Increase) in due from other funds | (132,841) | 150,055 |
| Decrease (Increase) in due from other governments | - | 121,292 |
| Decrease (Increase) in inventories, at cost | - | (27,758) |
| Decrease (Increase) in other current assets | - | (200,006) |
| Increase (Decrease) in accrued wages payable | 62,789 | - |
| Increase (Decrease) in accounts payable | (7,259) | (236,295) |
| Increase (Decrease) in payroll deductions payable | 4,831 | 85,098 |
| Increase (Decrease) in due to other funds | (50,630) | 53,973 |
| Increase (Decrease) in due to other governments | (20) | (8) |
| Increase (Decrease) in accrued expenses | - | (156,995) |
| Increase (Decrease) in unearned revenue | 112,964 | 17,410 |
| Increase (Decrease) in claims payable | - | (190,807) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 1,519,661</u> | <u>\$ (7,246,049)</u> |

See notes to the basic financial statements

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2024

Exhibit E-1

| Data Control Codes | | Private-Purpose Trust Fund |
|-----------------------------------|-----------------------------|---------------------------------------|
| | Assets | |
| 1110 | Cash and cash equivalents | \$ 46,490 |
| 1000 | Total Assets | <u>46,490</u> |
| | Liabilities | |
| 2300 | Unearned revenues | <u>13,500</u> |
| 2000 | Total Liabilities | <u>13,500</u> |
| | Net Position | |
| 3490 | Restricted for scholarships | <u>\$ 32,990</u> |

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2024

Exhibit E-2

| Data Control Codes | | Private-Purpose Trust Fund |
|-----------------------------------|---------------------------------|---------------------------------------|
| | Additions | |
| 5744 | Gifts and contributions | \$ 3,000 |
| | Total Additions | <u>3,000</u> |
| | Deductions | |
| 6200 | Scholarship awards | <u>3,000</u> |
| | Total Deductions | <u>3,000</u> |
| CN | Change in net position | - |
| NB | Net Position - Beginning | <u>32,990</u> |
| NE | Net Position - Ending | <u>\$ 32,990</u> |



Note 1 – Summary of Significant Accounting Policies

The Fort Bend Independent School District (FBISD or the District) is an independent public educational agency operating under applicable laws and regulations of the State of Texas. A seven-member Board of Trustees, elected by the District's residents to staggered three-year terms, has fiscal accountability over all activities within the jurisdiction of the District. Board vacancies may be filled by appointment until the next election. Board decisions are based on a majority vote. The Board adopts policies, employs the Superintendent, and oversees operations of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in Statement on Auditing Standards of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, no other entities have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB.

The District receives support from various PTA, PTO, Booster club organizations, and the Fort Bend Education Foundation. Generally Accepted Accounting Principles require the District to report certain legally separate organizations as component units even though the District is not financially accountable for these organizations. These standards promulgated by GASB require that a legally separate tax-exempt organization be reported as a component unit if all of the following criteria are met:

1. The economic resources of the separate organization entirely, or almost entirely, directly benefit the primary government, its component units, or its constituents.
2. The primary government is entitled to, or can otherwise access, a majority of the economic resources of the separate organization.
3. The economic resources of the individual separate organization that the primary government is entitled to, or can otherwise access, are significant to that primary government.

Note 1 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

While the various organizations noted above meet the first criteria specified by GASB, none of the organizations meet the second two requirements and are therefore not included as component units within the reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, state 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 Program Revenues 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" Program Revenues 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 summer school tuition, school lunch charges, etc. The "Grants and Contributions" Program Revenues column includes amounts paid by organizations outside the District to help meet the operational 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.

Interfund activities between individual 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 Balances and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. The District has no interfund services provided and used between functions that would be program revenue which would not be eliminated in the process of consolidation. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

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 funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses 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 the 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).

Note 1 - Summary of Significant Accounting Policies (continued)

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

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 state and federal revenues and interest revenues available if they are collectible within 60 days after year-end.

Revenue from local sources consists primarily of property taxes and is recorded as revenue when received. Uncollected property taxes are recorded as receivables and unearned revenue. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

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 the Fiduciary Fund Types 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. 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 restricted net position (held in trust) and unrestricted net position. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds in accordance with the provisions of the Resource Guide. Each fund is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, deferred inflows and outflows of resources, revenues, and expenditures or expenses. For financial statement presentation, the District's fund financial statements provide more detailed information about the District's most significant funds -- not the District as a whole.

The District reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It is used to account for all financial transactions not properly includable in other funds. The principal sources of revenue include local property taxes, state funding, interest earnings on fund investments, and federal source revenues not accounted for in Special Revenue Funds. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service and capital projects.

Debt Service Fund

The Debt Service Fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest payments on the outstanding debt obligations of the District. These resources include interest and sinking tax revenues which are considered restricted and for which a tax has been dedicated.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Capital Projects Fund

The Capital Projects Fund is used to account for the expenditures of resources accumulated from sales of bonds and related interest earnings for the acquisition and construction of school facilities.

Non-Major Governmental Funds

The District reports all special revenue funds under non-major governmental funds.

The Special Revenue Funds are used to account for the proceeds of specific revenue that are legally restricted or committed to expenditures for specific purposes through federal, state, and local grant awards, and for Campus Activity Funds, which are committed for uses benefitting the respective campuses where the funds are raised. Specifically, this type of fund is used to account for funds that are used for the District's Food Service Program, including local and federal revenue sources for federally financed programs (grants) where unused balances are returned to the grantor at the close of specified project periods and other revenue specific programs. Project accounting is employed to maintain integrity for the various sources of funds. Resources accounted for in these funds are awarded to the District for the purpose of accomplishing specific educational tasks as defined by grantors in contracts or other agreements.

Enterprise Funds

The Enterprise Funds are used to account for revenues and expenses associated with operations of the Extended Learning, the Facility Rental, and the Career and Technical Education (CTE) Programs. Revenues in these funds are primarily from fees paid by participants in the program. Expenses consist mainly of payroll, utilities, and supplies.

Internal Service Funds

The Internal Service Fund is used to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The following internal services funds are used by the District:

Print Shop Fund

The Print Shop Fund is used to account for the operations of the District's print shop. Printing services to other departments of the District is the main service. Expenses include the day-to-day cost of operations of the print shop as well as depreciation of capital assets.

Health Insurance Fund

The Health Insurance Fund is used to account for the operations of the District's employee health insurance plan, which is supported principally by employer and employee contributions. Expenses include plan benefit payments to medical providers and employees and charges incurred in administering the plan.

Workers' Compensation Fund

The Workers' Compensation Fund is used to account for the operations of the District's workers' compensation insurance plan, which is supported principally by employer contributions. Expenses include plan benefit payments to providers of medical services or to employees for claims, administrative costs, and stop-loss premium charges. Estimated amounts due for claims incurred but not reported at year-end are included as fund liabilities.

Unemployment Insurance Fund

The Unemployment Insurance Fund is used to account for the operations of the District's unemployment insurance plan, which is supported principally by employer contributions. Expenses include plan benefit payments for eligible employees and charges incurred in administering the plan.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Technology Fund

The Technology Funds is used to account for the operations of technology items utilized throughout the District, which is supported principally by transfers from the General Fund. Expenses include computers, laptops, and infrastructure costs.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District as trustee for employees and others. The following fiduciary fund is used by the District:

Private Purpose Trust Fund

The Private Purpose Trust Fund is used to account 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. The District has funds that have been received for scholarships that are to be awarded to current and former students for post-secondary education purposes.

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity

1. Cash and Cash Equivalents

The District reports cash and cash equivalents in the District's statement of cash flows for Proprietary Fund Types and in all other financial statements of financial position. The District considers cash and cash equivalents to be cash on hand, demand deposits, money market funds, and certificates of deposit with original maturities of three months or less from acquisition date.

2. Investments

Investments consist of balances in privately managed public funds investment pools and investments in United States (U.S.) securities and U.S. Agency securities. The District reports all investments at fair value, except for investment pools. The District's investment pools are valued and reported at amortized cost, which approximates fair value.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs.

3. Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code, are due on the receipt of the tax bill, and are delinquent if not paid before February 1 of the year following the year imposed. Property Tax receivables include unpaid property taxes at year-end and are shown net of allowance for uncollectible. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. However, not all outstanding property taxes are expected to be collected within one year of the date of financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

4. Short Term Interfund Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as “due from other funds” and “due to other funds” on the combined balance sheet. Interfund services between funds are not eliminated in the process of consolidation.

5. Inventories and Prepaid Items

Inventories consisting of supplies and materials are stated at cost (average cost method) when the item is purchased and are subsequently recognized as expenditures when consumed (consumption method). Inventories include consumable custodial, maintenance, transportation, instructional, food consumables, and office supplies. Inventories of food commodities inventory are recorded at fair market value supplied by the Texas Department of Agriculture on the date received. Commodity inventory items are recorded as expenditures when distributed to user locations and revenue is recognized for an equal amount. Commodity inventory is reported as unearned revenue at year-end. A portion of fund balance is reserved to reflect minimum inventory quantities considered necessary for the District's continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These expenditures will be recorded when consumed (consumption method) rather than when purchased.

6. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, construction in progress, right to use leased assets, and subscription assets are reported in the governmental activities and business-type activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition. Right to use leased assets and subscription assets are recorded at the present value of future lease payments.

Costs of the Facilities Acquisition and Construction Function that relate to overall planning of District facilities, managing overall District assets and overall construction projects are treated as period costs and are not capitalized unless related to specific assets.

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. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

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

| <u>Assets</u> | <u>Years</u> |
|------------------------------|--------------|
| Buildings | 40 |
| Building Improvements | 20 |
| Furniture and Equipment | 5-15 |
| Vehicles | 5-10 |
| Right to Use Leased Assets | 2-5 |
| Subscription Based IT Assets | 2-5 |

Right to use leased assets and subscription-based IT assets are depreciated/amortized on a straight-line basis over the life of the lease and subscription term.

Land and construction in progress are not depreciated.

7. Leases

The District is a lessee for noncancellable leases of buildings, furniture, and equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and internal service fund financial statements. The District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

7. Subscription Based Information Technology Arrangements (SBITA)

The District has contracts for various SBITA's for the right to use subscription assets (software). The District recognizes a liability and corresponding right-to-use subscription asset in the government-wide and internal service fund financial statements as capital assets. The District recognizes subscription liabilities with an initial, individual value of \$50,000 or more and a contract term of twelve months or more.

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

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

- The District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

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

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Accretion of interest on the capital appreciation bonds are recorded at the accreted value through the end of the fiscal year.

In the fund financial statements, governmental fund types recognized 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.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

9. Compensated Absences

The District maintains a policy allowing employees meeting established requirements to be compensated for unused sick leave at retirement. Annual paid time off days are granted to non-professional and professional employees and any unused days are converted to local sick days at the end of each fiscal year. There are no other compensated absences allowed under the District's personnel policies. Compensated absences are liquidated from the General Fund when due and payable.

10. Deferred Outflows and Inflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to future periods. The District has two items that qualify for reporting in this category:

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

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

11. Deferred Outflows and Inflows of Resources (continued)

A deferred inflow of resources represents an acquisition of net assets that applies to future periods. The District has four items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for refunding - Reported in the government-wide statement of net position, this deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for other post-employment benefits – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These other post-employment benefit related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with other post-employment benefits through the other post-employment benefit plan.

12. 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. Pension liabilities are liquidated in the General, Capital Projects and Special Revenue Funds.

13. Other Post-Employment Benefits (OPEB)

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

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

14. Fund Balance Classifications

The fund balance in governmental funds has been classified as follows to describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state, or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution by the Board. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official to which the Board delegates the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance - amounts that are available for any purpose. General Fund is the only fund that reports positive unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Per the District's Fiscal and Budgetary Strategy, the District will strive to maintain an unassigned general fund balance equal to the greater of sixty (60) days or seventeen percent (17 percent) of net budgeted operating expenditures. In order to protect the District from a potential loss in state revenue, the District will commit at least thirty (30) days or eight and a third percent (8.33 percent) of net budgeted operating expenditures.

15. Use of Estimates

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

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

16. Data Control Codes

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

17. Implementation of New Accounting Standards

GASB issued Statement No. 99, *Omnibus 2022*, in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this statement had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Data

The Board adopts an annual "appropriated budget" for the General Fund, Debt Service Fund, and National School Breakfast and Lunch Program Fund (which is included in the Non-major Government Funds). Budgets are prepared using the same method of accounting as for financial reporting. The District is required to present the adopted and final annual amended budgeted revenues and expenditures for the general fund and each major special revenue fund. The National School Breakfast and Lunch Program is not a major fund. The General Fund budget report appears in the required supplementary information section where the District compares the final annual amended budget to actual revenues and expenditures. Per regulatory requirements, the National School Breakfast and Lunch Program Fund and Debt Service Fund are required to be reported with the original budget, amended budget, and actual. These statements are included in the Other Supplementary Information at the end of the District's Annual Comprehensive Financial Report in Exhibit H-3 and H-4 of the Financial Section.

The Capital Projects Fund budget is prepared on a project basis based on the proceeds available from bond issues and planned expenditures outlined in applicable bond ordinances. Capital Projects Fund equity, which represents unexpended appropriations, is reappropriated in the subsequent fiscal year's budget until available funds for acquisition and construction of facilities have been utilized. Each major construction contract is approved based on the existing availability of bond proceeds and/or approved but unissued bonds. The non-budgeted Non-major Governmental funds (primarily Federal, State, and local grant programs) utilize a managerial-type financial plan approved at the fund level by the Board upon acceptance of the grants. These grants are subject to State imposed project length budgets and monitored through submission of reimbursement reports to the State.

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

1. Prior to June 30, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to July 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. During the year, amendments are presented to the Board at its regular meetings. 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. All supplemental appropriations must be within limits of available revenues and fund equity.
4. Each budget is controlled by the budget director at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

B. Encumbrances

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executory contracts) and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

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

B. Encumbrances (continued)

Prior to the end of the year, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the fiscal year-end, the District likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the fiscal year. If the school district allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires, and the items represented by the encumbrances are usually reappropriated in the following year's budget. Open encumbrances at fiscal year-end are included in restricted, committed, or assigned fund balance, as appropriate.

Note 3 - Deposits (Cash) and Investments

A. Authorization for Deposits and Investments

The Texas Education Code (TEC) and the Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code and the District Investment Strategy, regulate deposits and investment transactions of the District.

The TEC authorizes the District to invest any of its funds in direct debt securities of the United States or other types of bonds, securities, and warrants in accordance with applicable provisions.

The TEC authorizes the District to place the proceeds from debt issues in properly secured or collateralized interest-bearing time deposits with any Texas state or national bank having federal depository insurance coverage (FDIC) for depositors or directly in bonds or other obligations of the United States or U.S. Agency securities. TEC requirements prohibit the District from investing debt issue proceeds in interest-bearing time deposits that have any chance of original invested principal loss.

In accordance with applicable statutes, the District has a depository contract with a local bank (depository) providing interest rates to be earned on deposited funds and fixed fees for banking services received. The District may place funds with the depository in interest and non-interest-bearing accounts. Statutes and the depository contract require full security for all funds in the depository institution through federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The depository must deliver the collateral securities to the District or place them with an independent trustee institution. The depository is required to deliver the safekeeping receipts to the District. In accordance with Texas statutes, the safekeeping receipts are in the name of the depository with proper indication of pledge of the collateral securities by the depository to secure funds of the District. The District must approve all collateral securities pledged and also must approve in writing any changes to the pledged collateral securities.

Interest earned from investments from the Campus Activity Fund for fiscal year 2024 has been assigned to the General Operating Fund in the amounts of \$464,991. The interest was used to offset the maintenance and service fees for the accounts.

The District has adopted a written investment policy [CDA (LEGAL) and CDA (LOCAL)] regarding the investment of its funds as defined by the PFIA. The PFIA also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District complies with the requirements of the Act and with local policies.

The District's investment policy permits investment of District funds in only the following investment types, consistent with the strategies and maturities defined in the policy:

1. Obligations of or guaranteed by governmental entities as permitted by Government Code 2256.009
2. Fully collateralized Certificates of deposit and share certificates as permitted by Government Code 2256.010
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011
4. Commercial paper as permitted by Government Code 2256.013
5. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014
6. Public funds investment pools as permitted by Government Code 2256.016

Note 3 - Deposits (Cash) and Investments (continued)

A. Authorization for Deposits and Investments (continued)

The District's investment policy specifically prohibits investment of District funds in the following investment types:

1. Collateralized mortgage obligations
2. Reverse repurchase agreements
3. Corporate bonds issued by domestic business entities

A summary of the District's cash and investments at June 30, 2024 are shown below.

| | Cash and Deposits | Investment Pools | Agency Securities | Total |
|---|------------------------------|-----------------------------|------------------------------|-----------------------|
| General Fund | \$ 154,360,621 | \$ 44,698,267 | \$ - | \$ 199,058,888 |
| Debt Service Fund | 15,627 | 102,026,618 | 49,710,770 | 151,753,015 |
| Capital Projects Fund | 285,836 | 148,350,706 | - | 148,636,542 |
| Non-major Governmental funds | 4,648,946 | 32,481,413 | - | 37,130,359 |
| Total Governmental Funds | 159,311,030 | 327,557,004 | 49,710,770 | 536,578,804 |
| Internal Service Funds | 3,676,307 | 7,154,184 | - | 10,830,491 |
| Total Governmental Activities | 162,987,337 | 334,711,188 | 49,710,770 | 547,409,295 |
| Enterprise Funds | 190,202 | 3,095,971 | - | 3,286,173 |
| Total Government Wide Statements | 163,177,539 | 337,807,159 | 49,710,770 | 550,695,468 |
| Fiduciary Funds | 46,490 | - | - | 46,490 |
| Total Cash and Investments | \$ 163,224,029 | \$ 337,807,159 | \$ 49,710,770 | \$ 550,741,958 |

The table below shows the investment pools and U.S. Securities balances along with the weighted average maturity and credit rating for the District's investments at June 30, 2024.

| | Fair Value | Percent of Investment | Weighted Average Maturity | S & P Credit Quality Rating |
|--|-----------------------|--------------------------------------|--|--|
| U.S. Securities and U.S. Agency Securities | | | | |
| U.S. Treasury Bonds and Notes | \$ 9,899,570 | 2.56% | 65 | n/a |
| U.S. Agency Securities (FHLB Discount Notes) | 39,811,200 | 10.27% | 29 | n/a |
| Total U.S. Securities and U.S. Agency Securities | 49,710,770 | 12.83% | 94 | |
| Public Funds Investment Pools* | | | | |
| Lone Star | 71,091,228 | 18.35% | 34 | AAAm |
| TexasCLASS | 54,721,953 | 14.12% | 34 | AAAm |
| Texas FIT | 3,282,880 | 0.85% | 56 | AAAm |
| Texas Range | 61,398,966 | 15.84% | 41 | AAAm |
| TexPool | 70,617,672 | 18.22% | 35 | AAAm |
| TexSTAR | 76,694,460 | 19.79% | 34 | AAAm |
| Total Public Funds Investment Pools* | 337,807,159 | 87.17% | 234 | |
| Total U.S. Securities and Public Funds Investment Pools | \$ 387,517,929 | 100.00% | 328 | |

* Per GASB 79, valued at amortized cost.

Note 3 - Deposits (Cash) and Investments (continued)

A. Authorization for Deposits and Investments (continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

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

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

Investments' fair value measurements are as follows at June 30, 2024:

| Investments | Fair Value | Fair Value Measurements Using | | |
|--|----------------------|-------------------------------|----------------------|-------------------|
| | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Debt Securities: | | | | |
| U.S. Treasury Bonds and Notes | \$ 9,899,570 | \$ 9,899,570 | \$ - | \$ - |
| U.S. Agency Securities (FHLB Discount Notes) | 39,811,200 | - | 39,811,200 | - |
| Total Debt Securities | <u>\$ 49,710,770</u> | <u>\$ 9,899,570</u> | <u>\$ 39,811,200</u> | <u>\$ -</u> |

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

U.S. Agency Securities classified in Level 2 of the fair value hierarchy are valued using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

B. Interest Rate Risk

The District measures interest rate risk using the weighted average maturity method based on the fund in which the District makes investments. The District's Investment Strategy specifies limitations for weighted average maturities for investments in all funds and for investments in the general fund.

For all funds, weighted average maturities of U.S. Agency security investments are limited by the District's investment policy to two years or less. Repurchase agreements are limited to a maximum maturity of 30 days and certificates of deposit are limited to a maximum maturity of one year. For bond proceeds and other bond funds, the District may specifically authorize investments in repurchase agreements with maturities in excess of 30 days, subject to any required approvals from bond insurers and the Board. Under adverse market conditions, the District may deviate from the limitations outlined above for periods of 90 days or less, with the Superintendent's approval, in order to sufficiently maintain safety and liquidity.

Note 3 - Deposits (Cash) and Investments (continued)

C. Credit Risk

Credit risk is the possibility of loss occurring due the inability of an investment instrument to meet financial obligations. As of June 30, 2024, investments were diversified in local government investment pools, money market funds, and U.S. agency securities with sufficient ratings from S&P Global to reduce the probability of loss and comply with the District's investment policy.

The District participates in the First Public Local Government Pool ("Lone Star"), an external local government investment pool serving local governments since 1991. A Board of Trustees composed of active members of the Pool is responsible for the overall management of Lone Star. The funds are managed by two separate investment advisors - American Beacon Advisors and Mellon Investment Corp. GASB Statement No. 31 allows pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value to report net position to compute share price. The fair value of the District's position in Lone Star is the same as the value of Lone Star shares. Lone Star has a Standard & Poor's rating of AAAM.

The District participates in the Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), an external investment pool. Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience, and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated AAAM by S&P Global. The AAAM principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management. The District's fair value in Texas CLASS is the same as the value of the pool shares.

The District participates in the Texas Local Government Investment Pool ("TexPool"), a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by S&P Global. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

The District participates in the Texas Range Local Government Investment Pool ("Texas Range"), an external investment pool. Texas Range was established under the provisions of the Interlocal Cooperation's Act, Chapter 791 of the Texas Government Code and Chapter 2256 of the Public Funds Investment Act. An Advisory Board composed of participants and non-participant members elected by the participant shareholders of Texas Range is responsible for the overall management of Texas Range, including formulation and implementation of its investment and operating policies. In addition, Advisory Board members select and oversee the activities of the Investment Advisor and Custodian of Texas Range and monitor investment performance and the method of valuing the shares. Texas Range is a floating net asset value fund and has a rating from S&P Global of AAAM. It is a fundamental objective of Texas Range to assure the return of principal and interest at the date planned for redemption of shares; however, the net asset value of shares may fluctuate prior to the planned redemption date. GASB Statement No. 31 allows that the value at maturity and fair value to be the same for investment positions that mature within one year of the purchase date of the position. Therefore, Texas Range's fair value and the value at maturity for the District's investment are the same.

Note 3 - Deposits (Cash) and Investments (continued)

C. Credit Risk (continued)

The District participates in the TexSTAR Local Government Investment Pool ("TexSTAR"), an external investment pool. The pool is overseen by a five-member governing board made up of three participants and one of each of the program's professional administrators. The responsibility of the board includes the ability to influence operations, designation of management, and accountability for fiscal matters. In addition, the pool has a Participant Advisory Board which provides input and feedback on the operations and direction of the program and S&P Global reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. GASB Statement No. 31 allows pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value to report net position to compute share price. The fair value of the District's position in TexSTAR is the same as the value of TexSTAR shares.

The District participates in the Texas Fixed Income Trust Government Pool ("TX-FIT"), created as a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. The TX-FIT Government Pool provides Texas' public entities a conservatively managed, PFIA compliant, investment option with no corporate exposure. The TX-FIT Government Pool seeks preservation of principal, a competitive yield, and a stable NAV, while also providing same day liquidity to its participants. TX-FIT is overseen by a Board of Trustees and an Advisory Board, composed of Participants and other persons who do not have a business relationship with the Trust, but are qualified to advise the Trust. Texas FIT Government Pool is rated AAmmf by Fitch Ratings, Inc. and meets the requirements of GASB Statement No. 79 and, as such, measures its investments at amortized cost.

The Local Government Investment Pools in which the District invests do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

The District's Investment Portfolio policy is diversified by market sector in accordance with the District's investment policy.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the district's deposits may not be returned to it. As of June 30, 2024, the District's bank's balances were not exposed to custodial credit risk because they were insured and collateralized with securities held by the District's agent and in the District's name.

Custodial credit risk - investments

For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's agent, the Federal Home Loan Bank of Dallas, holds securities in the District's name; therefore, the District is not exposed to custodial credit risk on its investments.

Note 4 - Property Taxes

Property taxes are levied by October 1 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 February 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District (CAD) of Fort Bend County, Texas, establishes appraised values as of January 1 of each year. Prior to July 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate based on the appraised values received from the CAD, thus creating the levy, which Fort Bend County bills and collects on behalf of the District.

Property tax rates, established in accordance with state law, are levied on real and personal property within the District's boundaries for use in financing general government and debt service expenditures.

Note 4 - Property Taxes (continued)

Tax rates levied to finance general government and debt service expenditures for fiscal year 2024 were \$0.7192 and \$0.27, respectively, per \$100 of valuation, based on an assessed property valuation of approximately \$52.6 billion, resulting in a tax levy of approximately \$520.1 million. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off by the District, as provided by specific statutory authority from the Texas Legislature

Governmental funds net property taxes receivable at June 30, 2024, consisted of the following:

| | General Fund | Debt Service Fund | Total |
|--|----------------------|--------------------------|----------------------|
| Delinquent Taxes: | | | |
| Delinquent Taxes Receivable | \$ 14,359,721 | \$ 4,709,832 | \$ 19,069,553 |
| Penalty and Interest on Delinquent Taxes | 6,927,437 | 2,064,650 | 8,992,087 |
| Total Delinquent Taxes and Penalty and Interest | 21,287,158 | 6,774,482 | 28,061,640 |
| Less Allowance for Uncollectible Taxes | (9,443,730) | (2,722,833) | (12,166,563) |
| Net Property Taxes Receivable | \$ 11,843,428 | \$ 4,051,649 | \$ 15,895,077 |

Note 5 - Interfund Receivables, Payables and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more non-major governmental funds. The District had not cleared the interfund payables and receivables at year-end. Most of the amounts represent short-term borrowings between funds for operating expense payments.

| | Interfund Payables | | | | | | Totals |
|-----------------------|--------------------|-------------------|------------------|-----------------|------------------|------------|---------------|
| | Major Funds | | | Non-major Funds | | | |
| | General Fund | Debt Service Fund | Capital Projects | Special Revenue | Internal Service | Enterprise | |
| Interfund Receivable | | | | | | | |
| General Fund | \$ - | \$ 203 | \$ 1,277 | \$ - | \$ 5,895,642 | \$ 160 | \$ 5,897,282 |
| Debt Service Fund | 434,407 | \$ - | - | - | - | - | 434,407 |
| Capital Projects Fund | - | - | - | - | 50 | - | 50 |
| Nonmajor Funds | | | | | | | |
| Special Revenue | 4,298,213 | - | - | - | 429,704 | 1,320 | 4,729,237 |
| Internal Service | - | - | - | - | - | 131,361 | 131,361 |
| Enterprise | 5,174 | - | - | 17,424 | 8,076 | - | 30,674 |
| Totals | \$ 4,737,794 | \$ 203 | \$ 1,277 | \$ 17,424 | \$ 6,333,472 | \$ 132,841 | \$ 11,223,011 |

The following transfers were recorded during fiscal year ended June 30, 2024:

- A transfer of \$2.0 million was made from General Fund to the Health Insurance Fund to cover current year deficit.
- A transfer of \$1.0 million was made from the Extended Learning Fund to the General Fund.
- A transfer of \$1.5 million was made from the Facility Rental Fund to the General Fund.
- A transfer of \$1.35 million was made from the Workers' Compensation Fund to the Health Insurance Fund to cover current year deficit.
- A transfer of \$2.55 million was made from the Unemployment Insurance Fund to the Health Insurance Fund to cover current year deficit.
- A transfer of \$133,000 was made from the Technology Fund to the Capital Projects Fund.
- A transfer of \$400,000 was made from the Enterprise Fund-Facility Rental Fund to the Internal Service Fund-Print Shop Fund to cover current year deficit.
- A transfer of \$87,000 was made from the General Fund to the Capital Projects Fund.

Note 6 - Due From Other Governments and Other Receivables

Receivables as of June 30, 2024 for the District's individual major funds and nonmajor enterprise funds and internal service funds in the aggregate are as follows:

| | General Fund | Debt Service Fund | Capital Projects Fund | Non-major Governmental Funds | Totals |
|---|-----------------------|---------------------|-----------------------|------------------------------|-----------------------|
| Due from State Agencies | | | | | |
| State expenditure reimbursement | \$ 112,101,615 | \$ 8,279,074 | \$ - | \$ - | \$ 120,380,689 |
| Due from State or Federal Agencies | | | | | |
| Federal grant expenditure reimbursement | - | - | 333,553 | 13,248,929 | 13,582,482 |
| Total Due from Other Governments | <u>\$ 112,101,615</u> | <u>\$ 8,279,074</u> | <u>\$ 333,553</u> | <u>\$ 13,248,929</u> | <u>\$ 133,963,171</u> |

| | General Fund | Debt Service Fund | Capital Projects Fund | Non-major Governmental Funds | Internal Service Funds | Enterprise Funds | Totals |
|--------------------------------|------------------|-------------------|-----------------------|------------------------------|------------------------|-------------------|---------------------|
| Other Receivables | | | | | | | |
| Miscellaneous Receivables | \$ 63,227 | \$ 12,438 | \$ 2,992 | \$ 1,455 | \$ - | \$ - | \$ 80,112 |
| Health Plan Provider | - | - | - | - | 1,204,765 | - | 1,204,765 |
| Facility Rental Receivables | - | - | - | - | - | 200,997 | 200,997 |
| Total Other Receivables | <u>\$ 63,227</u> | <u>\$ 12,438</u> | <u>\$ 2,992</u> | <u>\$ 1,455</u> | <u>\$ 1,204,765</u> | <u>\$ 200,997</u> | <u>\$ 1,485,874</u> |

All receivables are expected to be collected within one year from the end of the fiscal year.

Note 7 - Capital Assets

Capital asset activity for the governmental activities of the District for the year ended June 30, 2024, are as follows:

| | Balance July 1, 2023 | Additions | Retirements and Transfers | Balance June 30, 2024 |
|---|-------------------------|----------------------|------------------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated/Amortized | | | | |
| Land | \$ 105,297,194 | \$ 100,404 | \$ - | \$ 105,397,598 |
| Construction in Progress | 295,680,230 | 71,318,894 | (251,527,758) | 115,471,366 |
| Total Capital Assets Not Being Depreciated/Amortized | <u>400,977,424</u> | <u>71,419,298</u> | <u>(251,527,758)</u> | <u>220,868,964</u> |
| Capital Assets Being Depreciated/Amortized | | | | |
| Buildings and Improvements | 1,718,475,016 | - | 233,825,814 | 1,952,300,830 |
| Furniture and Equipment | 66,084,634 | 8,527,340 | (6,363,888) | 68,248,086 |
| Vehicles | 50,505,236 | 1,873,203 | (1,399,840) | 50,978,599 |
| Subscription Based IT Assets | 9,328,053 | 3,028,395 | (4,325,604) | 8,030,844 |
| Right to Use Leased Assets | 5,224,114 | 126,858 | (534,646) | 4,816,326 |
| Total Capital Assets Being Depreciated/Amortized | <u>1,849,617,053</u> | <u>13,555,796</u> | <u>221,201,836</u> | <u>2,084,374,685</u> |
| | <u>2,250,594,477</u> | <u>84,975,094</u> | <u>(30,325,922)</u> | <u>2,305,243,649</u> |
| Less Accumulated Depreciation/Amortization | | | | |
| Buildings and Improvements | (662,048,152) | (55,031,111) | 7,855,007 | (709,224,256) |
| Furniture and Equipment | (53,233,883) | (3,757,869) | 6,310,087 | (50,681,665) |
| Vehicles | (37,432,516) | (3,471,126) | 1,339,642 | (39,564,000) |
| Subscription Based IT Assets | (3,886,075) | (4,287,863) | 4,343,035 | (3,830,903) |
| Right to Use Leased Assets | (504,994) | (1,549,609) | 359,007 | (1,695,596) |
| Total Accumulated Depreciation/Amortization | <u>(757,105,620)</u> | <u>(68,097,578)</u> | <u>20,206,778</u> | <u>(804,996,420)</u> |
| Governmental Activities Capital Assets | <u>\$ 1,493,488,857</u> | <u>\$ 16,877,516</u> | <u>\$ (10,119,144)</u> | <u>\$ 1,500,247,229</u> |

Note 7 - Capital Assets (continued)

Capital asset activity for the business-type activities of the District for the year ended June 30, 2024, are as follows:

| | Balance July 1, 2023 | Additions | Retirements and Transfers | Balance June 30, 2024 |
|---|-------------------------|--------------------|------------------------------|--------------------------|
| Business-type Activities | | | | |
| Capital Assets Being Depreciated/Amortized | | | | |
| Buildings and Improvements | \$ 2,993,135 | \$ - | \$ - | \$ 2,993,135 |
| Furniture and Equipment | 1,631,701 | - | (79,482) | 1,552,219 |
| Subscription based IT Assets | 57,390 | - | (57,390) | - |
| Total Capital Assets Being Depreciated/Amortized | 4,682,226 | - | (79,482) | 4,545,354 |
| Less Accumulated Depreciation/Amortization: | | | | |
| Buildings and Improvements | (1,658,645) | (71,802) | - | (1,730,447) |
| Furniture and Equipment | (1,631,701) | - | 79,482 | (1,552,219) |
| Subscription based IT Assets | (41,993) | (15,397) | 57,390 | - |
| Total Accumulated Depreciation/Amortization | (3,332,339) | (87,199) | 136,872 | (3,282,666) |
| Business-type Activities Capital Assets | \$ 1,349,887 | \$ (87,199) | \$ 57,390 | \$ 1,262,688 |

Depreciation/Amortization expense of the governmental activities for the year ending June 30, 2024, was charged to the functions/programs as follows:

| | | |
|---|--|----------------------|
| Governmental Activities Depreciation/Amortization Expense | | |
| 11 | Instruction | \$ 51,787,042 |
| 12 | Instructional Resources and Media Services | 1,951,226 |
| 13 | Curriculum and Staff Development | 3,691 |
| 21 | Instructional Leadership | 498,843 |
| 23 | School Leadership | 638,638 |
| 31 | Guidance, Counseling and Evaluation Services | 494,160 |
| 32 | Social Work Services | 47,990 |
| 33 | Health Services | 113,716 |
| 34 | Student Transportation | 2,829,660 |
| 35 | Food Service | 1,472,861 |
| 36 | Cocurricular/Extracurricular activities | 1,460,648 |
| 41 | General Administration | 439,357 |
| 51 | Plant Maintenance and Operations | 2,077,150 |
| 52 | Security and Monitoring Services | 792,647 |
| 53 | Data Processing Services | 3,484,721 |
| 61 | Community Services | 5,228 |
| Total Depreciation Expense-Governmental Activities | | <u>\$ 68,097,578</u> |

Construction budgets and remaining commitments under related construction contracts at June 30, 2024, follows:

| Project | Contract Expenditures | Other Project Costs | Construction in Progress |
|-------------------------|--------------------------|------------------------|-----------------------------|
| New School Construction | \$ 25,156,399 | \$ 4,731,323 | \$ 29,887,722 |
| Elementary Schools | 13,739,981 | 3,184,914 | 16,924,895 |
| Middle Schools | 6,064,407 | 5,179,595 | 11,244,002 |
| High Schools | 35,924,754 | 19,717,012 | 55,641,766 |
| Support Facilities | 718,464 | 1,054,517 | 1,772,981 |
| Totals | \$ 81,604,005 | \$ 33,867,361 | \$ 115,471,366 |

Note 7 - Capital Assets (continued)

Construction Commitments as of June 30, 2024, are as follows:

| <u>Project</u> | <u>Remaining Commitment</u> |
|-------------------------------------|---------------------------------|
| New Schools | |
| Bhuchar ES | \$ 5,252 |
| Ferguson ES | 172,024 |
| Crawford HS | 1,693,809 |
| Meadows ES Rebuild | 115,849 |
| Briargate ES Rebuild | 39,896,969 |
| Mission Bend ES Rebuild | 31,842,183 |
| Clements HS Field House | 528,837 |
| Reese Career & Technical Center | 2,201 |
| Austin Parkway ES Drainage | 308,094 |
| Austin HS Fire Sprinklers | 7,300 |
| Barrington Place ES Renovation | 467,371 |
| Fort Settlement MS Driveway | 594,000 |
| Fine Arts - Various Campuses | 50,407 |
| Fire Alarms - Various Campuses | 40,000 |
| Flooring - Various Campuses | 878,478 |
| HVAC - Various Campuses | 404,628 |
| LED Lighting - Various Campuses | 979,408 |
| Roofing - Various Campuses | 10,350 |
| Security Fencing - Various Campuses | 162,493 |
| Other Projects | 62,286 |
| | <u>\$ 78,221,939</u> |

Note 8 – Right to Use Leased Assets

The District has entered into agreements to lease equipment, modular buildings and warehouse space which have been accounted for in accordance with GASB 87. The District is required to make monthly payments at its incremental borrowing rate, or the interest rate stated or implied in the lease which ranges from 3.5 percent to 4.13 percent.

The future principal and interest lease payments for governmental activities as of June 30, 2024, follow:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> | | |
|--------------------------------|--------------------------------|-------------------|------------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total Requirement</u> |
| 2025 | \$ 1,515,687 | \$ 87,658 | \$ 1,603,345 |
| 2026 | 1,381,916 | 33,400 | 1,415,316 |
| 2027 | 123,495 | 6,955 | 130,450 |
| 2028 | 158,921 | - | 158,921 |
| | <u>\$ 3,180,019</u> | <u>\$ 128,013</u> | <u>\$ 3,308,032</u> |

Note 9 – Subscription Based Information Technology Arrangements (SBITA)

The District has entered into arrangements for the right to use other party's information technology software which have been accounted for in accordance with GASB 96. The District is required to make monthly payments at its incremental borrowing rate, or the interest rate stated or implied in the subscription term which ranges from 3.5 percent to 4.13 percent.

Note 9 – Subscription Based Information Technology Arrangements (SBITA) (continued)

The future principal and interest SBITA payments for governmental activities as of June 30, 2024, follow.

| Year Ending June 30 | Principal | Interest | Total Requirement |
|--------------------------------|---------------------|-------------------|------------------------------|
| 2025 | \$ 1,468,876 | \$ 95,611 | \$ 1,564,487 |
| 2026 | 1,005,905 | 60,375 | 1,066,280 |
| 2027 | 664,863 | 35,259 | 700,122 |
| 2028 | 711,149 | 18,246 | 729,395 |
| | <u>\$ 3,850,793</u> | <u>\$ 209,491</u> | <u>\$ 4,060,284</u> |

Note 10 - Long-Term Liabilities

The District's long-term liabilities consist of bond indebtedness, self-insured health claims, self-insured workers' compensation, compensated absences, leases, and subscriptions. Current requirements for general obligation bonds principal and interest expenditures are accounted for in the Debt Service Fund. The current requirements for self-funded health and workers' compensation claims are accounted for and liquidated in the respective Internal Service Fund. The current requirements for compensated absences, leases, and subscriptions are accounted for in the General Fund.

A. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities of the District for the year ended June 30, 2024, are as follows:

| | Balance June 30, 2023 | Additions | Reductions | Balance June 30, 2024 | Due Within One Year |
|------------------------------------|----------------------------------|-----------------------|-------------------------|----------------------------------|--------------------------------|
| Bonds Payable | | | | | |
| General obligation bonds | \$ 1,621,385,000 | \$ 546,495,000 | \$ (402,270,000) | \$ 1,765,610,000 | \$ 101,105,000 |
| For issuance premium | 118,807,920 | 8,116,854 | (16,260,006) | 110,664,768 | - |
| Health claims | 7,280,000 | 72,926,358 | (73,065,358) | 7,141,000 | 7,141,000 |
| Workers' compensation claims | 3,735,895 | 1,077,707 | (1,286,509) | 3,527,093 | 947,082 |
| Compensated absences | 2,780,946 | 8,907 | (171,039) | 2,618,814 | 320,721 |
| Right to use lease liabilities | 4,773,978 | - | (1,593,959) | 3,180,019 | 1,419,397 |
| Subscription-based IT arrangements | 5,257,494 | 3,074,051 | (4,480,752) | 3,850,793 | 1,468,877 |
| | <u>\$ 1,764,021,233</u> | <u>\$ 631,698,877</u> | <u>\$ (499,127,623)</u> | <u>\$ 1,896,592,487</u> | <u>\$ 112,402,077</u> |

All of the \$1.8 billion in outstanding general obligation bonds and related liabilities for the governmental activities of the District is backed by the full faith of the State of Texas Permanent School Fund.

Internal Service Funds serve the governmental funds. Accordingly, the health and workers' compensation claims reported in the Internal Service Funds are included as part of the above totals for governmental activities.

B. General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities and to purchase school buses and land for future schools.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with various amounts of principal maturing each year. Bonds are payable solely from Debt Service Fund revenues which consist primarily of property tax revenues and state aid.

Note 10 - Long-Term Liabilities (continued)

B. General Obligation Bonds (continued)

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

| Series | Interest Rate Payable | Amounts Original Issue | Maturity Date | Beginning Balance | Additions | Reductions | Ending Balance |
|--|-----------------------------|------------------------------|------------------|----------------------|----------------|------------------|-------------------|
| 2014 | 5.00% | \$ 71,725,000 | 2030 | \$ 48,140,000 | \$ - | \$ (41,825,000) | \$ 6,315,000 |
| 2015C | 5.00% | 37,015,000 | 2024 | 3,110,000 | - | (3,110,000) | - |
| 2016A | 5.00% | 70,550,000 | 2026 | 54,790,000 | - | (26,140,000) | 28,650,000 |
| 2017A | 4.00-5.00% | 47,505,000 | 2042 | 42,260,000 | - | (1,330,000) | 40,930,000 |
| 2017B | 2.00-5.00% | 36,825,000 | 2042 | 32,485,000 | - | (1,020,000) | 31,465,000 |
| 2017E | 3.00-5.00% | 91,110,000 | 2027 | 57,950,000 | - | (7,905,000) | 50,045,000 |
| 2018 | 3.00-5.00% | 132,625,000 | 2043 | 127,515,000 | - | (1,435,000) | 126,080,000 |
| 2018(TXBL) | 2.44-4.18% | 60,000,000 | 2048 | 55,135,000 | - | (1,280,000) | 53,855,000 |
| 2019A(R2022) | 2.38% | 81,555,000 | 2049 | 81,555,000 | - | (79,880,000) | 1,675,000 |
| 2019B | 3.00-5.00% | 131,550,000 | 2034 | 110,645,000 | - | - | 110,645,000 |
| 2019C | 3.00-5.00% | 125,330,000 | 2049 | 114,585,000 | - | (3,930,000) | 110,655,000 |
| 2020 | 3.00-5.00% | 167,050,000 | 2050 | 143,060,000 | - | (9,620,000) | 133,440,000 |
| 2020A | 2.00-5.00% | 106,605,000 | 2050 | 102,635,000 | - | (2,045,000) | 100,590,000 |
| 2020B | 0.88% | 100,000,000 | 2050 | 78,295,000 | - | (1,340,000) | 76,955,000 |
| 2021A | 2.30-5.00% | 90,705,000 | 2051 | 89,505,000 | - | (1,680,000) | 87,825,000 |
| 2021B | 0.72% | 136,995,000 | 2051 | 117,755,000 | - | (2,520,000) | 115,235,000 |
| 2022A | 4.00-5.00% | 164,505,000 | 2042 | 164,505,000 | - | (27,250,000) | 137,255,000 |
| 2022B | 3.00% | 99,935,000 | 2052 | 99,935,000 | - | (99,935,000) | - |
| 2022B(R2023) | 3.65% | 90,025,000 | 2052 | - | 90,025,000 | (90,025,000) | - |
| 2023 | 4.00-5.00% | 97,525,000 | 2053 | 97,525,000 | - | - | 97,525,000 |
| 2024A | 4.25-5.00% | 257,840,000 | 2054 | - | 257,840,000 | - | 257,840,000 |
| 2024B | 3.73% | 198,630,000 | 2054 | - | 198,630,000 | - | 198,630,000 |
| Totals - Bonds Payable at Original Par Value | | | | 1,621,385,000 | 546,495,000 | (402,270,000) | 1,765,610,000 |
| For Issuance Premiums | | | | 118,807,920 | 8,116,854 | (16,260,006) | 110,664,768 |
| Totals - Bonds Payable, net | | | | \$ 1,740,192,920 | \$ 554,611,854 | \$ (418,530,006) | \$ 1,876,274,768 |

The District is in compliance with all significant bond and note limitations and restrictions.

In July 2023, the District remarketed the Series 2022B Variable Rate Unlimited Tax School Building Bonds from the 2018 Bond Election that was approved by voters in November 2018. The total amount of remarketed bonds was \$99,935,000 with a district contribution of \$10,329,514 at closing. The remarketed debt was issued with an initial interest rate of 3.65 percent for an initial rate period of one year. The bonds convert to a stepped-up interest rate of 7 percent after the initial period in the event the bonds are not remarketed. Interest on the bonds accrue from the closing date of August 1, 2023, and are payable on each February 1 and August 1 thereafter, with the initial interest payment on February 1, 2024.

Also in July 2023, the Board of Trustees approved a second amended and restated order (the "Order") authorizing, establishing, approving, confirming, and ratifying the District's Commercial Paper Program (the "Program"). The Order added the use of the voted authority from the May 2023 Bond Election to the Program which already included the remaining voted authorization from the 2007 Bond Election, the 2014 Bond Election, and the 2018 Bond Election. The Order was approved by the Texas Attorney General's office and was finalized in August 2023 with the District paying \$177,500 in fees.

In May 2024, the District issued \$257,840,000 of fixed rate Series 2024A Unlimited Tax School Building and Refunding Bonds for (i) \$56,195,000 for the Series 2014 and Series 2016A refundings; (ii) \$133,970,000 for the Tax-Exempt Commercial Paper (TECP) refunding (consisting of \$79,389,630 from the 2023 Bond Election and \$54,580,370 from the 2018 Bond Election); and

Note 10 - Long-Term Liabilities (continued)

B. General Obligation Bonds (continued)

(iii) \$67,675,000 of new debt from the 2023 Bond Election. The transaction had a related premium of \$6,569,526 with a District contribution of \$2,345,771 at closing. The proceeds from the refunding of the Series 2014 and Series 2016A bonds were deposited into an irrevocable escrow account to provide for future principal and interest on the bonds which will be paid in July 2024. The new debt has interest rates ranging from 4.25 percent to 5.00 percent with maturities from 2031 to 2054. Interest on the bonds accrue from the closing date of June 26, 2024, and are payable on each February 15 and August 15 thereafter, with the initial interest payment on February 15, 2025.

The refunding of the Series 2014 and Series 2016A bonds resulted in aggregate debt service cash flow savings of \$2,194,140 over the life of the refunding bond debt service compared to the refunded bond debt service. The net present value savings was \$1,862,040 with a 4.28 percent savings of the refunded bonds.

In addition, the District issued \$198,630,000 of Variable Rate Series 2024B Unlimited Tax School Building and Refunding Bonds consisting of \$167,010,000 which refunded the Series 2019A and Series 2022B variable rate bonds and \$31,620,000 of new debt from the 2023 Bond Election. The transaction had a related premium of \$1,547,328 and with a District contribution of \$2,572,591 at closing. The proceeds from the refunding of the Series 2019A and Series 2022B bonds were deposited into an irrevocable escrow account to provide for future principal and interest on the bonds which will be paid in July 2024. The new debt has an interest rate of 3.73 percent for an initial rate period of three years. The bonds convert to a stepped-up interest rate of 7 percent after the initial period in the event the bonds are not remarketed. Interest on the bonds accrue from the closing date of June 26, 2024, and are payable on each February 1 and August 1 thereafter, with the initial interest payment on February 1, 2025.

The District has outstanding variable rate unlimited tax refunding bonds. These bonds were issued as term bonds scheduled to mature on various dates. Following the initial rate period, the bonds will bear interest at a term rate determined by the remarketing agent with a term rate period specified by the District; however, the interest rate mode on the bonds may at the District's option, be converted from time to time to a weekly rate, monthly rate, quarterly rate, semiannual rate, or a different term rate period; or to a flexible rate; or to a fixed rate until maturity. The bonds are subject to mandatory redemption and a mandatory redemption schedule for each subseries has been established.

The following is a summary of outstanding variable rate unlimited tax refunding bonds issued by the District as of June 30, 2024:

| | Outstanding Principal Amount | Issue Date | Initial/ Current Rate Period | Stated Maturity Date | Initial/ Remarketed Interest Rate | Initial/ Remarketed Yield | Stepped Rate |
|---------------------|---|-----------------------|---|---------------------------------|--|--|-------------------------|
| Series 2020B | \$ 76,955,000 | 8/26/2020 | 8/1/2025 | 8/1/2050 | 0.88% | 0.88% | 7.00% |
| Series 2021B | 115,235,000 | 6/24/2021 | 8/1/2026 | 8/1/2051 | 0.72% | 0.77% | 7.00% |
| Series 2019A(R2022) | 1,675,000 | 7/19/2022 | 8/1/2024 | 8/1/2024 | 2.38% | 2.38% | 7.00% |
| Series 2024B | 198,630,000 | 6/26/2024 | 8/1/2024 | 8/1/2052 | 3.73% | 3.73% | 7.00% |

The interest rate borne by these bonds cannot exceed the lesser of a maximum rate of 8 percent or the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended. In the event of a failed remarketing, a step rate will be invoked until such a time as the bonds are successfully remarketed. A failed remarketing will not be considered an event of default.

In accordance with the District's Fiscal and Budgetary Strategy, the District can issue a maximum of 25 percent in variable rate debt in proportion to the total debt outstanding. As of June 30, 2024, the District had 22.23 percent of variable rate debt outstanding.

Note 10 - Long-Term Liabilities (continued)

B. General Obligation Bonds (continued)

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2024, follow:

| <u>Year Ending</u> <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> <u>Requirements</u> |
|--------------------------------------|-------------------------|-----------------------|-------------------------------------|
| 2025 | \$ 101,105,000 | \$ 58,927,963 | \$ 160,032,963 |
| 2026 | 109,800,000 | 63,348,462 | 173,148,462 |
| 2027 | 85,330,000 | 62,715,945 | 148,045,945 |
| 2028 | 57,725,000 | 62,108,970 | 119,833,970 |
| 2029 | 77,545,000 | 59,756,417 | 137,301,417 |
| 2030-2034 | 353,870,000 | 244,895,320 | 598,765,320 |
| 2035-2039 | 253,405,000 | 179,412,270 | 432,817,270 |
| 2040-2044 | 271,995,000 | 125,915,804 | 397,910,804 |
| 2045-2049 | 265,585,000 | 70,259,874 | 335,844,874 |
| 2050-2054 | 175,535,000 | 17,496,193 | 193,031,193 |
| 2055 | 13,715,000 | 299,619 | 14,014,619 |
| | <u>\$ 1,765,610,000</u> | <u>\$ 945,136,837</u> | <u>\$ 2,710,746,837</u> |

As of June 30, 2024, the District had \$13.25 million of authorized but unissued unlimited tax bonds from the 2014 bond election, \$55.73 million of authorized but unissued unlimited tax bonds from the 2018 bond election, and \$1.08 billion of authorized but unissued unlimited tax bonds from the 2023 bond election.

The District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and the related liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2024, the following outstanding bonds were considered defeased with their respective callable dates:

| <u>Series</u> | <u>Amount</u> | <u>Date Callable</u> |
|--|---------------|----------------------|
| Series 2019A (2022 Remarketing) Variable Rate Refunding Bonds | \$ 78,285,000 | 8/1/2024 |
| Series 2022B (2023 Remarketing) Variable Rate School Building Bonds | 90,025,000 | 8/1/2024 |
| Series 2014 Refunding Bonds | 41,825,000 | 8/15/2024 |
| Series 2016A Refunding Bonds | 17,860,000 | 8/15/2024 |

Note 11 – Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income at yields that exceed the issuer's tax-exempt borrowing rates. The Treasury requires that rebatable arbitrage be calculated for tax purposes every fifth year that a debt issue is outstanding and at maturity. In the District's government-wide statements, a liability must be recognized as soon as rebatable arbitrage occurs. However, in the fund financial statements, consistent with the modified accrual basis of accounting, no liability is recognized until due and payable. The District estimates and updates its liability annually for all tax-exempt issuances. As of June 30, 2024, the District has no arbitrage liability that is due and payable.

Note 12 - Short-Term Debt

In September 2016, the District's Board of Trustees adopted an Order ("Order") approving the issuance of District Unlimited Tax Commercial Paper Notes, Series A, in an aggregate principal amount not to exceed \$100.0 million. In January 2019, the Board adopted an amended order raising the maximum principal amount to \$150.0 million. The proceeds of the Commercial Paper Notes shall be used for constructing, renovating, and equipping school buildings for the District, all authorized by the voters of the District in the November 2007, 2014, and 2018 bond elections and the May 2023 bond election. In January 2021, the Board adopted an amendment to the Order eliminating the Series B loan note requirement with the liquidity provider, JPMorgan Chase.

Note 12 - Short-Term Debt (continued)

An amendment to the Series B portion of the Program was approved by the Board in October 2022 to extend the expiration date to November 1, 2025, and to transition from the expiring London Interbank Offered Rate (LIBOR) to the Secured Overnight Finance Rate (SOFR) as the preferred alternative to LIBOR. In addition, the District extended the expiration date of the Revolving Credit Agreement supporting the Series A portion of the Commercial Paper Program ("Program") to November 1, 2025.

The Commercial Paper Notes will mature in not more than 270 days from issuance and are supported by the revolving credit agreement with JPMorgan Chase Bank. The short-term ratings on the Commercial Paper Program are F1+ by Fitch. The Commercial Paper Notes are secured by a pledge of the proceeds from the sales of Commercial Paper Notes from time to time issued to pay the principal amount of outstanding Commercial Paper Notes, from the sale of general obligation bonds issued by the District from time-to-time hereafter for the purpose of paying the principal and interest on outstanding Commercial Paper Notes, amounts held in the Commercial Paper note Payment Account and /or proceeds of the tax levy.

Series A of the Commercial Paper Program is used for issuing notes for funds as needed. As of June 30, 2024, the District did not have an outstanding balance of Tax-Exempt Commercial Paper- Series A.

Interest rates that the District obtained for the various Commercial Paper Notes that were issued during the fiscal year ending June 30, 2024, ranged from 3.6 percent to 3.9 percent.

Changes in the Commercial Paper Program are as follows:

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|-----------------------------------|----------------------|----------------------|
| Beginning of the period liability | \$ - | \$ - |
| Commercial paper issuance | 245,000,000 | 102,500,000 |
| Commercial paper retirements | (245,000,000) | (102,500,000) |
| End of the period liability | <u>\$ -</u> | <u>\$ -</u> |

Note 13 - Deferred Inflows of Resources and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are considered unavailable to liquidate liabilities in the current period. Revenue recognition in governmental and proprietary funds does not occur until resources that have been received in advance are earned. A summary of deferred inflows of resources and unearned revenue by fund follows:

| | <u>Deferred Inflows of Resources Relating to</u> | <u>Unearned Revenue</u> |
|---|--|-----------------------------|
| General Fund | | |
| Net property taxes receivable | \$ 10,329,163 | \$ - |
| Overpayment of State Aid | - | 18,031,882 |
| Summer program prepaid revenues | - | 241,116 |
| Insurance claims | - | - |
| Debt Service | | |
| Net property taxes receivable | 3,499,316 | - |
| Non-major Governmental Funds | | |
| Grant funds received prior to meeting eligibility requirements | - | 2,092,775 |
| National School Breakfast and Lunch prepaid revenues | - | 1,088,134 |
| Internal Service Funds | | |
| Benefit prepaid contributions | - | 6,501,049 |
| Enterprise Funds | | |
| Summer program prepaid revenues | - | 491,285 |
| Total - All Funds | <u>\$ 13,828,479</u> | <u>\$ 28,446,241</u> |

Note 14 - Committed, Assigned and Deficit Fund Balance

A. Committed Fund Balance

At June 30, 2024, the District has committed \$63.8 million in the General Fund for potential loss of state funding.

The committed fund balance for potential loss of state funding was established by the Board by adopting the District's fiscal policy which states that the District will commit at least thirty days or eight and a third percent (8.33 percent) of net budgeted operating expenditures and by Board resolution of committing fund balances. The committed balance will grow as budgeted operating expenditures increase and any increase will require Board Resolution. If a budgetary shortfall is projected due to loss of state funding, the District would take action as outlined in the fiscal policy budgetary contingency plan. If those actions were insufficient to offset the revenue deficit, the District would develop an expenditure reduction plan for approval by the Board and one option available to the Board would be to utilize the committed fund which would require Board action.

At June 30, 2024, the District has committed \$7.9 million in the Non-major Governmental Fund for campus activity funds.

B. Assigned Fund Balance

The District has assigned \$4.8 million for outstanding purchase orders for the purpose of acquiring educational supplies and services that will be honored in fiscal year 2025.

Note 15 – Net Investment in Capital Assets Calculation

The net investment in capital assets as of June 30, 2024, consists of the following:

| | Governmental Activities | Business-Type Activities |
|--|------------------------------------|-------------------------------------|
| Capital assets, net of accumulated depreciation/amortization | \$ 1,500,247,229 | \$ 1,262,688 |
| Capital related debt: | | |
| Bonds payable | (1,765,610,000) | - |
| Capital related liabilities | (24,835,433) | - |
| Unamortized issuance premiums | (110,664,768) | - |
| Right to use leased assets payable | (3,180,019) | - |
| Subscription based IT agreements | (3,850,793) | - |
| Non-capitalized debt | 434,437,778 | - |
| Unspent bond proceeds | 148,974,364 | - |
| Capital related deferred gain on refunding | (16,128,719) | - |
| Net Investment In Capital Assets | <u>\$ 159,389,639</u> | <u>\$ 1,262,688</u> |

Note 16 - Revenues from Local, Intermediate and Other Sources

A summary of local revenues recorded in the governmental funds for the fiscal year ended June 30, 2024, follows:

| | General Fund | Debt Service Fund | Capital Projects Fund | Non-major Governmental Funds | Total |
|----------------------------------|-----------------------|------------------------------|----------------------------------|---|-----------------------|
| Property Taxes | \$372,063,089 | \$139,678,859 | \$ - | \$ - | \$ 511,741,948 |
| Penalties, Interest and Other | 2,644,886 | 944,705 | - | - | 3,589,591 |
| Tax Related Income | | | | | |
| Insurance Recovery | 612,679 | - | - | - | 612,679 |
| Summer School, Tuition and Fees | 1,365,864 | - | - | - | 1,365,864 |
| Investment Income | 11,721,062 | 5,576,283 | 1,367,565 | 1,264,394 | 19,929,304 |
| Food Sales | - | - | - | 10,544,137 | 10,544,137 |
| Co-curricular Student Activities | 1,435,762 | - | - | 10,228,874 | 11,664,636 |
| Other | 1,418,384 | - | - | 796,259 | 2,214,643 |
| Totals | <u>\$ 391,261,726</u> | <u>\$ 146,199,847</u> | <u>\$ 1,367,565</u> | <u>\$ 22,833,664</u> | <u>\$ 561,662,802</u> |

Note 17 - General Fund Federal Program Revenues

A summary of federal program revenues received in the General Fund for the year ended June 30, 2024:

| Program or Source | Amount |
|--|---------------------|
| ESEA, Title I, Part A - Improving Basic Programs | \$ 769,782 |
| Texas Education for Homeless Children and Youth | 5,448 |
| IDEA - Part B, Formula | 613,854 |
| IDEA - Part B, Preschool | 8,518 |
| ESEA, Title II, Part A, Supporting Effective Instruction | 79,906 |
| ESEA, Title III, Part A, English Language Acquisition and Language Enhancement | 95,961 |
| ARP Homeless I-TECHY Supplemental | 10,352 |
| ARP Homeless II | 43,220 |
| Elementary and Secondary School Emergency Relief- ESSER II | 229,397 |
| Elementary and Secondary School Emergency Relief- ESSER III | 4,095,956 |
| Title IV, Part A | 36,057 |
| Total Indirect Costs | 5,988,451 |
| Direct Cost from federal awards | 3,515,100 |
| Total Federal Revenue - General Fund | \$ 9,503,551 |

Note 18 - Defined Benefit Retirement Plan

A. Plan Description

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

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

B. Pension Plan Fiduciary Net Position

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

C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service

Note 18 - Defined Benefit Retirement Plan (continued)

C. Benefits Provided (continued)

credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

D. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 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 | |
|----------------------------------|---------------------------|-------------|
| | Measurement Year | |
| | 2024 | 2023 |
| Member | 8.25% | 8.00% |
| Non-employer contributing agency | 8.25% | 8.00% |
| Employers | 8.25% | 8.00% |

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

| | Fiscal Year 2024 |
|----------------------------------|-------------------------|
| | Contributions |
| Employer (District) | \$ 25,468,583 |
| Employee (Member) | 49,816,266 |
| Non-employer Contributing Entity | |
| On-behalf Contributions (State) | 31,629,507 |

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

Note 18 - Defined Benefit Retirement Plan (continued)

D. Contributions (continued)

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 part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

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

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

E. Actuarial Methods and Assumptions

The total pension liability, net pension liability, and certain sensitivity information are based on the actuarial valuation performed as of August 31, 2022, and rolled forward to August 31, 2023. The actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | August 31, 2022 (total pension liability rolled forward from valuation date to measurement date of August 31, 2023) |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Fair Value |
| Single Discount Rate | 7.00% |
| Long-term expected Investment Rate of Return | 7.00% |
| Municipal Bond Rate | 4.13% * |
| 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 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."*

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

F. 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 pension plan investments of 7.00 percent. The projection of flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be

Note 18 - Defined Benefit Retirement Plan (continued)

F. Discount Rate (continued)

made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.50 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 projected future benefits payment 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, are summarized below:

| Asset Class* | Target Allocation** | Long-Term Expected Geometric Real Rate of Return*** | Expected Contribution to Long Term Portfolio Returns |
|----------------------------------|--------------------------------|--|---|
| Global Equity | | | |
| U.S. | 18.00% | 4.00% | 1.00% |
| Non-U.S. Developed | 13.00% | 4.50% | 0.90% |
| Emerging Markets | 9.00% | 4.80% | 0.70% |
| Private Equity | 14.00% | 7.00% | 1.50% |
| Stable Value | | | |
| Government Bonds | 16.00% | 2.50% | 0.50% |
| Absolute Return | 0.00% | 3.60% | 0.00% |
| Stable Value Hedge Funds | 5.00% | 4.10% | 0.20% |
| Real Return | | | |
| Real Assets | 15.00% | 4.90% | 1.10% |
| Energy and Natural Resources | 6.00% | 4.80% | 0.40% |
| Commodities | 0.00% | 4.40% | 0.00% |
| Risk Parity | | | |
| Risk Parity | 8.00% | 4.50% | 0.40% |
| Asset Allocation leverage | | | |
| Cash | 2.00% | 3.70% | 0.01% |
| Asset Allocation leverage | (6.00)% | 4.40% | (0.10)% |
| Inflation Expectation | | | 2.30% |
| Volatility Drag**** | | | (0.90)% |
| Expected Return | 100.00% | | 8.00% |

*Absolute Return includes credit Sensitive Investments

**Target allocations are based on the FY2023 policy model

***Capital Market Assumptions come from Aon Hewitt (as of 8/31/2023).

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

Note 18 - Defined Benefit Retirement Plan (continued)

F. Discount Rate (continued)

Discount Rate Sensitivity Analysis

The following table presents the 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.

| | Discount Rate | | |
|--|------------------------|-------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Rate (7.00%) | 1% Increase (8.00%) |
| District's proportional share of the net pension liability | \$ 482,964,203 | \$ 323,041,012 | \$ 190,064,793 |

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

At June 30, 2024, the District reported a liability of \$323,041,012 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|----------------------|
| District's proportionate share of the net pension liability | \$323,041,012 |
| State's proportionate share of the net pension liability associated with the District | <u>397,670,234</u> |
| Total | <u>\$720,711,246</u> |

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

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.4703 percent which was a decrease from its proportion measured as of August 31, 2022, of 0.4843 percent.

The General, Capital Projects and Special Revenue Funds are used to liquidate pension liabilities.

Changes Since the Prior Actuarial Valuation

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

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

Note 18 - Defined Benefit Retirement Plan (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Pension Expense

For the fiscal year ended June 30, 2024, the District recognized pension expense of \$60,463,731. The District also recognized an additional on-behalf revenue and expense of \$60,044,765 representing the support provide by the State.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 11,510,061 | \$ (3,911,673) |
| Changes of assumption | 30,553,352 | (7,477,102) |
| Net difference between projected and actual earnings on pension plan investments | 47,010,308 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 21,713,092 | (5,602,182) |
| District contributions subsequent to the measurement date | 21,705,143 | - |
| Total | <u>\$ 132,491,956</u> | <u>\$ (16,990,957)</u> |

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$21,705,143 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year | Pension Expense |
|-------------|----------------------|
| 2025 | \$ 21,667,054 |
| 2026 | 14,910,375 |
| 2027 | 43,656,406 |
| 2028 | 13,125,440 |
| 2029 | 436,581 |
| Total | <u>\$ 93,795,856</u> |

Note 19 - Defined Other Post-Employment Benefit Plan

A. Plan Description

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

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

A. Plan Description (continued)

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.

B. OPEB Plan Fiduciary Net Position

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

C. Benefits Provided

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

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

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

| TRS-Care Plan 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 |

D. Contributions

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

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

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

D. Contributions (continued)

| | Contribution Rates | |
|----------------------------------|---------------------------|-------------|
| | Measurement Year | |
| | 2024 | 2023 |
| Member | 0.65% | 0.65% |
| Non-employer contributing agency | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/private funding | 1.25% | 1.25% |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree. TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

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

Contributions for all contributors were as follows:

| | Fiscal Year 2024 |
|----------------------------------|-------------------------|
| | Contributions |
| Employer (District) | \$ 5,245,371 |
| Employee (Member) | 3,941,322 |
| Non-employer Contributing Entity | |
| On-behalf Contributions (State) | 10,242,982 |

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. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

E. Actuarial Methods and Assumptions

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

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

E. Actuarial Methods and Assumptions (continued)

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

F. Discount Rate

Additional 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 claim costs. |
| Projected Salary Increases | 2.95% to 8.95% including inflation |
| Healthcare Trend Rates | The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for non-medicare retirees. The initial prescription drug trend was 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years. |
| Election Rates | Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65. |
| Ad hoc post-employment benefit changes | None |

A single discount rate of 4.13 percent was used to measure the Total OPEB Liability. There was an increase of .22 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source 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.

G. Sensitivity of the Net OPEB Liability

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

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

G. Sensitivity of the Net OPEB Liability (continued)

| | Discount Rate | | |
|---|---------------|---------------|---------------|
| | 1% Decrease | Current Rate | 1% Increase |
| | (3.13%) | (4.13%) | (5.13%) |
| District's proportional share of the net OPEB liability | \$156,240,483 | \$132,655,437 | \$113,409,483 |

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

| | Healthcare Cost Trend Rate | | |
|---|----------------------------|---------------|---------------|
| | 1% Decrease | Current Rate | 1% Increase |
| | | | |
| District's proportional share of the net OPEB liability | \$109,235,114 | \$132,655,437 | \$162,785,764 |

Changes Since the Prior Actuarial Valuation

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

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

Changes of Benefit Terms Since the Prior Measurement Date

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

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

At June 30, 2024 , the District reported a liability of \$132,655,437 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|---|----------------------|
| District's proportionate share of the collective net OPEB liability | \$132,655,437 |
| State's proportionate share that is associated with the District | <u>160,069,175</u> |
| Total | <u>\$292,724,612</u> |

The Net OPEB Liability was measured as of August 31, 2022, and rolled forward to August 31, 2023, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB 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 District's proportion of the collective Net OPEB Liability was 0.5992 percent compared to 0.6176 percent as of August 31, 2022.

The General, Capital Projects and Special Revenue Funds are used to liquidate OPEB liabilities.

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

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

OPEB Expense

For the fiscal year ended June 30, 2024, the District recognized negative OPEB expense of \$20,413,020. The District also recognized negative on-behalf expense and revenue of \$34,219,411 for support provided by the State.

Deferred Outflows and Deferred Inflows of Resources Related to OPEB

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 6,001,653 | \$ (111,604,423) |
| Changes of assumption | 18,106,500 | (81,228,444) |
| Net difference between projected and actual earnings on OPEB plan investments | 57,315 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 31,471,308 | (9,972,413) |
| District contributions subsequent to the measurement date | 4,424,900 | - |
| Total | <u>\$ 60,061,676</u> | <u>\$ (202,805,280)</u> |

The \$4,424,900 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB activity will be recognized in OPEB expense as follows:

| Fiscal Year | OPEB Expense Amount |
|--------------------|--------------------------------|
| 2025 | \$ (31,454,461) |
| 2026 | (25,369,796) |
| 2027 | (17,132,266) |
| 2028 | (23,300,741) |
| 2029 | (19,546,225) |
| Thereafter | <u>(30,365,015)</u> |
| | <u>\$ (147,168,504)</u> |

I. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2024, 2023 and 2022 the subsidy payments received by TRS-Care on behalf of the District are as follows:

| Fiscal Year | Medicare Part D |
|--------------------|------------------------|
| 2024 | \$ 3,468,048 |
| 2023 | 3,139,611 |
| 2022 | 2,424,124 |

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

I. Medicare Part D (continued)

The information for the year ended June 30, 2024, is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds' financial statements of the District.

Note 20 - Risk Management

The District is covered with various insurance to mitigate various risks associated with unforeseen incidents such a natural disasters, thefts, errors and omissions, torts, cybersecurity threats, as well as limiting loss related to coverage for the health and wellbeing of employees of the District. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance, and from participation in a risk pool. The District's participation in the risk pool is limited to payment of premiums.

The District has commercial insurance for property and equipment loss with limits from \$50 million to \$70 million per occurrence with deductible amounts ranging from \$500,000 to three percent of the total insurance value per building.

The District also carries a mandatory catastrophic student accident policy with \$10 million maximum benefit limit. The district is also insured for cybersecurity threats with a \$1 million limit with no deductible.

Health Insurance

The District provides health benefits to its employees and dependents through a self-insured employee health benefit plan, which is accounted for in the Internal Service Fund and is principally supported by contributions from the District and employees. The District makes contributions to cover a portion of the employees' premiums and the employees are required to make contributions to cover their dependents. The District obtains stop loss coverage through a third-party insurance company for claims in excess of \$450,000. The Internal Service Fund charges the General Fund and other funds for the District's portion of premiums for employees whose salaries are charged to those funds.

Workers Compensation

The District also provides workers' compensation to its employees through a self-insured plan which is accounted for in the Internal Service Fund. The Internal Service Fund charges the General Fund and other funds for premiums for the District's contribution. The District obtains stop loss coverage through a third-party insurance company for claims in excess of \$500,000.

Settled claims have not exceeded insurance coverage in any of the previous three years. There has not been any significant reduction in insurance coverage from that of the previous year.

Estimates of claims payable and of claims incurred but not reported at June 30, 2024, are reflected as accrued expenses of the Fund. Claims payable, including an estimate of claims incurred but not reported, was actuarially determined based on estimate of remaining liability of known claims.

Analysis of claims liability for the fiscal years 2023 and 2024 are as follows:

| | Health Insurance | | Workers' Compensation | |
|---------------------|-------------------------|---------------------|------------------------------|---------------------|
| | 2023 | 2024 | 2023 | 2024 |
| Beginning Accrual | \$ 8,727,000 | \$ 7,280,000 | \$ 3,443,516 | \$ 3,735,895 |
| Current Estimates | 70,738,763 | 72,926,358 | 2,338,660 | 1,077,707 |
| Payments for Claims | (72,185,763) | (73,065,358) | (2,046,281) | (1,286,509) |
| Ending Accrual | <u>\$ 7,280,000</u> | <u>\$ 7,141,000</u> | <u>\$ 3,735,895</u> | <u>\$ 3,527,093</u> |

Note 21 - Compensated Absences

Sick Leave Policy

The District has established policies regarding the compensation of employees for unused sick leave upon retirement from service. In order to be compensated for unused sick leave, an employee must have been in the District for ten years or more and must terminate employment as a result of retirement through the Teacher Retirement System of Texas. Compensation for unused sick leave is limited to a maximum of 150 days under the provisions of the District's sick leave accumulation policy, as outlined below:

1. Professional personnel shall be paid \$75 per day for each day of accumulated sick leave.
2. Paraprofessional and auxiliary personnel shall be paid at the rate of 50 percent of their current daily salary, but not to exceed \$50 per day for each day of unused local leave.

The District only records a liability at year-end in the fund financial statements for the amounts owed to employees who retired on or before the fiscal year end but who have not yet received payment. The total expenditures for the year ended June 30, 2024, paid on compensated absences was \$0.2 million. Compensated absences are liquidated from the General Fund when due and payable. For the government-wide financial statements, the District estimates the total compensated absences liability based on the District's policy. The estimated compensated absences liability reported in the Government-wide statements at year end was \$2.6 million.

Note 22 – Litigation, Commitments and Contingencies

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any adverse effect on the accompanying financial statements. In the opinion of the District, there are neither significant contingent liabilities related to year 2024 issues nor future costs that will have a material effect on the financial statements of the District.

Note 23 - Shared Service Arrangements

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides services for hearing impaired students of the District and member districts: Alief ISD, Angleton ISD, Brazosport ISD, Columbia-Brazoria ISD, Damon ISD, Danbury ISD, Lamar CISD, Needville ISD, Stafford MSD and Sweeney ISD. All services are provided by the fiscal agent, and funds are received directly by the fiscal agent from the granting agency. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the appropriate Special Revenue Funds and has accounted for these funds using Model 2 in the SSA section of the Resource Guide.

Expenditures of the SSA are summarized below:

| | Fort Bend ISD | All other School Districts |
|------------------------------------|--------------------------|---|
| IDEA-B Discretionary | \$ 75,422 | \$ 111,268 |
| IDEA-C Deaf (Early Intervention) | 4,313 | 6,364 |
| Regional Deaf Co-op | 349,199 | 515,154 |
| Regional Deaf Co-op (Local Shares) | 839,992 | 1,239,197 |
| | <u>\$ 1,268,926</u> | <u>\$ 1,871,983</u> |

Note 24 – Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable

Note 24 – Contingent Liabilities (continued)

funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 25 - Subsequent Events

Hurricane Beryl (“Beryl”) made landfall in Texas on July 8, 2024, as a Category 1 hurricane. Beryl was declared a major disaster by the President on July 12, 2024, which included Fort Bend County allowing the District to apply for FEMA reimbursement for emergency protective measures and debris removal. Other structural damages were declared eligible under FEMA on September 2, 2024, allowing for potential FEMA reimbursement for damages incurred to building structures. The District incurred damage to District buildings and related structures as well as trees throughout the district. The District’s administration building incurred the most damage to the roof causing water to infiltrate the building. The District has property insurance to cover damage to the administration building with an insurance deductible of \$500,000. The District has applied for reimbursement from Federal Emergency Management Agency (“FEMA”) for damage to the administrative building as well as for debris removal caused by Beryl. The District estimates total damages to the administration building of at least \$3.5 million, debris removal of \$0.9 million as well as other structural damage of \$1.2 million. The damages are estimates and until all work is procured and work completed, the amounts could differ.

REQUIRED SUPPLEMENTARY INFORMATION

FORT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2024

Exhibit G-1

| Data Control Codes | | Budgeted Amounts | | | Variance With Final Budget |
|--------------------------|--|------------------|----------------|----------------|-------------------------------|
| | | Original | Final | Actual | |
| | Revenues | | | | |
| 5700 | Local and intermediate sources | \$ 518,240,551 | \$ 391,033,232 | \$ 391,261,494 | \$ 228,262 |
| 5800 | State program revenues | 236,320,479 | 408,737,819 | 412,449,423 | 3,711,604 |
| 5900 | Federal program revenues | 13,000,000 | 8,661,733 | 9,503,551 | 841,818 |
| 5020 | Total revenues | 767,561,030 | 808,432,784 | 813,214,468 | 4,781,684 |
| | Expenditures | | | | |
| | Current | | | | |
| 0011 | Instruction | 453,165,946 | 466,112,621 | 465,760,472 | 352,149 |
| 0012 | Instructional resources and media services | 8,540,185 | 7,730,083 | 7,489,722 | 240,361 |
| 0013 | Curriculum and staff development | 13,986,289 | 16,141,118 | 16,127,639 | 13,479 |
| 0021 | Instructional leadership | 18,042,943 | 19,081,685 | 18,833,703 | 247,982 |
| 0023 | School leadership | 47,673,947 | 51,870,354 | 50,019,877 | 1,850,477 |
| 0031 | Guidance, counseling and evaluation services | 36,666,401 | 42,278,057 | 42,250,822 | 27,235 |
| 0032 | Social work services | 2,796,867 | 2,921,936 | 2,501,910 | 420,026 |
| 0033 | Health services | 9,251,733 | 9,607,275 | 9,446,529 | 160,746 |
| 0034 | Student transportation | 26,363,018 | 27,021,757 | 26,309,829 | 711,928 |
| 0035 | Food service | 50,000 | 75,000 | 34,977 | 40,023 |
| 0036 | Extracurricular activities | 16,365,524 | 18,908,161 | 18,000,579 | 907,582 |
| 0041 | General administration | 18,719,783 | 20,125,586 | 20,109,789 | 15,797 |
| 0051 | Plant, maintenance and operations | 74,016,734 | 83,205,724 | 82,271,805 | 933,919 |
| 0052 | Security and monitoring services | 10,965,558 | 13,246,692 | 13,173,740 | 72,952 |
| 0053 | Data processing services | 18,384,232 | 17,106,352 | 16,732,281 | 374,071 |
| 0061 | Community services | 844,720 | 852,687 | 822,093 | 30,594 |
| 0071 | Debt Service | 4,495,103 | 5,996,500 | 5,825,206 | 171,294 |
| 0093 | Payments related to shared service arrangements | 460,000 | 517,190 | 509,867 | 7,323 |
| 0099 | Payments for tax appraisal costs | 5,850,000 | 6,417,962 | 5,820,566 | 597,396 |
| 6030 | Total expenditures | 766,638,983 | 809,216,740 | 802,041,406 | 7,175,334 |
| 1100 | Excess (deficiency) of revenues over (under) expenditures | 922,047 | (783,956) | 11,173,062 | 11,957,018 |
| | Other Financing Sources (Uses) | | | | |
| 7912 | Sale of real or personal property | - | 184,158 | 304,584 | 120,426 |
| 7915 | Transfers in | 2,500,000 | 2,500,000 | 2,500,000 | - |
| 8911 | Transfers out | (2,000,000) | (2,087,000) | (2,087,000) | - |
| 7080 | Total Other Financing Sources (Uses) | 500,000 | 597,158 | 717,584 | 120,426 |
| 1200 | Net change in fund balance | 1,422,047 | (186,798) | 11,890,646 | 12,077,444 |
| 0100 | Fund Balances - Beginning | 200,220,161 | 200,220,161 | 200,220,161 | - |
| 3300 | Fund Balances - Ending | \$ 201,642,208 | \$ 200,033,363 | \$ 212,110,807 | \$ 12,077,444 |

FORT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General, School Breakfast and Lunch Program, and Debt Service funds before the beginning of the fiscal year. For fiscal years beginning July 1, the Texas Education Code requires the budget to be prepared not later than June 20 and adopted by June 30 of each year. The District's administration determines budgetary funding priorities, and the budgets are prepared in the same basis of accounting that is used for reporting in accordance with generally accepted accounting principles. Final budget allocations are determined by the Board, which subsequently establishes a tax rate sufficient to support the approved budget. The annual budget, which is prepared on the modified accrual basis of accounting, must be adopted by the Board at a scheduled meeting after giving ten days public notice of the meeting. The District annually adopts legally authorized appropriated budgets for the General, National School Breakfast and Lunch Program, and Debt Service funds.

The District's administration performs budget reviews during the year in which budget requirements are re-evaluated and revisions are recommended to the Board. The Board must approve amendments to the budget at the fund and functional expenditure categories or revenue object accounts as defined by the TEA. Expenditures may not legally exceed budgeted appropriations, as amended, at the function level by fund. Unexpended appropriations lapse at year-end.

The District revised the General Fund budget several times during the year ended June 30, 2024. Revenue budget was changed by \$40.9 million for the following:

Local Revenues:

- \$21.8 million increase between local and state revenues due to the VATRE passing on November 7, 2023
- \$148.0 million reduction in local revenue due to passage of state Proposition 4 on November 7, 2023, which increased the homestead exemption from \$40,000 to \$100,000 offset by increase in state revenue increasing by similar amount due to hold harmless provided by the state
- \$3.1 million increase in interest income due to increasing rates throughout the fiscal year
- \$3.9 million reduction in property taxes due to refunds, tax settlements and lower property values based on supplements received subsequent to certified values

State Revenues:

- \$148.0 million increase due to hold harmless explained above
- \$13.4 million increase due to VATRE passing on November 7, 2023
- \$1.3 million decrease to various foundation school program student groups lower than original budget
- \$12.3 million of increase in state revenue for TRS on behalf revenue

Federal Revenues:

- \$4.3 million reduction due primarily to lower school health and related services revenue as a result of state reduction in random moment time study percentage being lowered for entire state

Budgeted appropriations for expenditures for the General Fund were increased by \$42.6 million. This was due to:

- \$35.2 million increase due to proceeds of VATRE which funded raises and security
- \$12.3 million increase in TRS on-behalf expense
- \$12.1 million reduction primarily due to payroll vacancy rate lower than originally budgeted
- \$3.6 million increase for purchase orders rolled from the prior fiscal year
- \$1.4 million increase in transportation costs due to contract cost increases
- \$1.2 million for increase in special education expenditures due to additional enrollment
- \$1.0 million increase for property insurance

FORT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Last Ten Measurement Years Ended August 31

Exhibit G-2

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| District's proportion of the net pension liability | 0.4703% | 0.4843% | 0.4504% | 0.4119% | 0.3977% |
| District's proportionate share of the net pension liability | \$ 323,041,012 | \$ 287,544,460 | \$ 114,694,828 | \$ 220,611,616 | \$ 206,732,032 |
| State's proportionate share of the net pension liability associated with the district | 397,670,234 | 376,010,052 | 180,265,301 | 400,457,614 | 381,006,412 |
| Total | \$ 720,711,246 | \$ 663,554,512 | \$ 294,960,129 | \$ 621,069,230 | \$ 587,738,444 |
| District's covered payroll (for Measurement Year) | \$ 555,436,452 | \$ 556,359,644 | \$ 558,791,547 | \$ 548,708,806 | \$ 498,140,877 |
| District's proportionate share of the net pension liability as a percentage of it's covered payroll | 58.2% | 51.7% | 20.5% | 40.2% | 41.5% |
| Plan's fiduciary net position as a percentage of the total pension liability | 73.15% | 75.62% | 88.79% | 75.54% | 75.24% |
| Plan's net pension liability as a percentage of covered payroll | 122.32% | 112.72% | 51.08% | 110.36% | 114.93% |
| | | | | | |
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| District's proportion of the net pension liability | 0.4017% | 0.3900% | 0.3933% | 0.4007% | 0.2282% |
| District's proportionate share of the net pension liability | \$ 221,081,301 | \$ 124,695,604 | \$ 148,632,453 | \$ 141,636,991 | \$ 60,960,852 |
| State's proportionate share of the net pension liability associated with the district | 415,388,067 | 231,221,503 | 275,080,136 | 262,739,729 | 220,297,710 |
| Total | \$ 636,469,368 | \$ 355,917,107 | \$ 423,712,589 | \$ 404,376,720 | \$ 281,258,562 |
| District's covered payroll (for Measurement Year) | \$ 488,410,149 | \$ 449,388,210 | \$ 436,161,926 | \$ 419,053,098 | \$ 373,070,445 |
| District's proportionate share of the net pension liability as a percentage of it's covered payroll | 45.3% | 27.7% | 34.1% | 33.8% | 16.3% |
| Plan's fiduciary net position as a percentage of the total pension liability | 73.74% | 82.17% | 78.00% | 78.43% | 83.25% |
| Plan's net pension liability as a percentage of covered payroll | 126.11% | 75.93% | 92.75% | 91.94% | 72.89% |

FORT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S RETIREMENT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Last Ten Fiscal Years Ended June 30

Exhibit G-3

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|----------------|----------------|----------------|----------------|----------------|
| Contractually required contributions | \$ 25,468,582 | \$ 24,013,542 | \$ 22,187,127 | \$ 17,904,457 | \$ 16,643,986 |
| Contributions in relation to the contractual required contributions | 25,468,582 | 24,013,542 | 22,187,127 | 17,904,457 | 16,643,986 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 582,785,483 | \$ 556,865,322 | \$ 551,542,326 | \$ 559,610,874 | \$ 543,200,323 |
| Contributions as a percentage of covered payroll | 4.37% | 4.31% | 4.02% | 3.20% | 3.05% |

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------|----------------|----------------|----------------|----------------|
| Contractually required contributions | \$ 13,732,525 | \$ 13,800,022 | \$ 12,540,010 | \$ 12,542,835 | \$ 10,814,570 |
| Contributions in relation to the contractual required contributions | 13,732,525 | 13,800,022 | 12,540,010 | 12,542,835 | 10,814,570 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 494,685,026 | \$ 484,028,838 | \$ 443,921,362 | \$ 434,547,274 | \$ 412,837,141 |
| Contributions as a percentage of covered payroll | 2.78% | 2.85% | 2.82% | 2.89% | 2.62% |

FORT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
Teacher Retirement System of Texas

Changes of Assumptions

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017, to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017, to 7.25% as of August 31, 2018.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018, was developed using a roll-forward method from the August 31, 2017, valuation.
- Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.
- Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.
- Measurement Year 2022: The discount rate changed from 7.25% to 7.00%.
- Measurement Year 2023: No change.

Changes of Benefit Terms

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

Other Information

Effective September 1, 2014, employers who did not contribute to Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan.

Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability

FORT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Last Seven Measurement Years Ended August 31

Exhibit G-4

| | 2023 | 2022 | 2021 | 2020 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| District's proportion of the net OPEB liability | 0.5992% | 0.6176% | 0.5878% | 0.5820% |
| District's proportionate share of the net OPEB liability | \$ 132,655,437 | \$ 147,868,383 | \$ 226,752,430 | \$ 221,244,800 |
| State's proportionate share of the net OPEB liability associated with the District | 160,069,175 | 180,376,196 | 303,797,723 | 297,299,977 |
| Total | <u>\$ 292,724,612</u> | <u>\$ 328,244,579</u> | <u>\$ 530,550,153</u> | <u>\$ 518,544,777</u> |
| | | | | |
| District's covered-employee payroll (for Measurement Year) | \$ 555,436,452 | \$ 556,359,644 | \$ 558,791,547 | \$ 548,708,806 |
| District's proportionate share of the net OPEB liability as a percentage of it's covered payroll | 23.88% | 26.58% | 40.58% | 40.32% |
| Plan's fiduciary net position as a percentage of the total OPEB liability | 14.94% | 11.52% | 6.18% | 4.99% |
| Plan's net OPEB liability as a percentage of covered payroll | 51.86% | 59.10% | 100.13% | 101.46% |
| | | | | |
| | 2019 | 2018 | 2017 | |
| District's proportion of the net OPEB liability | 0.5712% | 0.5744% | 0.5193% | |
| District's proportionate share of the net OPEB liability | \$ 270,110,960 | \$ 286,788,848 | \$ 225,822,040 | |
| State's proportionate share of the net OPEB liability associated with the District | 358,917,049 | 424,443,030 | 360,250,557 | |
| Total | <u>\$ 629,028,009</u> | <u>\$ 711,231,878</u> | <u>\$ 586,072,597</u> | |
| | | | | |
| District's covered-employee payroll (for Measurement Year) | \$ 498,140,877 | \$ 488,410,149 | \$ 449,388,210 | |
| District's proportionate share of the net OPEB liability as a percentage of it's covered payroll | 54.22% | 58.72% | 50.25% | |
| Plan's fiduciary net position as a percentage of the total OPEB liability | 2.66% | 1.57% | 0.91% | |
| Plan's net OPEB liability as a percentage of covered payroll | 135.21% | 146.64% | 132.55% | |

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2017.

Net OPEB Liability and related ratios will be presented prospectively as data becomes available.

FORT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Last Ten Fiscal Years Ended June 30

Exhibit G-5

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|----------------|----------------|----------------|----------------|----------------|
| Contractually Required Contributions | \$ 5,245,371 | \$ 5,201,043 | \$ 5,030,141 | \$ 4,516,683 | \$ 4,281,603 |
| Contributions in relation to the contractual required contributions | 5,245,371 | 5,201,043 | 5,030,141 | 4,516,683 | 4,281,603 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 582,785,483 | \$ 556,865,322 | \$ 551,542,326 | \$ 559,610,874 | \$ 543,200,323 |
| Contributions as a percentage of covered payroll | 0.90% | 0.93% | 0.91% | 0.81% | 0.79% |

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------|----------------|----------------|----------------|----------------|
| Contractually required contributions | \$ 4,037,865 | \$ 3,775,210 | \$ 2,649,663 | \$ 2,620,370 | \$ 2,455,694 |
| Contributions in relation to the contractual required contributions | 4,037,865 | 3,775,210 | 2,649,663 | 2,620,370 | 2,455,694 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 494,685,026 | \$ 484,028,838 | \$ 443,921,362 | \$ 434,547,274 | \$ 412,837,141 |
| Contributions as a percentage of covered payroll | 0.82% | 0.78% | 0.60% | 0.60% | 0.59% |

FORT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION
Teacher Retirement System of Texas

Changes of Assumptions

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- Measurement Year 2018: The discount rate changed from 3.42% as of August 31, 2017, to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.
- Measurement Year 2019: The discount rate changed from 3.69% as of August 31, 2018, to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.
- Measurement Year 2020: The discount rate changed from 2.63% as of August 31, 2019, to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.
- Measurement Year 2021: The discount rate changed from 2.33% as of August 31, 2020, to 1.95% as of August 31, 2021.
- Measurement Year 2022: The discount rate changed from 1.95% as of August 31, 2021, to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.
- Measurement Year 2023: The discount rate changed from 3.91% as of August 31, 2022, to 4.13% as of August 31, 2023, lowered the participation rates, and updated the healthcare trend rate assumption.

Changes of Benefit Terms

There were no changes in benefit terms since Prior Measurement Date.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

BRACEWELL

[CLOSING DATE]

We have represented Fort Bend Independent School District (the “District”) as its bond counsel in connection with an issue of bonds described as follows:

FORT BEND INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2025A, dated May 1, 2025, in the aggregate principal amount of \$_____ (the “Bonds”).

The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Trustees of the District authorizing their issuance (the “Bond Order”) and the pricing certificate relating to the Bonds executed pursuant thereto (the “Pricing Certificate,” and together with the Bond Order, the “Order”).

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

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

The transcript contains certified copies of certain proceedings of the District; an escrow agreement (the “Escrow Agreement”) between the District and Zions Bancorporation, National Association, as escrow agent (the “Escrow Agent”); a sufficiency certificate (the “Sufficiency Certificate”) of Hilltop Securities Inc., verifying the sufficiency of the deposit of funds with the Escrow Agent for the Refunded Obligations; customary certificates of officers, agents and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Obligations. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions contained herein. Moreover, we have examined executed Bond No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which we have not independently verified. In addition, we

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have assumed for purposes of this opinion continuing compliance with the covenants in the Order, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

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

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

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

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

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

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

assumptions used in the analysis are a projected rate of growth of student enrollment State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

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

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

Annual Distributions to the Available School Fund¹

| <u>Fiscal Year Ending</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023²</u> | <u>2024</u> |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|-------------|-------------------------|-------------|
| PSF(CORP) Distribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$2,076 | \$2,156 |
| PSF(SBOE) Distribution | 839 | 1,056 | 1,056 | 1,236 | 1,236 | 1,102 | 1,102 | 1,731 | - | - |
| PSF(SLB) Distribution | - | - | - | - | 300 | 600 | 600 ³ | 415 | 115 | - |
| Per Student Distribution | 173 | 215 | 212 | 247 | 306 | 347 | 341 | 432 | 440 | 430 |

¹ In millions of dollars. Source: Annual Report for year ended August 31, 2024.

² Reflects the first fiscal year in which distributions were made by the PSF Corporation.

³ In September 2020, the SBOE approved a special, one-time transfer of \$300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

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

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

| <u>State Fiscal Biennium</u> | <u>2010-11</u> | <u>2012-13</u> | <u>2014-15</u> | <u>2016-17</u> | <u>2018-19</u> | <u>2020-21</u> | <u>2022-23</u> | <u>2024-25</u> | <u>2026-27</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <u>SBOE Distribution Rate¹</u> | 2.5% | 4.2% | 3.3% | 3.5% | 3.7% | 2.974% | 4.18% | 3.32% | 3.45% |

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

PSF Corporation Strategic Asset Allocation

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

investment objectives are as follows:

- Generate distributions for the benefit of public schools in Texas;
- Maintain the purchasing power of the Fund, after spending and inflation, in order to maintain intergenerational equity with respect to distributions from the Fund;

- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support Fund obligations; and
- Maintain a AAA credit rating, as assigned by a nationally recognized securities rating organization.

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

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

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

Comparative Investment Schedule – PSF(CORP)

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

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

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

Investment Schedule - PSF(SLB)¹

| <u>Fair Value (in millions) August 31, 2024</u> | |
|---|--------------------------------|
| Investment Type | As of <u>8-31-24</u> |
| Investments in Real Assets | |
| Sovereign Lands | \$ 277.47 |
| Discretionary Internal Investments | 457.01 |
| Other Lands | 153.15 |
| Minerals ^{(2), (3)} | <u>4,540.61</u> ⁽⁶⁾ |
| Total Investments ⁽⁴⁾ | 5,428.23 |
| Cash in State Treasury ⁽⁵⁾ | 0 |
| Total Investments & Cash in State Treasury | \$ 5,428.23 |

¹ Unaudited figures from Table 5 in the FY 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

² Historical Cost of investments at August 31, 2024 was: Sovereign Lands \$838,730.24; Discretionary Internal Investments \$318,902,420.97; Other Lands \$37,290,818.76; and Minerals \$13,437,063.73.

³ Includes an estimated 1,000,000.00 acres in freshwater rivers.

⁴ Includes an estimated 1,747,600.00 in excess acreage.

⁵ Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.

⁶ Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

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

The School District Bond Guarantee Program

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

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

school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

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

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

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the “CDBGP Capacity”) is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See “Capacity Limits for the Guarantee Program.” Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit,

growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 (“SB 389”) was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

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

| <u>Changes in SBOE-determined multiplier for State Capacity Limit</u> | |
|---|-------------------|
| <u>Date</u> | <u>Multiplier</u> |
| Prior to May 2010 | 2.50 |
| May 2010 | 3.00 |
| September 2015 | 3.25 |
| February 2017 | 3.50 |
| September 2017 | 3.75 |
| February 2018 (current) | 3.50 |

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of January 31, 2025 the cost value of the Guarantee Program was \$48,560,433,760 (unaudited), thereby producing an IRS Limit of \$242,802,168,800 in principal amount of guaranteed bonds outstanding.

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

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

Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the PSF Corporation's web site at <https://texaspsf.org/monthly-disclosures/>, which are also filed with the MSRB.

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

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

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

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

| Permanent School Fund Guaranteed Bonds | |
|--|---------------------------------|
| At 8/31 | Principal Amount ⁽¹⁾ |
| 2020 | \$90,336,680,245 |
| 2021 | 95,259,161,922 |
| 2022 | 103,239,495,929 |
| 2023 | 115,730,826,682 |
| 2024 | 125,815,981,603 ⁽²⁾ |

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

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

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

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

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

⁽²⁾ At January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues, aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

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

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

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

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

PSF Returns Fiscal Year Ended 8-31-2024¹

| <u>Portfolio</u> | <u>Return</u> | <u>Benchmark Return²</u> |
|---------------------------------|---------------|---|
| Total PSF(CORP) Portfolio | 10.12 | 9.28 |
| Domestic Large Cap Equities | 27.30 | 27.14 |
| Domestic Small/Mid Cap Equities | 18.35 | 18.37 |
| International Equities | 18.82 | 18.08 |
| Private Credit | 1.41 | 0.93 |
| Core Bonds | 7.08 | 7.30 |
| Absolute Return | 11.50 | 8.87 |
| Real Estate | (6.42) | (7.22) |
| Private Equity | 4.62 | 4.23 |
| High Yield | 12.03 | 12.53 |
| Natural Resources | 12.36 | 6.42 |
| Infrastructure | 4.41 | 3.63 |
| Bank Loans | 3.02 | 3.23 |
| Short Term Investment Portfolio | 2.42 | 2.28 |

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

² Benchmarks are as set forth in the Annual Report for year ended August 31, 2024.

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

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

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

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

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

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it

had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents. On March 31, 2025, the TEA and the PSF Corporation became aware that the 2022 operating data was not timely filed with EMMA due to an administrative oversight. TEA and PSF Corporation took corrective action and filed a notice of late filing with EMMA on April 4, 2025. The annual operating data was previously posted to EMMA on March 31, 2023.

SEC Exemptive Relief

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