

Enhanced / Unenhanced Ratings: Moody's "Applied For"
Fitch "Applied For"
PSF Guarantee: "Applied For"
(See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

PRELIMINARY OFFICIAL STATEMENT

Dated: November 24, 2025

NEW ISSUE: BOOK-ENTRY-ONLY

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

\$112,775,000*

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Tarrant County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2025-A

Dated Date: November 15, 2025

Due: August 15, as shown on page 2

Interest Accrual Date: Date of Delivery (defined below)

The Eagle Mountain-Saginaw Independent School District (the "District") is issuing its \$112,775,000* Unlimited Tax Refunding Bonds, Series 2025-A (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including, particularly, Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), and an order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on October 27, 2025, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "Pricing Certificate" which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order").

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

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

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

Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding bonds (the "Refunded Bonds") (see "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED") and (ii) to pay costs of issuance related to the Bonds (see "THE BONDS – Purpose"). The refunding is being undertaken to lower the District's debt service payments and will result in a present value savings to the District.

CUSIP PREFIX: 269696 / MATURITY SCHEDULE & 9 DIGIT CUSIP – See Schedule on Page 2

The Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Leon Alcala, PLLC, Austin, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about December 18, 2025 (the "Date of Delivery").

Mesirow Financial, Inc.

FHN Financial Capital Markets

HilltopSecurities

Piper Sandler & Co.

Raymond James

* Preliminary, subject to change.

MATURITY SCHEDULE*

Maturity Date* (8/15)	Principal Amount*	Interest Rate	Initial Yield	CUSIP Suffix^(A)
2026	\$ 5,080,000	%	%	
2027	5,610,000			
2028	6,525,000			
2029	6,845,000			
2030	7,200,000			
2031	12,240,000			
2032	12,860,000			
2033	16,770,000			
2034	9,200,000			
2035	9,655,000			
2036	10,140,000			
2037	10,650,000			

(Interest to accrue from the Date of Delivery)

REDEMPTION*...The Bonds maturing on and after August 15, 2036, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption Provisions”). If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the “Term Bonds”) by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order and will be described in the final Official Statement.

* Preliminary, subject to change.

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “CONTINUING DISCLOSURE OF INFORMATION” for a description of the undertakings of the Texas Education Agency (“TEA”) and the District, respectively, to provide certain information on a continuing basis.

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

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

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

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

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

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

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

TABLE OF CONTENTS

MATURITY SCHEDULE -----	2	CURRENT PUBLIC SCHOOL FINANCE SYSTEM -----	19
USE OF INFORMATION IN OFFICIAL STATEMENT-----	3	Overview -----	19
TABLE OF CONTENTS-----	4	2023 Legislative Sessions-----	19
SELECTED DATA FROM THE OFFICIAL STATEMENT----	5	2025 Legislative Sessions-----	20
ELECTED OFFICIALS -----	7	Local Funding for School Districts -----	20
CERTAIN DISTRICT OFFICIALS -----	7	State Funding for School Districts -----	21
CONSULTANTS AND ADVISORS-----	7	Local Revenue Level in Excess of Entitlement -----	23
INTRODUCTORY STATEMENT -----	8	CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS	
THE BONDS-----	8	APPLIED TO THE DISTRICT -----	24
Authorization-----	8	AD VALOREM PROPERTY TAXATION-----	24
Purpose-----	8	Valuation of Taxable Property -----	24
Refunded Bonds -----	8	Recent Change in Reappraisal Plan-----	27
General Description -----	9	District and Taxpayer Remedies -----	27
Security -----	10	Levy and Collection of Taxes -----	27
Permanent School Fund Guarantee-----	10	District's Rights in the Event of Tax Delinquencies-----	28
Redemption Provisions -----	10	THE PROPERTY TAX CODE AS APPLIED TO THE	
Notice of Redemption-----	10	DISTRICT -----	28
Legality -----	11	TAX RATE LIMITATIONS -----	29
Payment Record-----	11	M&O Tax Rate Limitations-----	29
Defeasance of Bonds -----	11	I&S Tax Rate Limitations-----	29
Amendments -----	12	Public Hearing and Voter-Approval Tax Rate -----	30
Sources and Uses of Funds -----	12	RATINGS-----	31
THE PERMANENT SCHOOL FUND GUARANTEE		LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE	
PROGRAM -----	12	PUBLIC FUNDS IN TEXAS -----	31
REGISTERED OWNERS' REMEDIES -----	12	INVESTMENT AUTHORITY AND INVESTMENT	
BOOK-ENTRY-ONLY SYSTEM -----	13	OBJECTIVES OF THE DISTRICT -----	32
Use of Certain Terms in Other Sections of this Official		Legal Investments-----	32
Statement -----	14	Investment Policies -----	32
Effect of Termination of Book-Entry-Only System-----	14	Current Investments-----	33
REGISTRATION, TRANSFER AND EXCHANGE -----	15	EMPLOYEES' BENEFIT PLANS-----	33
Paying Agent/Registrar -----	15	CONTINUING DISCLOSURE OF INFORMATION -----	33
Future Registration -----	15	Annual Reports -----	33
Record Date for Interest Payment -----	15	Notices of Certain Events -----	34
Limitation on Transfer of Bonds-----	15	Availability of Information from MSRB-----	35
Replacement Bonds -----	16	Limitations and Amendments -----	35
LEGAL MATTERS-----	16	Compliance with Prior Undertakings-----	35
TAX MATTERS -----	16	EFFECTS OF SEQUESTRATION ON CERTAIN	
Tax Exemption-----	16	OBLIGATIONS-----	35
Tax Accounting Treatment of Discount and Premium on		WEATHER EVENTS-----	36
Certain Bonds -----	17	CYBERSECURITY -----	36
REGISTRATION AND QUALIFICATION OF BONDS FOR		VERIFICATION OF ARITHMETICAL COMPUTATIONS----	36
SALE-----	18	LITIGATION-----	36
STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS		FINANCIAL ADVISOR-----	36
IN TEXAS-----	18	UNDERWRITING -----	37
Litigation Relating to the Texas Public School Finance		FORWARD-LOOKING STATEMENTS-----	37
System-----	18	CONCLUDING STATEMENT -----	38
Possible Effects of Changes in Law on District Bonds ----	19	MISCELLANEOUS-----	38
SCHEDULE OF BONDS TO BE REFUNDED			
FINANCIAL INFORMATION REGARDING THE DISTRICT			Schedule I
GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY			Appendix A
FORM OF LEGAL OPINION OF BOND COUNSEL			Appendix B
EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2024			Appendix C
THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM			Appendix D
			Appendix E

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	Eagle Mountain-Saginaw Independent School District (the “District”) is a political subdivision of the State of Texas (the “State”) located in Tarrant County, Texas. The District is governed by a seven-member Board of Trustees (the “Board”). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District, see “Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT” and “Appendix B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY.”
Authority for Issuance	The District’s Unlimited Tax Refunding Bonds, Series 2025-A (the “Bonds”) are being issued pursuant to the Constitution and general laws of the State, including, particularly, Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board on October 27, 2025. In the Bond Order, the Board delegated to an officer of the District (the “Pricing Officer”) authority to complete the sale of the Bonds. The terms of the sale will be included in a “Pricing Certificate,” which will be approved and executed by the Pricing Officer and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the “Order”) (see “THE BONDS – Authorization”).
The Bonds	The Bonds shall mature on the dates and in the amounts set forth on page 2 of this Official Statement (see “THE BONDS – General Description”).
Payment of Interest	Interest on the Bonds will accrue from the date of their initial delivery (the “Date of Delivery”) to the initial purchasers thereof (the “Underwriters”) and will be payable on February 15, 2026, and semiannually thereafter on each succeeding August 15 and February 15 of each year until stated maturity or prior redemption (see “THE BONDS – General Description”).
Security	The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied against all taxable property located within the District, without legal limit as to rate or amount (see “THE BONDS – Security”). Also see “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency (“TEA”) for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).
Use of Proceeds	Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District’s outstanding bonds (the “Refunded Bonds”) (see “Schedule I – SCHEDULE OF BONDS TO BE REFUNDED”) and (ii) to pay costs of issuance related to the Bonds (see “THE BONDS – Purpose”). The refunding is being undertaken to lower the District’s debt service payments and will result in a present value savings to the District.
Redemption Provisions*	The Bonds maturing on and after August 15, 2036, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption Provisions”). If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the “Term Bonds”) by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order and will be described in the final Official Statement.

* Preliminary, subject to change.

Tax Exemption	In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein.
Ratings	Moody’s Investors Service, Inc. (“Moody’s”) and Fitch Ratings, Inc. (“Fitch”) have assigned municipal bond ratings of “___” and “___”, respectively to the Bonds based upon the Permanent School Fund Guarantee. Moody’s and Fitch generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas “Aaa” and “AAA”, respectively (see “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “RATINGS”). The District’s underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are “___” by Moody’s and “___” by Fitch (see “RATINGS”). S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”), has previously assigned ratings to certain of the District’s outstanding bonds; however, the District has not requested S&P assign a rating to the Bonds (see “RATINGS”).
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of and interest on the Bonds at maturity or on a prior redemption date will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM”).
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see “REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar”).
Continuing Disclosure of Information	Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events, which will be available to investors as described in the section captioned “CONTINUING DISCLOSURE OF INFORMATION.” Also see “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for a description of the undertaking of the TEA to provide certain information on a continuing basis.
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality and tax exemption by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see “LEGAL MATTERS” and “TAX MATTERS”).

For additional information regarding the District, please contact:

Robb Welch Chief Financial Officer Eagle Mountain-Saginaw Independent School District or 1600 Mustang Rock Road Fort Worth, Texas 76179 Phone: (817) 232-0880	Joshua McLaughlin or Alison Long BOK Financial Securities, Inc. 5601 Granite Parkway, Suite 1300 Plano, Texas 75024 Phone: (214) 576-0878
--	--

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS**

ELECTED OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>
Marilyn Tolbert, Ed.D., President	May 2027	Retired Educator
Steven G. Newcom, Vice President	May 2028	Retired Certified Public Accountant
Paige Ring, Secretary	May 2027	Community Volunteer
T. Craig Morgan, Member	May 2028	Construction Executive
William Boaz, Member	May 2028	Local Business Owner
Ron Franklin, Member	May 2026	Retired Educator
Blake Mabry, Member	May 2026	Local Business Owner

CERTAIN DISTRICT OFFICIALS

<u>Name</u>	<u>Position</u>
Jerry Hollingsworth, Ed.D.	Superintendent of Schools
Walter Berringer, Ed.D.	Deputy Superintendent
Robb Welch	Chief Financial Officer
Clete Welch	Chief Operations Officer
Ashley Alloway	Executive Director of Secondary Services
Beth Sanders	Executive Director of Elementary Services
Chris Morgan	Executive Director of Human Resources
Heather L. Hughes, Ph.D.	Executive Director of Special Programs
Matthew LeBlanc	Executive Director of Communications
Jane Valdez	Executive Director of Finance
Doug Kittinger	Director of Budget and Investments

CONSULTANTS AND ADVISORS

Auditors..... Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

Bond Counsel.....Norton Rose Fulbright US LLP
Dallas, Texas

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

PRELIMINARY OFFICIAL STATEMENT RELATING TO

\$112,775,000*

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT (A political subdivision of the State of Texas located in Tarrant County, Texas) UNLIMITED TAX REFUNDING BONDS, SERIES 2025-A

INTRODUCTORY STATEMENT

This Official Statement, including Schedule I and Appendices A, B and D, has been prepared by the Eagle Mountain-Saginaw Independent School District located in Tarrant County, Texas (the “District”), in connection with the offering by the District of its Unlimited Tax Refunding Bonds, Series 2025-A (the “Bonds”), identified on the cover page hereof.

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

There follows in this Official Statement descriptions of the Bonds and the Order (as defined herein), and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the District’s Financial Advisor, BOK Financial Securities, Inc., 5601 Granite Parkway, Suite 1300, Plano, Texas 75024.

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

THE BONDS

Authorization

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including, particularly, Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the District’s Board of Trustees (the “Board”) on October 27, 2025. In the Bond Order, the Board delegated to an officer of the District (the “Pricing Officer”) authority to complete the sale of the Bonds. The terms of the sale will be included in a “Pricing Certificate,” which will be approved and executed by the Pricing Officer and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the “Order”). Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

Purpose

The Bonds will be used to refund a portion of the District’s currently outstanding bonds (the “Refunded Bonds”) (see “THE BONDS – Refunded Bonds” and “Schedule I – SCHEDULE OF BONDS TO BE REFUNDED” for a more complete description of the Refunded Bonds) and to pay costs of issuance related to the Bonds. The refunding is being undertaken to lower the District’s debt service payments and will result in a present value savings to the District.

Refunded Bonds

A description and identification of the Refunded Bonds appears in Schedule I attached hereto. The Refunded Bonds and the interest due thereon are to be paid on their redemption date from funds to be deposited pursuant to an Escrow Agreement (the “Escrow Agreement”) between the District and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Escrow Agent”).

* Preliminary, subject to change.

The Order provides that from the proceeds of the sale of the Bonds to the initial purchasers thereof (the “Underwriters”), the District will deposit with the Escrow Agent pursuant to the Escrow Agreement an amount, together with other lawfully available funds, if any, which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in an escrow account (the “Escrow Fund”) and used to purchase (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and/or (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent (collectively, the “Escrowed Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Refunded Bonds. Amounts in the Escrow Fund will not be available to pay debt service on the Bonds.

Public Finance Partners LLC (the “Verification Agent”) will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the Bonds (see “VERIFICATION OF ARITHMETICAL COMPUTATIONS”).

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds pursuant to the terms of Chapter 1207 and the order authorizing the issuance of the Refunded Bonds. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent in the Escrow Fund, such Refunded Bonds will not be deemed as being outstanding obligations of the District, payable from the sources and secured in the manner provided in the order authorizing their issuance or for any other purpose, and the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrowed Securities. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund of Texas.

General Description

The Bonds shall be dated November 15, 2025, and interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will accrue from the date of their initial delivery (the “Date of Delivery”) to the Underwriters, at the interest rates shown on page 2 hereof and such interest shall be payable to the registered owners thereof commencing on February 15, 2026, and semiannually thereafter on each succeeding August 15 and February 15 until stated maturity or prior redemption. The Bonds are to mature on the dates and in the principal amounts shown on page 2 hereof. The Bonds will be issued as fully registered obligations in principal denominations of \$5,000 or any integral multiple thereof within a maturity. The paying agent and transfer agent for the Bonds is initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”).

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

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

Security

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

Permanent School Fund Guarantee

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

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

Redemption Provisions*

The Bonds maturing on and after August 15, 2036, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds or portions thereof within a maturity, to be redeemed.

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

Notice of Redemption

At least 30 days prior to the date fixed for any such redemption of the Bonds, the District shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each registered owner at the address shown on the Registration Books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH BONDS OR PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH BONDS ARE SURRENDERED FOR PAYMENT.

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

* Preliminary, subject to change.

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

Legality

The Bonds are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas (see “LEGAL MATTERS” and “Appendix C – FORM OF LEGAL OPINION OF BOND COUNSEL”).

Payment Record

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

Defeasance of Bonds

The Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or an authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Government Securities that have been certified by the District’s financial advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party to mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that the term “Government Securities” means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the District are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. Authorized District officials may limit these eligible securities as deemed necessary in connection with the sale of the Bonds. In the event the District restricts such eligible securities, the final Official Statement will reflect the new authorized Government Securities. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that any particular rating for U.S. Treasury securities used as Government Securities or the rating for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Furthermore, the Permanent School Fund Guarantee will terminate with respect to the Bonds defeased in the manner provided above.

Amendments

The District may, without the consent of or notice to any holders of the Bonds, from time to time and at any time, amend the Order in any manner not detrimental to the interests of the holders of the Bonds, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the consent of holders of the Bonds who own in the aggregate a majority of the principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; provided that, without the consent of all holders of outstanding Bonds affected thereby, no such amendment, addition or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by holders for consent to any such amendment, addition or rescission.

Sources and Uses of Funds

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

Sources:

Principal Amount of the Bonds	\$
[Net] Original Issue Reoffering Premium on the Bonds	
Total Sources of Funds	<u>\$</u>

Uses:

Deposit to Escrow Fund	\$
Costs of Issuance and Underwriters' Discount	
Total Uses of Funds	<u>\$</u>

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

REGISTERED OWNERS' REMEDIES

The Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, as well as enforce rights of payment under the Permanent School Fund Guarantee, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the subcaption "THE BONDS – Authorization"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the State legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to

enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce creditors’ rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of the Bonds, as set forth on page 2 hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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

Effect of Termination of Book-Entry-Only System

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Order, the District retains the right to replace the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a legally qualified bank, trust company, financial institution or other agency duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date, and such interest will be paid (i) by check sent United States mail, first class, postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds at maturity or on a prior redemption date will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation and surrender to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

Future Registration

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

Record Date for Interest Payment

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

Limitation on Transfer of Bonds

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 on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond called for redemption in part.

Replacement Bonds

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

LEGAL MATTERS

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

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions, "THE BONDS" (except under the subcaptions "Permanent School Fund Guarantee," the fourth paragraph under "Notice of Redemption," "Payment Record" and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS" (except for the last two sentences of this paragraph), "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Leon Alcala, PLLC, Austin, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

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

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel's opinion appears in Appendix C hereto. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be

invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such

Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the “Premium Bonds”) paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser’s tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

Local school district 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 levy an M&O tax at a rate for the purpose of creating a surplus in M&O tax revenues 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 convened on January 10, 2023 and adjourned on May 29, 2023. The State Legislature meets in regular session in odd numbered years for 140 days. During the 88th Regular Session, the State Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and administrative agencies that oversee school districts. Legislation enacted by the State Legislature fully-funded the Foundation School Program for the 2023-2024 State fiscal biennium and increased the State guaranteed yield on the first \$0.08 cents of tax effort beyond a school district’s Maximum Compressed Tax Rate (as defined herein) to \$126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from \$98.56 in 2023) and \$129.52 per penny of tax effort per student in WADA in 2025 (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – *Tier Two*”). The State 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.

When the State Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called and the State Legislature concluded four special sessions during the 88th Texas Legislature. During the second called special session, legislation was passed, and at an election held in the State on November 7, 2023, voters approved a State constitutional amendment that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately \$0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district residential homestead exemption from ad valorem taxation from \$40,000 to \$100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption; (iii) adjusted the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in exemption amounts; (iv) prohibited school districts, cities and counties from repealing or reducing a local option general homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) established a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent (school districts are not held harmless for any negative revenue impacts associated with such limits); (vi) excepted certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expanded the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the State Legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. This legislation reduces the amount of property taxes paid by homeowners and businesses and increases the State's share of the cost of funding public education.

2025 Legislative Sessions

The regular session of the 89th Texas Legislature commenced on January 14, 2025 and adjourned on June 2, 2025 (the "89th Regular Session"). As described above, the Governor may call special sessions when the State Legislature is not in session. During the 89th Regular Session, the State Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Pursuant to voter approval at a statewide election held on November 4, 2025, legislation passed by both houses of the State Legislature and signed by the Governor increased: (1) effective from and after the 2025 tax year, the State mandated general homestead exemption of the appraised value for all homesteads from \$100,000 to \$140,000, (2) effective from and after the 2025 tax year, the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000, and (3) effective from and after the 2026 tax year, the exemption for tangible personal property used in the "production of income" from \$2,499 to \$125,000. Additionally, both houses of the State Legislature passed and the Governor signed legislation that authorizes roughly \$8.5 billion in funding for public schools and provides districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the State Legislature and signed into law by the Governor will create an education savings account program ("ESA") (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective September 1, 2025, when the state fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2026-2027 biennium may not exceed \$1 billion. The legislation applies beginning with the 2026-2027 school year. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding.

The Governor called for a special session on June 23, 2025, which began on July 21, 2025 and adjourned on August 15, 2025 (the "First Special Session"). The Governor called for a second special session on August 15, 2025, which also began on August 15, 2025 and adjourned on September 4, 2025 (the "Second Special Session"). Items considered during the First Special Session and Second Special Session included "legislation to eliminate the STAAR test and replace it with effective tools to assess student progress and ensure school district accountability" and "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." Additional special sessions may be called by the Governor. During this time, the State Legislature may enact laws that materially change current law as it relates to funding public school, including the District and its finances.

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

Local Funding for School Districts

A school district's M&O tax rate is composed of two distinct parts: the "Tier One Tax Rate," which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate," which is any local M&O tax effort in excess

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

State Compression Percentage. The State Compression Percentage (the “SCP”) is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district’s Maximum Compressed Tax Rate (described below). The SCP is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the “MCR”) is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district’s current year SCP multiplied by \$1.00; 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 the MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than 90% of any other school district’s MCR for the current year, then the school district’s MCR is instead equal to the school district’s prior year MCR, until TEA determines that the difference between the school district’s MCR and any other school district’s MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2025-2026 school year, the MCR was established with \$0.6322 as the maximum rate and \$0.5689 as the floor.

In calculating and making available school districts’ MCRs for the 2025-2026 school year, the TEA calculated and made available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Pursuant to voter approval at a statewide election held on November 4, 2025 (1) the State mandated general homestead exemption under Section 1-b(c), Article VIII, Texas Constitution was increased from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or the disabled under Section 1-b(c), Article VIII, Texas Constitution was increased from \$10,000 to \$60,000. The constitutional amendment takes effect for the tax year beginning January 1, 2025.

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.

State Funding for School Districts

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

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district’s Tier One Tax Rate. Tier One funding may then be “enriched” with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district’s Enrichment Tax Rate, allowing a school district to increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district’s own choice. While Tier One funding may be used for the payment of

debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations”), Tier Two funding may not be used for the payment of debt service or capital outlay.

The current public school finance system also provides an Existing Debt Allotment (“EDA”) to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment (“IFA”) to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment (“NIFA”) to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts.

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

Tier One. Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the “Basic Allotment”) for each student in “Average Daily Attendance” (being generally calculated as the sum of student attendance, other than students in average daily attendance who do not reside in the district and are enrolled in a full-time virtual program, for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”). The Basic Allotment is revised downward if a school district’s Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, and demographics of students in ADA, to make up most of a school district’s Tier One entitlement under the Foundation School Program.

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district’s MCR, is \$6,160 plus the guaranteed yield increment adjustment (the “GYIA”) 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 GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For each year of the 2026-2027 fiscal biennium, the GYIA is set at \$55.

The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further Texas’ goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation and retention in disadvantaged or rural school districts. A school district’s total Tier One funding, divided by the Basic Allotment, 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 weight is 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$320 million for each year of the 2026-2027 State fiscal biennium.

Beginning with the 2026-2027 fiscal biennium, school districts will also receive an annual allotment of \$106 per enrolled student. The funds under this allotment may only be used for specific operational costs related to transportation, hiring retired teachers, providing health insurance and employee benefits and paying for payroll taxes, contributions and other costs related to member contributions under the Teacher Retirement System of Texas, utilities, and property and casualty insurance.

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 Basic Allotment multiplied by 0.02084. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Golden Penny levied of \$129.52 per student in WADA. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district’s Basic Allotment multiplied by 0.008. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Copper Penny levied of \$49.72 per student in WADA.

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district’s I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the

“IFA Yield”) in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. A school district may use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received aid. 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 2026-2027 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the State Legislature for the 2026-2027 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 2026-2027 State fiscal biennium on new bonds issued by school districts in the 2026-2027 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 exemptions. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – *Tax Rate and Funding Equity*” below.

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 or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Commissioner. In the 89th Regular Session, the State Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

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

For the 2026-2027 school year, school districts will be held harmless and entitled to additional State aid to the extent that State and local revenue used to service eligible debt is less than the State and local revenue that would have been available to the district under State law providing for State aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district’s Tier One Tax Rate and Copper Pennies in excess of the school district’s respective funding entitlements (a “Chapter 49 school district”), is subject to the local revenue reduction provisions contained in Chapter 49 of the Texas Education Code, as amended (“Chapter 49”). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district’s Golden Pennies in excess of the school district’s respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as “recapture,” which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district’s funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not

Chapter 49 school districts, as described in the subcaption “*Options for Local Revenue Levels in Excess of Entitlement.*” Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 fiscal year, the District was designated as an “excess local revenue” district by the TEA. Accordingly, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District intends to reduce its wealth per student, if needed, pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement” herein).

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

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

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Tarrant 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.

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”).

An appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5.16 million (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). After the 2025 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding State fiscal year’s increase or decrease in the consumer price index, as applicable, to the applicable Maximum Property Value. After such time, the value limitation provisions for non-homestead properties described above will expire unless extended by future legislation.

State Mandated Homestead Exemptions. State law grants, with respect to each school district in the State, (1) a \$140,000 exemption of the appraised value of all homesteads, (2) a \$60,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

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

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

Cities, counties and school districts are prohibited from repealing or reducing a local option general homestead exemption described in (1) above that was granted in tax year 2022 through December 31, 2027.

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

Personal Property. Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation

unless the governing body of a taxing unit elects to tax such property. From and after the 2026 tax year, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of the increase, effective January 1, 2026, in the exemption for tangible personal property used in the “production of income” from \$2,499 to \$125,000.

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. Beginning with the 2026 tax year, all intangible personal property is exempt from taxation.

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

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

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

Tax Limitation Agreements. The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended) allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the 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 service 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.

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

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

Recent Change in Reappraisal Plan

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and generally become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it

becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an attorney's collection fee of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

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

The District grants a State mandated \$140,000 general residence homestead exemption. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions" herein for a discussion of the increase in the State mandated general residence homestead exemption from \$100,000 to \$140,000.

The District grants a State mandated \$60,000 residence homestead exemption for persons 65 years of age or older and the disabled. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions" herein for a discussion of the increase in the State mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000.

The District grants a State mandated residence homestead exemption for disabled veterans.

The District grants a local option, additional exemption of \$15,000 for persons who are 65 years of age or older and disabled persons above the amount of the State mandated exemption.

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

The District does not tax non-business personal property.

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

The District exempts “freeport property” from taxation.

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

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

The District is not currently a party to any tax abatement or tax limitation agreements.

The Board has approved a resolution initiating an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on April 5, 1975, in accordance with the provisions of Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code, as amended).

The maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 and the school district’s MCR. A school district’s MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually.

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

I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, “exempt bonds”), from a tax levied at a rate of \$0.50 per \$100

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

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district’s budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the school

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

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

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings, Inc. ("Fitch") have assigned municipal bond ratings of "___" and "___", respectively, to the Bonds based upon the Permanent School Fund Guarantee. Moody's and Fitch generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa" and "AAA", respectively (see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are "___" by Moody's and "___" by Fitch.

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), has previously assigned ratings to certain of the District's outstanding bonds, however, the District has not requested S&P assign a rating to the Bonds.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

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

Legal Investments

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

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

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

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

Investment Policies

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

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

Current Investments

As of June 30, 2025 (unaudited), the District's investable funds were invested in the following investment instruments:

<u>Investment Instrument</u>	<u>Book Value</u>	<u>Percentage</u>
Lone Star Investment Pool ("Lone Star") ^(A)	\$ 176,368,985.82	48.38%
State and Local Government Series Securities	83,331,584.45	22.86%
Texas Local Investment Pool ("TexPool") ^(A)	71,444,194.57	19.60%
Texas Range Investment Program ("Texas Range") ^(A)	26,706,749.39	7.32%
PFM Asset Management LLC Managed Account	3,795,421.81	1.04%
Frost Bank Money Market Account	<u>2,935,365.43</u>	<u>0.80%</u>
Total	<u>\$ 364,582,301.47</u>	<u>100.00%</u>

^(A) Lone Star, TexPool and Texas Range operate pursuant to Chapter 2256 of the Texas Government Code, as amended. Lone Star, TexPool and Texas Range operate as a money market equivalent, in a manner consistent with the SEC's Rule 2a-7 under the Investment Company Act of 1940. No funds of the District are invested in derivative securities, i.e. securities whose rate of return is determined by reference to some other instrument, index or commodity.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the fiscal year ended August 31, 2024, the State contributed \$8,736,162 to TRS on behalf of the District, District employees paid \$14,661,524 and other contributions into the Plan made from federal and private grants and the District for salaries above the statutory minimum were \$7,539,184. For more detailed information concerning the Plan, TRS's net pension liability with respect thereto and the District's proportionate share of such net pension liability, see Note 11 to the District's audited financial statements attached hereto as Appendix D.

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the State Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see Note 12 to the District's audited financial statements attached hereto as Appendix D.

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1 through 21 in "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and in Appendix D, which is the District's annual audited financial report. The District will update and provide the annual financial information appearing in the numbered tables described in the preceding sentence within six months after the end of each fiscal year ending in and after 2025 and, if not submitted as part of the annual financial information, the District will provide its annual audited

financial report within 12 months after the end of each fiscal year. 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 statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's fiscal year end for the 2024-2025 fiscal year is August 31. Accordingly, for the 2024-2025 fiscal year, the District must provide updated information included in the above-referenced tables by February 28, 2026, and the audited financial statements (or unaudited financial statements if the audited financial statements are not yet available) must be provided by August 31, 2026. On March 31, 2025, the Board authorized changing the District's fiscal year end from August 31 to June 30, beginning with fiscal year 2025-2026, and a notice of the change was filed on EMMA on April 7, 2025. Accordingly, beginning with the 2025-2026 fiscal year, the District must provide updated information included in the above-referenced tables by the last day of December in each year, and the audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by June 30 in each year, unless the District changes its fiscal year again in the future. If the District changes its fiscal year again in the future, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

Notices of Certain Events

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

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

Availability of Information from MSRB

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

Compliance with Prior Undertakings

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

EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending include a reduction to refundable credits under section 6431 of the Internal Revenue Code (the "Code") applicable to certain qualified bonds. The sequester reduction is applied to amounts claimed by an issuer of such qualified bonds which result in a payment to such issuer on or after March 1, 2013. Under the Budget Control Act of 2011, the Federal Subsidies in 2013 were reduced by 8.7%. The Bipartisan Budget Act of 2013, signed by the President on December 26, 2013, extended cuts in those payments to issuers due to sequester of federal expenditures. According to the Bipartisan Budget Act of 2013, sequester for the above interest subsidy payments and other mandatory programs will continue for fiscal years 2014 through 2031. The sequester reduction percentage applied to the payments made to issuers of direct pay bonds in fiscal year 2025 is 5.7%. This percentage applies to all direct credit subsidy payments scheduled to be made on or after October 1, 2020 through and on and before September 30, 2031. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change.

These reductions apply to Build America Bonds, Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds for which an issuer elected to receive a direct credit subsidy pursuant to section 6431 of the Code.

The District has previously issued its Unlimited Tax Qualified School Construction Bonds, Taxable Series 2010A (Direct Subsidy) (the "Affected Bonds"). It is anticipated that federal payments to the District for such Affected Bonds will be reduced as described above. Pursuant to the order authorizing the issuance of the Affected Bonds, the District is required to make interest and principal payments on the Affected Bonds regardless of whether any federal funding is received. If the sequestration continues, the District may be required to increase ad valorem tax rates in order to pay additional debt service expenses on the Affected Bonds resulting from decreased federal funding. The District can make no prediction as to the length or long-term effects of the sequestration.

WEATHER EVENTS

If a future weather event significantly damages all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the District's tax rate. Under certain conditions, State law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"). There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

CYBERSECURITY

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

VERIFICATION OF ARITHMETICAL COMPUTATIONS

The Verification Agent will deliver to the District, on or before the Date of Delivery 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 Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds. Such verification will be relied upon by Bond Counsel in rendering its opinion with respect to defeasance of the Refunded Bonds.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by BOK Financial Securities, Inc. on behalf of the District. The Verification Agent has restricted its procedures to recalculating the computations provided by BOK Financial Securities, Inc. on behalf of the District and has not evaluated or examined the assumptions or information used in the computations.

LITIGATION

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

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

FINANCIAL ADVISOR

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

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

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

UNDERWRITING

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

CONCLUDING STATEMENT

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

MISCELLANEOUS

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

In the Bond Order, the Board authorized the Pricing Officer to approve, for and on behalf of the District, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriters' use of this Official Statement in connection with the public offering and the sale of the Bonds in accordance with the provisions of Rule 15c2-12.

Pricing Officer
Eagle Mountain-Saginaw Independent School District

SCHEDULE I
SCHEDULE OF BONDS TO BE REFUNDED ^(A)

<u>Series</u>	<u>Original Dated Date</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>	<u>Maturities Being Refunded ^(A)</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Being Refunded ^(A)</u>	<u>Redemption Date ^(A)</u>
Unlimited Tax Refunding Bonds, Series 2016	04/01/16	\$ 157,515,000.00	\$ 126,250,000.00	08/15/26 ^(B)	\$ 3,390,000.00	\$ 3,390,000.00	02/15/26
				08/15/27	6,620,000.00	6,620,000.00	02/15/26
				08/15/28	7,590,000.00	7,590,000.00	02/15/26
				08/15/29	7,960,000.00	7,960,000.00	02/15/26
				08/15/30	8,370,000.00	8,370,000.00	02/15/26
				08/15/31	13,470,000.00	13,470,000.00	02/15/26
				08/15/32	14,150,000.00	14,150,000.00	02/15/26
				08/15/33	17,985,000.00	17,985,000.00	02/15/26
				08/15/34	10,295,000.00	10,295,000.00	02/15/26
				08/15/35	10,705,000.00	10,705,000.00	02/15/26
				08/15/36	11,135,000.00	11,135,000.00	02/15/26
				08/15/37	11,580,000.00	11,580,000.00	02/15/26
					<u>\$ 123,250,000.00</u>	<u>\$ 123,250,000.00</u>	

^(A) Preliminary, subject to change.

^(B) Represents the August 15, 2026 maturity with a coupon of 5.00%.

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

Table 1
ASSESSED VALUATION ^(A)

2025/26 Total Assessed Valuation.....	\$ 23,836,696,992	
2025/26 Taxable Assessed Valuation.....	\$ 16,130,481,581	(B)
<u>Exemptions</u>	<u>Total</u>	
Residential Homestead.....	\$ 4,086,615,871	
10% Residential Homestead Cap.....	214,629,329	
20% Non-Homestead Property Cap.....	80,416,187	
Over Age 65.....	447,836,445	
Disabled Persons.....	39,139,064	
Disabled/Deceased Veterans.....	375,441,852	
Foreign Trade Zone.....	975,359,595	
Freeport.....	1,232,182,193	
Misc. Personal Property (Vehicles, etc.).....	67,428,052	
Pollution Control.....	1,122,215	
Productivity Loss.....	174,661,035	
Prorated Exempt Property.....	7,317,750	
Scenic Deferrals.....	2,108,336	
Other.....	1,957,487	
Total (32.33% of Total Assessed Valuation).....	<u>\$ 7,706,215,411</u>	

(A) Source: Tarrant Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District updates its records.

(B) Such valuation includes an increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 and an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to constitutional amendments approved at a statewide election held on November 4, 2025.

Table 2
TAX DEBT OUTSTANDING ^(A)

Unlimited Tax Obligations: ^(B)

Unlimited Tax Debt Outstanding (As of November 15, 2025).....	\$ 1,393,345,000	(C)
Plus: The Bonds (Dated: November 15, 2025).....	112,775,000	(D)
Less: The Refunded Bonds.....	<u>123,250,000</u>	(D)
TOTAL UNLIMITED TAX DEBT OUTSTANDING.....	\$ 1,382,870,000	(C)
Less: Interest & Sinking Fund Balance (Unaudited, as of August 31, 2025).....	<u>32,654,496</u>	
NET UNLIMITED TAX DEBT OUTSTANDING.....	<u>\$ 1,350,215,504</u>	(C)

(A) See discussion under "TAX RATE LIMITATIONS" in the Official Statement.

(B) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes", "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

(C) Excludes interest accreted on outstanding capital appreciation bonds. Includes a \$500,000 defeasance of the District's Variable Rate Unlimited Tax School Building Bonds, Series 2011 prior to scheduled maturity on August 1, 2025.

(D) Preliminary, subject to change.

2025 Population Estimate	130,304	Per Capita Total Assessed Valuation	\$ 182,931
2025/26 Enrollment	24,168	Per Capita Taxable Assessed Valuation	\$ 123,791
Area (square miles)	74.13	Per Capita Total Unlimited Tax Debt	\$ 10,613

Table 3
ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

<u>Taxing Body</u>	<u>Gross Dollar Amount</u> ^(A)	<u>As Of</u>	<u>Percent Overlap</u>	<u>Dollar Overlap</u>
Blue Mound, City of	\$ 6,010,000	11/15/25	100.00%	\$ 6,010,000
Fort Worth, City of	1,100,695,000	11/15/25	11.16%	122,837,562
Lake Worth, City of	30,240,000	11/15/25	0.84%	254,016
Saginaw, City of	96,890,000	11/15/25	98.19%	95,136,291
Tarrant County	314,050,000	11/15/25	6.37%	20,004,985
Tarrant County College District	547,535,000	11/15/25	6.37%	34,877,980
Tarrant County Hospital District	431,255,000	11/15/25	6.37%	27,470,944
Tarrant Regional Water District	98,710,000	11/15/25	11.85%	11,697,135
Eagle Mountain-Saginaw ISD	\$ 1,382,870,000 ^{(B)(C)}	11/15/25	100.00%	\$ 1,382,870,000 ^{(B)(C)}
Total Direct and Overlapping Debt.....				<u>\$ 1,701,158,913</u>
Ratio of Direct Debt to Taxable Assessed Valuation.....				8.57%
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation.....				10.55%
Ratio of Direct and Overlapping Debt to Total Assessed Valuation.....				7.14%
Per Capita Direct and Overlapping Debt.....				\$13,055

^(A) Excludes interest accreted on outstanding capital appreciation bonds.

^(B) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes", "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

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

Source: The Municipal Advisory Council of Texas - Texas Municipal Reports.

Table 4
2025/26 TAX RATES OF OVERLAPPING POLITICAL ENTITIES

Blue Mound, City of.....	\$0.813800
Fort Worth, City of.....	0.670000
Lake Worth, City of.....	0.494737
Saginaw, City of.....	0.529649
Tarrant County.....	0.186200
Tarrant County College District.....	0.112280
Tarrant County Hospital District.....	0.165000
Tarrant Regional Water District.....	0.026500

Source: Tarrant Appraisal District.

Table 5
PROPERTY TAX RATES AND COLLECTIONS

<u>Tax Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Percent Collections ^(A)</u>		<u>Fiscal Year Ended</u>
			<u>Current</u>	<u>Total</u>	
2019	\$ 10,969,630,513	\$1.5180	99.53%	99.98%	8-31-20
2020	11,635,980,510	1.4964	99.46%	99.57%	8-31-21
2021	12,723,289,879	1.4575	99.59%	100.36%	8-31-22
2022	14,593,502,089	1.4346	99.77%	100.36%	8-31-23
2023	15,813,757,001	1.2472	<u>99.82%</u>	<u>100.13%</u>	8-31-24
	Five Year Average.....		<u>99.63%</u>	<u>100.08%</u>	
2024	\$ 16,930,510,384	\$1.2457	99.65% ^(B)	99.21% ^(B)	8-31-25
2025	16,130,481,581	\$1.2457	(In Process of Collection)		8-31-26

^(A) Excludes penalties and interest.

^(B) Unaudited collections as of August 31, 2025.

Source: District's Audited Financial Statements and Tarrant Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District updates records.

Table 6
TAX RATE DISTRIBUTION ^(A)

	<u>2025/26</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>
Local Maintenance ^(B)	\$0.7469	\$0.7469	\$0.7492	\$0.9346	\$0.9575
Interest & Sinking	<u>0.4988</u>	<u>0.4988</u>	<u>0.4980</u>	<u>0.5000</u>	<u>0.5000</u>
Total	<u>\$1.2457</u>	<u>\$1.2457</u>	<u>\$1.2472</u>	<u>\$1.4346</u>	<u>\$1.4575</u>

^(A) See discussion under "TAX RATE LIMITATIONS" in the Official Statement.

^(B) The District's Maintenance & Operations tax rate is subject to annual compression in response to year-over-year increases in property values (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Funding for School Districts" in the Official Statement).

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

Table 7
VALUATION AND UNLIMITED TAX DEBT HISTORY

<u>Fiscal Year</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Increase/ (Decrease) In Taxable Assessed Valuation Over Prior Year</u>	<u>Principal Amount Of Unlimited Tax Debt Outstanding At Year End ^{(A)(B)}</u>	<u>Ratio Of Unlimited Tax Debt To Taxable Assessed Valuation ^{(A)(B)}</u>
2021/22	\$ 12,723,289,879	9.34%	\$ 1,083,317,504	8.51%
2022/23	14,593,502,089	14.70%	1,055,840,000	7.24%
2023/24	15,813,757,001	8.36%	1,162,925,000	7.35%
2024/25	16,930,510,384	7.06%	1,382,870,000	8.17%
2025/26	16,130,481,581 ^(C)	(4.73%)	1,382,870,000 ^(D)	8.57% ^(D)

^(A) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes", "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

^(B) Excludes the interest accreted on outstanding capital appreciation bonds.

^(C) Such valuation includes an increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 and an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to constitutional amendments approved at a statewide election held on November 4, 2025.

^(D) Projected, as of June 30, 2026, subject to change. Includes the Bonds and excludes the Refunded Bonds.

Source: District records and Tarrant Appraisal District.

Table 8
HISTORICAL TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2025/26 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Oncor Electric Delivery Co. LLC	Utility	\$ 163,408,384	1.01%
Amazon.com Services LLC	Fulfillment Center	143,451,872	0.89%
Crossroads Indiana LLC	Distribution Center	138,423,150	0.86%
TTI, Inc.	Distribution Center	135,200,197	0.84%
BN Leasing Corp. / BNSF Railway Company	Railroad / Corporate Offices	122,468,869	0.76%
Carvana Group LLC	Car Dealership	107,232,610	0.66%
Saddle Creek Corporation	Distribution Center	101,663,462	0.63%
Williamson-Dickie Mfg. Co. LLC	Textile Manufacturing	94,308,984	0.58%
Mercantile Partners LP	Commercial Real Estate	93,853,611	0.58%
Design LLC	Commercial Real Estate	86,531,236	0.54%
Totals.....		<u>\$ 1,186,542,375</u>	<u>7.36%</u>

PRINCIPAL TAXPAYERS AND THEIR 2024/25 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Oncor Electric Delivery Co. LLC	Utility	\$ 237,476,684	1.40%
Amazon.com Services LLC	Fulfillment Center	157,619,313	0.93%
BN Leasing Corp. / BNSF Railway Company	Railroad / Corporate Offices	121,915,257	0.72%
TTI, Inc.	Distribution Center	104,367,002	0.62%
Crossroads Indiana LLC	Distribution Center	101,140,626	0.60%
Carvana Group LLC	Car Dealership	77,753,068	0.46%
Mercantile Partners LP	Commercial Real Estate	77,244,137	0.46%
North Riverside TX Partners II LLC	Apartments	75,678,958	0.45%
Yamasa Co. Ltd.	Residential Rental Homes	72,800,000	0.43%
MDC Coastal 16 LLC	Distribution Center	68,000,000	0.40%
Totals.....		<u>\$ 1,093,995,045</u>	<u>6.46%</u>

PRINCIPAL TAXPAYERS AND THEIR 2023/24 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Amazon.com Services LLC	Fulfillment Center	\$ 184,089,729	1.16%
Oncor Electric Delivery Co. LLC	Utility	161,716,605	1.02%
Fossil Creek Development Partners, LLC	Apartments	127,287,881	0.80%
BKV North Texas LLC / BKV Midstream LLC	Oil & Gas	127,196,060	0.80%
BN Leasing Corp. / BNSF Railway Company	Railroad / Corporate Offices	121,915,984	0.77%
Carvana Group LLC	Car Dealership	101,656,546	0.64%
Crossroads Indiana LLC	Distribution Center	96,243,342	0.61%
TTI, Inc.	Distribution Center	91,064,161	0.58%
Yamasa Co. Ltd.	Residential Rental Homes	79,800,000	0.50%
Mercantile Partners LP	Commercial Real Estate	74,986,352	0.47%
Totals.....		<u>\$ 1,165,956,660</u>	<u>7.37%</u>

Source: Tarrant Appraisal District and District records.

Table 9
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Property Use Category	2025/26	2024/25	2023/24	2022/23	2021/22
Real Property:					
Single-Family Residential	\$ 14,367,937,039	\$ 14,350,192,190	\$ 14,107,801,266	\$ 11,115,918,450	\$ 9,090,649,603
Multi-Family Residential	932,489,999	876,831,329	856,748,886	697,602,925	561,616,501
Vacant Lots/Tracts	220,444,656	230,860,671	209,018,393	223,932,741	188,397,899
Acreage (Land Only)	174,979,463	182,695,228	181,930,097	171,384,825	186,395,783
Farm and Ranch Improvements	17,398,609	19,911,968	18,806,197	17,480,989	15,678,909
Commercial and Industrial	3,139,780,617	2,605,423,168	2,484,279,506	2,302,627,507	2,119,247,096
Minerals, Oil and Gas	31,451,120	34,420,730	227,347,282	94,532,800	49,565,050
Inventory	223,767,836	231,397,448	274,946,888	184,005,837	127,137,406
Tangible Personal Property:					
Business	4,329,321,084	4,588,722,120	4,253,838,965	3,436,396,343	2,641,187,217
Other	1,161,547	1,195,570	1,198,818	1,277,101	1,258,185
Real and Tangible Personal Property:					
Utilities	397,965,022	530,044,562	419,311,659	405,449,089	382,466,484
Total Assessed Valuation	\$ 23,836,696,992	\$ 23,651,694,984	\$ 23,035,227,957	\$ 18,650,608,607	\$ 15,363,600,133
Less Exemptions:					
Residential Homestead	\$ 4,086,615,871 ^(A)	\$ 2,761,638,116	\$ 2,600,139,848 ^(B)	\$ 1,010,759,197 ^(C)	\$ 605,208,064
10% Residential Homestead Cap	214,629,329	644,357,485	1,568,005,488	660,900,920	141,600,865
20% Non-Homestead Property Cap	80,416,187	43,573,570 ^(D)	-	-	-
Over Age 65	447,836,445 ^(E)	145,025,557	137,920,726	134,362,463	126,897,981
Disabled Persons	39,139,064 ^(E)	13,043,610	13,270,280	13,701,554	13,488,570
Disabled/Deceased Veterans	375,441,852	351,909,859	270,261,351	240,529,725	194,067,165
Foreign Trade Zone	975,359,595	762,520,904	948,117,054	621,519,528	540,602,654
Freeport	1,232,182,193	1,732,335,006	1,370,731,138	1,132,157,169	756,231,710
Misc. Personal Property (Vehicles, etc.)	67,428,052	74,397,979	126,724,573	66,726,953	70,433,912
Pollution Control	1,122,215	1,934,650	2,043,345	1,510,813	1,372,244
Productivity Loss	174,661,035	180,620,052	179,203,539	169,667,114	182,327,063
Prorated Exempt Property	7,317,750	3,169,223	90,893	20,203	3,388,450
Scenic Deferrals	2,108,336	2,108,336	-	2,108,336	2,108,336
Other	1,957,487	4,550,253	4,962,721	3,142,543	2,583,240
Total Exemptions	\$ 7,706,215,411	\$ 6,721,184,600	\$ 7,221,470,956	\$ 4,057,106,518	\$ 2,640,310,254
Taxable Assessed Valuation ^(D)	\$ 16,130,481,581	\$ 16,930,510,384	\$ 15,813,757,001	\$ 14,593,502,089	\$ 12,723,289,879

^(A) Increase in "Residential Homestead" is primarily due to the increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 pursuant to a constitutional amendment approved at a statewide election held on November 4, 2025.

^(B) Increase in "Residential Homestead" is primarily due to the increase in the State-mandated general residence homestead exemption from \$40,000 to \$100,000 pursuant to a constitutional amendment approved at a statewide election held on November 7, 2023.

^(C) Increase in "Residential Homestead" is primarily due to the increase in the State-mandated general residence homestead exemption from \$25,000 to \$40,000 pursuant to a constitutional amendment approved at a statewide election held on May 7, 2022.

^(D) Three-year pilot program limiting growth in taxable value of non-residence homestead property valued at \$5,000,000 or less to 20% annually pursuant to a constitutional amendment approved at a statewide election held on November 7, 2023.

^(E) Increase in "Over 65" and "Disabled Persons" is primarily due to the increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to a constitutional amendment approved at a statewide election held on November 4, 2025.

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

Table 10
PERCENTAGE OF TOTAL ASSESSED VALUATION BY CATEGORY

Property Use Category	2025/26	2024/25	2023/24	2022/23	2021/22
Real Property:					
Single-Family Residential	60.28%	60.67%	61.24%	59.60%	59.17%
Multi-Family Residential	3.91%	3.71%	3.72%	3.74%	3.66%
Vacant Lots/Tracts	0.92%	0.98%	0.91%	1.20%	1.23%
Acreage (Land Only)	0.73%	0.77%	0.79%	0.92%	1.21%
Farm and Ranch Improvements	0.07%	0.08%	0.08%	0.09%	0.10%
Commercial and Industrial	13.17%	11.02%	10.78%	12.35%	13.79%
Minerals, Oil and Gas	0.13%	0.15%	0.99%	0.51%	0.32%
Inventory	0.94%	0.98%	1.19%	0.99%	0.83%
Tangible Personal Property:					
Business	18.16%	19.40%	18.47%	18.43%	17.19%
Other	0.00%	0.01%	0.01%	0.01%	0.01%
Real and Tangible Personal Property:					
Utilities	1.67%	2.24%	1.82%	2.17%	2.49%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Tarrant Appraisal District.

Table 11
OUTSTANDING UNLIMITED TAX DEBT SERVICE ^(A)

Outstanding Debt Requirements ^{(B)(C)(D)}				Plus: The Bonds - Debt Requirements ^(E)		Total	Percent
Year	Principal	Sinking Fund		Principal	Interest	Debt Service Requirements ^{(C)(D)}	Of Principal Retired
		On QSCBs ^(F)	Interest				
2025/26	\$ 29,100,000.00	\$ 1,500,000.00	\$ 53,036,792.99	\$ 5,080,000.00	\$ 3,712,177.08	\$ 92,428,970.07	
2026/27	41,855,000.00	(10,945,000.00)	51,469,782.92	5,610,000.00	5,384,750.00	93,374,532.92	
2027/28	32,940,000.00	-	49,878,001.06	6,525,000.00	5,104,250.00	94,447,251.06	
2028/29	34,565,000.00	-	48,261,832.32	6,845,000.00	4,778,000.00	94,449,832.32	
2029/30	36,135,000.00	-	46,682,632.32	7,200,000.00	4,435,750.00	94,453,382.32	14.89%
2030/31	33,075,000.00	-	45,055,844.92	12,240,000.00	4,075,750.00	94,446,594.92	
2031/32	34,360,000.00	-	43,761,539.62	12,860,000.00	3,463,750.00	94,445,289.62	
2032/33	32,465,000.00	-	42,396,727.36	16,770,000.00	2,820,750.00	94,452,477.36	
2033/34	32,560,000.00	-	41,037,970.86	9,200,000.00	1,982,250.00	84,780,220.86	
2034/35	34,015,000.00	-	39,583,915.16	9,655,000.00	1,522,250.00	84,776,165.16	31.32%
2035/36	35,485,000.00	-	38,111,634.46	10,140,000.00	1,039,500.00	84,776,134.46	
2036/37	36,970,000.00	-	36,626,175.46	10,650,000.00	532,500.00	84,778,675.46	
2037/38	50,490,000.00	-	35,119,441.20	-	-	85,609,441.20	
2038/39	52,540,000.00	-	33,071,474.70	-	-	85,611,474.70	
2039/40	54,640,000.00	-	30,968,792.66	-	-	85,608,792.66	49.46%
2040/41	49,185,000.00	-	28,711,881.52	-	-	77,896,881.52	
2041/42	51,260,000.00	-	26,637,852.42	-	-	77,897,852.42	
2042/43	53,310,000.00	-	24,546,814.46	-	-	77,856,814.46	
2043/44	55,500,000.00	-	22,360,189.46	-	-	77,860,189.46	
2044/45	57,755,000.00	-	20,104,814.46	-	-	77,859,814.46	68.77%
2045/46	60,030,000.00	-	17,822,039.46	-	-	77,852,039.46	
2046/47	62,480,000.00	-	15,370,675.50	-	-	77,850,675.50	
2047/48	64,945,000.00	-	12,908,075.16	-	-	77,853,075.16	
2048/49	51,590,000.00	-	10,341,538.40	-	-	61,931,538.40	
2049/50	49,580,000.00	-	8,296,198.20	-	-	57,876,198.20	89.64%
2050/51	42,995,000.00	-	6,352,400.00	-	-	49,347,400.00	
2051/52	33,205,000.00	-	4,679,300.00	-	-	37,884,300.00	
2052/53	24,000,000.00	-	3,196,000.00	-	-	27,196,000.00	
2053/54	25,110,000.00	-	2,073,150.00	-	-	27,183,150.00	
2054/55	17,955,000.00	-	897,750.00	-	-	18,852,750.00	100.00%
TOTAL	\$ 1,270,095,000.00	\$ (9,445,000.00) ^(F)	\$ 839,361,237.05	\$ 112,775,000.00	\$ 38,851,677.08	\$ 2,251,637,914.13	

^(A) Preliminary, subject to change.

^(B) Net of the debt service on the Refunded Bonds.

^(C) Does not include the federal subsidy of the interest payments anticipated to be received on the District's outstanding Unlimited Tax Qualified School Construction Bonds, Taxable Series 2010A (Direct Subsidy) (the "Series 2010A Bonds") (see "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS").

^(D) Interest on the District's Variable Rate Unlimited Tax School Building Bonds, Series 2011 (the "Series 2011 Bonds") is calculated at a 4.00% coupon through July 31, 2027 and an assumed 5.00% coupon thereafter.

^(E) Interest on the Bonds has been projected at an assumed interest rate for illustration purposes only. Preliminary, subject to change.

^(F) The order authorizing the Series 2010A Bonds obligates the District to make mandatory deposits into a Cumulative Sinking Fund Deposit Account on August 15 in the years and the amounts of each required mandatory deposit (which are to be off-set by interest earnings on amounts held in such fund so that no more than the amount required in the authorizing order shall ever be held in such account). All amounts held in the Cumulative Sinking Fund Deposit Account will be used to pay the Series 2010A Bonds on the maturity date of August 15, 2027 or the date of prior redemption thereof. As of August 31, 2025, the required balance of the Cumulative Sinking Fund Deposit Account is \$9,445,000.

Note: Table 11 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of \$12,034,311 for debt service in year 2025/26 and received State financial assistance in the amount of \$7,861,291 (unaudited) for the fiscal year ended August 31, 2025. The amount of State aid for debt service may substantially differ from year to year depending on a number of factors, including amounts, if any, appropriated for that purpose by the State Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 11 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes", "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

Table 12
INTEREST & SINKING FUND BUDGET INFORMATION ^(A)

Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2026.....		\$	90,833,988 ^(B)
Interest and Sinking Fund Balance as of August 31, 2025 (Unaudited).....	\$	32,654,496	
Estimated Federal Subsidies.....		561,315 ^(C)	
Estimated State Assistance.....		12,034,311	
Local Taxes and Other Revenues.....		<u>78,386,107</u>	<u>\$ 123,636,229</u>
Projected Interest and Sinking Fund Balance at June 30, 2026.....			<u>\$ 32,802,241 ^(D)</u>

^(A) The District's fiscal year ends on June 30. Due to the timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31.

^(B) Reflects the District's debt service payments in August 2025 and projected debt service payments in February 2026. Includes estimated paying agent/registrar fees and other bond related expenses.

^(C) Reflects estimated subsidy anticipated to be received on the District's Series 2010A Bonds (see "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS").

^(D) The District's projected Interest & Sinking Fund balance as of June 30, 2026 will be reduced by approximately \$65,776,860 in August 2026 to make the District's scheduled debt service payments in August 2026.

Table 13
AUTHORIZED BUT UNISSUED BONDS

The District has \$136,100,000 of authorized but unissued bonds remaining from an election held within the District on November 7, 2023 (i.e., \$123,900,000 from Proposition A and \$12,200,000 from Proposition B). Except for possible refundings for debt service savings, the District does not anticipate the issuance of additional unlimited tax bonds within the next 12 months.

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

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

Year 2025/26 Principal And Interest Requirements.....	\$	92,428,970
\$0.5752 Tax Rate At 99.63% Collections Produces.....	\$	92,439,235 ^(B)
Maximum Principal And Interest Requirements, Year 2029/30.....	\$	94,453,382
\$0.5878 Tax Rate At 99.63% Collections Produces.....	\$	94,464,155 ^(B)

^(A) Represents debt service payments from September 1 through August 31.

^(B) Based upon 2025/26 taxable assessed valuation of \$16,130,481,581.

Note: Table 14 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of \$12,034,311 for debt service in year 2025/26 and received State financial assistance in the amount of \$7,861,291 (unaudited) for fiscal year ended August 31, 2025. The amount of State aid for debt service may substantially differ from year to year depending on a number of factors, including amounts, if any, appropriated for that purpose by the State Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 14 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes", "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements"). Table 14 also does not include estimated federal subsidy payments on the Series 2010A Bonds (see "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS").

Table 15
MAINTENANCE TAX NOTES

The District has no maintenance tax note debt outstanding as of August 31, 2024.

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

Table 16
TAX ADEQUACY - LIMITED TAX DEBT SERVICE REQUIREMENTS

The District has no limited tax debt outstanding as of August 31, 2024.

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

Table 17
LEASES

During the year ended August 31, 2022, the District adopted GASB Statement No. 87 - Leases. This statement increased the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The District has entered into long-term agreements for the right-to-use copy machines and other technology equipment. No impairment related to losses were recognized by the District. The lease assets are amortized over the life of the agreements.

The District measured the lease liability at the present value of the original unpaid lease payments, discounted using the District's incremental borrowing rate, which has ranged from 2.50% to 4.50%. A summary of the lease activity for the fiscal year ended August 31, 2024, is as shown below:

	<u>Balance</u> <u>8/31/2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>8/31/2024</u>
Right-to-Use Asset	\$ 12,423,082	\$ 578,179	\$ -	\$ 13,001,261
Less Accumulated Amortization	<u>(7,574,086)</u>	<u>(1,960,338)</u>	<u>-</u>	<u>(9,534,424)</u>
Total Right-to-Use Asset, Net	<u>\$ 4,848,996</u>	<u>\$ (1,382,159)</u>	<u>\$ -</u>	<u>\$ 3,466,837</u>

	<u>Balance</u> <u>8/31/2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>8/31/2024</u>
Lease Liability	\$ 4,890,809	\$ 578,179	\$ (1,922,514)	\$ 3,546,474
Total Lease Liability	<u>\$ 4,890,809</u>	<u>\$ 578,179</u>	<u>\$ (1,922,514)</u>	<u>\$ 3,546,474</u>

Future payment requirements under the leases as of August 31, 2024, are as follows:

<u>Year Ended</u> <u>(August 31)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,777,434	\$ 120,158	\$ 1,897,592
2026	1,117,906	55,319	1,173,225
2027	651,134	14,542	665,676
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 3,546,474</u>	<u>\$ 190,019</u>	<u>\$ 3,736,493</u>

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

Table 18
SUBSCRIPTION BASED IT ARRANGEMENTS

During the year ended August 31, 2023, the District adopted GASB Statement No. 96 - Subscription-Based Information Technology Arrangements (SBITAs). This statement increased the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for SBITAs that previously were classified as operating licenses or subscriptions and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The District has entered into long-term agreements for the right-to-use various technology licenses and subscriptions. No impairment related to losses were recognized by the District. The SBITA assets are amortized over the life of the agreements.

The District measured the subscription liability at the present value of the original unpaid subscription payments, discounted using the District's incremental borrowing rate of 4.50%. A summary of the SBITA activity for the fiscal year ended August 31, 2024, is as shown below:

	<u>Balance</u> <u>8/31/2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>8/31/2024</u>
Right-to-Use Asset	\$ 3,235,510	\$ 2,812,587	\$ (25,043)	\$ 6,023,054
Less Accumulated Amortization	<u>(1,525,728)</u>	<u>(1,065,705)</u>	<u>13,217</u>	<u>(2,578,216)</u>
Total Right-to-Use Asset, Net	<u>\$ 1,709,782</u>	<u>\$ 1,746,882</u>	<u>\$ (11,826)</u>	<u>\$ 3,444,838</u>

	<u>Balance</u> <u>8/31/2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>8/31/2024</u>
SBITA Liability	\$ 1,672,740	\$ 2,812,587	\$ (1,028,950)	\$ 3,456,377
Total SBITA Liability	<u>\$ 1,672,740</u>	<u>\$ 2,812,587</u>	<u>\$ (1,028,950)</u>	<u>\$ 3,456,377</u>

Future payment requirements under SBITAs as of August 31, 2024, are as follows:

<u>Year Ended</u> <u>(August 31)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,013,134	\$ 134,739	\$ 1,147,873
2026	856,644	91,738	948,382
2027	540,910	59,019	599,929
2028	203,942	42,876	246,818
2029	207,964	33,624	241,588
Thereafter	<u>633,783</u>	<u>42,289</u>	<u>676,072</u>
Totals	<u>\$ 3,456,377</u>	<u>\$ 404,285</u>	<u>\$ 3,860,662</u>

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

Table 19
COMBINED GENERAL FUND BALANCE SHEET

	Fiscal Years Ending August 31, 2020 - 2024				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:					
Cash and Cash Equivalents	\$ 78,545,663	\$ 74,698,138	\$ 65,871,041	\$ 60,883,955	\$ 55,710,651
Property Taxes - Delinquent	1,270,771	1,487,197	2,016,089	2,552,461	2,037,118
Allowance for Uncollected Taxes (Credit)	(63,539)	(74,360)	(76,897)	(127,623)	(101,856)
Due from Other Governments	7,979,322	5,252,696	8,773,406	10,123,538	7,308,006
Due from Other Funds	7,433,238	12,270,600	7,712,231	2,398,996	1,116,364
Other Receivables	301,812	286,907	493,698	1,281,438	249,094
Inventories	75,042	117,385	153,056	143,930	133,258
Prepayments	4,162,574	3,999,290	5,254,153	4,186,731	3,320,061
Total Assets	<u>\$ 99,704,883</u>	<u>\$ 98,037,853</u>	<u>\$ 90,196,777</u>	<u>\$ 81,443,426</u>	<u>\$ 69,772,696</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
<i>Liabilities:</i>					
Accounts Payable	\$ 1,401,935	\$ 3,069,610	\$ 1,938,656	\$ 3,280,643	\$ 1,287,361
Payroll Deductions and Withholdings Payable	2,390,339	2,150,500	1,923,655	1,858,656	1,980,042
Accrued Wages Payable	16,302,478	15,626,884	12,929,719	12,080,517	9,946,588
Due to Other Funds	-	2,005,562	70,042	387,935	51,331
Due to Other Governments	17,971	36,579	34,602	19,498	39,952
Unearned Revenues	86,190	139,110	-	-	-
Total Liabilities	<u>\$ 20,198,913</u>	<u>\$ 23,028,245</u>	<u>\$ 16,896,674</u>	<u>\$ 17,627,249</u>	<u>\$ 13,305,274</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenue - Property Taxes	\$ 1,665,002	\$ 1,773,804	\$ 1,725,041	\$ 2,396,349	\$ 1,970,568
Total Deferred Inflows of Resources	<u>\$ 1,665,002</u>	<u>\$ 1,773,804</u>	<u>\$ 1,725,041</u>	<u>\$ 2,396,349</u>	<u>\$ 1,970,568</u>
<i>Fund Balances:</i>					
Nonspendable Fund Balance:					
Inventories	\$ 75,042	\$ 117,385	\$ 153,056	\$ 143,930	\$ 133,258
Prepaid Items	4,162,574	3,999,290	5,254,153	4,186,731	3,320,061
Committed Fund Balance:					
Construction	-	-	-	3,000,000	3,000,000
Other Committed Fund Balance	-	7,967,436	5,786,925	-	-
Assigned Fund Balance:					
Projected Budget Deficit	15,730,057	-	1,000,000	-	-
Unassigned Fund Balance:	57,873,295	61,151,693	59,380,928	54,089,167	48,043,535
Total General Fund Balances ^(A)	<u>\$ 77,840,968</u>	<u>\$ 73,235,804</u>	<u>\$ 71,575,062</u>	<u>\$ 61,419,828</u>	<u>\$ 54,496,854</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 99,704,883</u>	<u>\$ 98,037,853</u>	<u>\$ 90,196,777</u>	<u>\$ 81,443,426</u>	<u>\$ 69,772,696</u>

^(A) The District estimates its Total General Fund Balance as of August 31, 2025 to be approximately \$83.176 million (unaudited).
Source: District's Audited Financial Statements and District records.

Table 20
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ending August 31, 2020 - 2024				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning General Fund Balance	\$ 73,235,804	\$ 71,575,062	\$ 61,419,828	\$ 54,496,854	\$ 46,497,213
<u>Revenues:</u>					
Local and Intermediate Sources	\$ 115,551,001	\$ 136,643,984	\$ 119,367,302	\$ 118,747,267	\$ 114,266,022
State Program Revenues	131,813,346	91,236,465	93,250,413	87,797,906	83,903,453
Federal Program Revenues	4,164,121	6,443,994	10,203,574	6,196,930	3,648,178
Total Revenues	\$ 251,528,468	\$ 234,324,443	\$ 222,821,289	\$ 212,742,103	\$ 201,817,653
<u>Expenditures:</u>					
Instruction	\$ 136,424,993	\$ 133,540,866	\$ 122,682,761	\$ 122,261,912	\$ 111,008,384
Instructional Resources and Media Services	2,801,939	2,806,373	2,580,438	2,463,042	2,354,381
Curriculum and Instructional Staff Development	3,677,256	3,788,404	3,730,334	3,502,661	3,399,513
Instructional Leadership	2,725,391	2,717,460	2,741,584	2,403,513	2,194,417
School Leadership	14,629,752	13,706,534	13,135,250	12,520,875	12,068,874
Guidance, Counseling and Evaluation Services	11,161,237	9,378,325	8,748,179	8,605,455	8,548,896
Social Work Services	493,862	555,445	544,775	448,087	164,850
Health Services	3,023,928	2,753,251	2,553,419	2,486,480	2,271,373
Student (Pupil) Transportation	8,298,988	7,765,443	6,934,921	6,398,219	5,492,396
Food Services	538,209	693,614	128,985	128,828	230,116
Extracurricular Activities	9,582,010	9,641,382	9,020,022	7,732,889	7,355,300
General Administration	8,663,302	8,700,060	7,802,925	7,197,277	7,356,158
Facilities Maintenance and Operations	31,151,407	27,261,663	25,276,891	22,163,564	22,242,458
Security and Monitoring Services	5,712,507	3,696,741	2,532,446	2,175,363	1,889,647
Data Processing Services	3,571,783	3,357,228	3,608,715	3,139,707	4,360,799
Community Services	87,605	71,032	59,221	55,748	61,713
Debt Service	4,631,838	5,253,080	2,650,059	1,559,687	1,682,607
Contracted Instructional Services Between Schools	20,483	-	6,153	-	-
Payments for Shared Service Arrangements	144,209	169,807	141,991	123,094	121,045
Payments to Juvenile Justice Alternative Ed. Prg.	2,838	-	387	4,902	16,512
Other Intergovernmental Charges	887,497	963,639	823,201	787,484	778,179
Total Expenditures	\$ 248,231,034	\$ 236,820,347	\$ 215,702,657	\$ 206,158,787	\$ 193,597,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 3,297,434	\$ (2,495,904)	\$ 7,118,632	\$ 6,583,316	\$ 8,220,035
<u>Other Resources and (Uses):</u>					
Other Resources	\$ 1,419,381	\$ 4,199,535	\$ 3,067,944	\$ 30,315	\$ 66,296
Other Uses	(16,122)	-	-	(20,000)	(286,690)
Total Other Resources (Uses)	\$ 1,403,259	\$ 4,199,535	\$ 3,067,944	\$ 10,315	\$ (220,394)
Special/Extraordinary Items	\$ (95,529)	\$ (42,889)	\$ (31,342)	\$ 329,343	\$ -
Net Change in General Fund Balance	\$ 4,605,164	\$ 1,660,742	\$ 10,155,234	\$ 6,922,974	\$ 7,999,641
Ending General Fund Balance ^{(A)(B)}	\$ 77,840,968	\$ 73,235,804	\$ 71,575,062	\$ 61,419,828	\$ 54,496,854

(A) Ending General Fund Balance includes Nonspendable, Committed, Assigned and Unassigned Fund Balance.

(B) The District estimates its Ending General Fund Balance as of August 31, 2025 to be approximately \$83.176 million (unaudited).

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

Table 21
CHANGE IN NET POSITION ^(A)

	Fiscal Years Ending August 31, 2020 - 2024				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues:					
Program Revenues					
Charges for Services	\$ 9,789,773	\$ 12,934,147	\$ 21,198,171	\$ 13,126,662	\$ 11,890,671
Operating Grants and Contributions	50,102,151	43,219,717	38,116,273	33,491,196	23,650,138
Total Program Revenues	\$ 59,891,924	\$ 56,153,864	\$ 59,314,444	\$ 46,617,858	\$ 35,540,809
General Revenues					
Maintenance and Operations Taxes	\$ 109,142,745	\$ 131,661,035	\$ 117,547,979	\$ 118,284,320	\$ 111,999,570
Debt Service Taxes	72,759,008	70,379,324	61,294,711	50,760,638	47,147,948
State Aid - Formula Grants	117,795,172	78,450,814	81,832,278	76,520,246	73,046,667
Investment Earnings	16,786,602	19,010,438	1,132,008	230,711	2,776,224
Miscellaneous Local and Intermediate Revenue	350,230	672,737	1,092,187	378,317	710,610
Total General Revenues	\$ 316,833,757	\$ 300,174,348	\$ 262,899,163	\$ 246,174,232	\$ 235,681,019
Total Revenues.....	\$ 376,725,681	\$ 356,328,212	\$ 322,213,607	\$ 292,792,090	\$ 271,221,828
Expenses					
Instruction	\$ 168,151,018	\$ 160,969,773	\$ 145,060,249	\$ 151,955,008	\$ 136,597,465
Instructional Resources and Media Services	3,320,128	3,283,318	2,914,255	2,815,720	2,782,107
Curriculum and Instructional Staff Development	4,870,705	4,833,919	4,679,302	4,463,449	4,448,253
Instructional Leadership	3,174,405	3,091,992	2,996,808	2,765,460	2,486,083
School Leadership	16,829,231	15,450,725	14,517,806	14,485,398	13,944,777
Guidance, Counseling and Evaluation Services	13,736,695	12,656,148	10,467,387	10,799,262	10,127,584
Social Work Services	507,998	559,496	542,422	467,702	176,826
Health Services	3,510,286	3,136,936	2,872,922	2,867,064	2,631,965
Student (Pupil) Transportation	8,049,346	7,765,443	6,934,921	6,398,219	5,492,396
Food Services	14,007,570	12,657,426	11,865,139	9,097,423	8,964,494
Extracurricular Activities	10,841,217	10,392,238	9,593,613	8,565,139	8,076,577
General Administration	9,677,614	9,080,865	8,321,251	7,997,910	8,091,675
Facilities Maintenance and Operations	32,930,192	28,024,779	25,343,525	23,170,078	23,100,173
Security and Monitoring Services	6,427,218	4,179,718	2,938,184	2,592,690	2,259,109
Data Processing Services	3,216,039	3,337,188	3,730,896	3,395,085	3,664,714
Community Services	324,141	261,930	212,110	246,863	270,816
Debt Service - Interest on Long Term Debt	37,809,296	37,774,441	31,347,176	32,531,706	20,941,534
Debt Service - Bond Issuance Costs and Fees	1,386,563	43,150	1,476,827	2,308,227	2,000,946
Payments Related to Shared Services Arrangements	144,209	169,807	141,991	123,094	121,045
Contracted Instructional Services Between Schools	20,483	-	6,153	-	-
Payments to Juvenile Justice Alternative Ed. Prg.	2,838	-	387	4,902	16,512
Other Intergovernmental Charges	887,497	963,639	823,201	787,484	778,179
Business-Type Activities	1,091,583	955,836	853,640	832,726	815,646
Total Expenses.....	\$ 340,916,272	\$ 319,588,767	\$ 287,640,165	\$ 288,670,609	\$ 257,788,876
Increase/(Decrease) in Net Position	\$ 35,809,409	\$ 36,739,445	\$ 34,573,442	\$ 4,121,481	\$ 13,432,952
Beginning Net Position	(19,248,994)	(56,097,605)	(90,622,427)	(94,743,908)	(108,176,860)
Prior Period Adjustment	1,988,737 ^(B)	109,166 ^(C)	(48,620) ^(D)	-	-
Ending Net Position.....	\$ 18,549,152	\$ (19,248,994)	\$ (56,097,605)	\$ (90,622,427)	\$ (94,743,908)

^(A) Financial operations for all governmental activities in accordance with GASB Statement Number 34.

^(B) Prior Period Adjustment due to the adoption of GASB Implementation Guide Number 2021-1 by the District.

^(C) Prior Period Adjustment due to the adoption of GASB Statement Number 96 by the District.

^(D) Prior Period Adjustment due to the adoption of GASB Statement Number 87 by the District.

Source: District's Audited Financial Statements.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

Eagle Mountain-Saginaw Independent School District (the “District”) is located approximately seven miles from the center of the City of Fort Worth, in the northwest/central portion of Tarrant County. The northern portion of Fort Worth lies within the boundaries of the District. The District also includes the cities of Saginaw and Blue Mound.

The District is governed by a seven-member Board of Trustees (the “Board”). Board members serve three-year staggered terms with at large elections being held every year. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

The District owns and operates 31 instructional facilities which are fully accredited by the Texas Education Agency. The number and types of instructional facilities are as follows:

Alternative Programs and Special Education Facilities	3
Elementary Schools	18
Middle Schools	6
High Schools	<u>4</u>
Total	<u>31</u>

DISTRICT ENROLLMENT INFORMATION

SCHOLASTIC ENROLLMENT HISTORY

<u>YEAR</u>	<u>ENROLLMENT</u>	<u>INCREASE/ (DECREASE)</u>	<u>PERCENT CHANGE</u>
2015/16	19,203	544	2.92%
2016/17	19,653	450	2.34%
2017/18	19,317	(336) ^(B)	(1.71%) ^(B)
2018/19	20,054	737	3.82%
2019/20	21,024	970	4.84%
2020/21	21,245	221	1.05%
2021/22	22,464	1,219	5.74%
2022/23	23,196	732	3.26%
2023/24	23,462	266	1.15%
2024/25	23,982	786	3.39%
2025/26 ^(A)	24,168	706	3.01%

^(A) Enrollment as of October 28, 2025.

^(B) The first public charter school within the boundaries of the District opened for the 2017/18 school year. As a result, the District saw a decline in the District’s student enrollment as compared to the 2016/17 school year. See “ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES” under “MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2024 (UNAUDITED)” in the District’s audited financial statements attached as Appendix D to the Official Statement for a discussion on charter schools and the District.

Source: District records.

PROJECTED STUDENT ENROLLMENT

<u>YEAR</u>	<u>ENROLLMENT</u>	<u>INCREASE/ (DECREASE)</u>	<u>PERCENT CHANGE</u>
2026/27	24,686	518	2.14%
2027/28	25,088	402	1.63%
2028/29	25,492	404	1.61%
2029/30	25,878	386	1.51%
2030/31	26,265	387	1.50%

Source: District projections.

STUDENT ENROLLMENT BY GRADES – YEARS 2015/16 – 2025/26

<u>YEAR</u>	<u>EE/PK</u>	<u>K</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>TOTAL</u>
2015/16	461	1,291	1,359	1,533	1,552	1,451	1,463	1,427	1,531	1,499	1,512	1,533	1,384	1,207	19,203
2016/17	456	1,326	1,363	1,404	1,590	1,583	1,510	1,512	1,472	1,554	1,595	1,506	1,488	1,294	19,653
2017/18	524	1,255	1,340	1,328	1,389	1,518	1,535	1,466	1,489	1,467	1,620	1,578	1,417	1,391	19,317
2018/19	523	1,357	1,396	1,400	1,398	1,498	1,639	1,645	1,597	1,546	1,621	1,632	1,491	1,311	20,054
2019/20	510	1,413	1,465	1,464	1,454	1,490	1,601	1,742	1,776	1,671	1,777	1,655	1,591	1,415	21,024
2020/21	459	1,358	1,462	1,522	1,497	1,493	1,566	1,637	1,809	1,778	1,817	1,749	1,619	1,479	21,245
2021/22	667	1,508	1,549	1,592	1,625	1,567	1,594	1,691	1,754	1,868	2,094	1,830	1,660	1,465	22,464
2022/23	746	1,468	1,644	1,637	1,681	1,707	1,616	1,709	1,763	1,830	2,167	1,959	1,696	1,573	23,196
2023/24	809	1,438	1,580	1,655	1,697	1,725	1,768	1,721	1,744	1,807	2,067	2,054	1,809	1,588	23,462
2024/25	820	1,538	1,538	1,641	1,730	1,762	1,766	1,807	1,809	1,837	2,116	1,999	1,915	1,704	23,982
2025/26 ^(A)	872	1,526	1,579	1,562	1,665	1,735	1,831	1,844	1,832	1,874	2,084	2,017	1,853	1,894	24,168

^(A) Enrollment as of October 28, 2025.

Source: District records.

STUDENT ENROLLMENT BY SCHOOL TYPE

<u>YEAR</u>	<u>ELEMENTARY SCHOOL (GRADES EE/PK-5)</u>	<u>MIDDLE SCHOOL (GRADES 6-8)</u>	<u>HIGH SCHOOL (GRADES 9-12)</u>	<u>TOTAL ENROLLMENT</u>
2015/16	9,110	4,457	5,636	19,203
2016/17	9,232	4,538	5,883	19,653
2017/18	8,889	4,422	6,006	19,317
2018/19	9,211	4,788	6,055	20,054
2019/20	9,397	5,189	6,438	21,024
2020/21	9,357	5,224	6,664	21,245
2021/22	10,102	5,313	7,049	22,464
2022/23	10,499	5,302	7,395	23,196
2023/24	10,672	5,272	7,518	23,462
2024/25	10,795	5,453	7,734	23,982
2025/26 ^(A)	10,770	5,550	7,848	24,168

^(A) Enrollment as of October 28, 2025.

Source: District records.

EMPLOYMENT OF THE DISTRICT

<u>STAFF INFORMATION</u>	<u>DISTRICT EMPLOYEES</u>	
	<u>NUMBER</u>	<u>PERCENTAGE</u>
Teachers	1,630	46.82%
Administrators	183	5.26%
Teacher Aides & Secretaries	680	19.53%
Auxiliary Staff	671	19.28%
Other Professional Support	317	9.11%
Total Number of Employees	<u>3,481</u>	<u>100.00%</u>

The District employs a staff of approximately 3,481. Beginning with the 2025/26 school year, entry level teachers without advanced degrees earn \$63,800 annually. Teachers with longevity or advanced degrees can earn between \$65,300 and \$89,162 annually. All teachers receive life and health insurance benefits worth approximately \$387 monthly.

Source: District records.

PRESENT SCHOOL FACILITIES

<u>LOCATION</u>	<u>GRADES SERVED</u>	<u>FUNCTIONAL CAPACITY^(A)</u>	<u>PRESENT ENROLLMENT^(B)</u>	<u>FUNCTIONAL CAPACITY LESS PRESENT ENROLLMENT</u>
Boswell High School	9 – 12	2,500	2,399	101
Chisholm Trail High School	9 – 12	2,500	2,164	336
Eagle Mountain High School	9 – 12	2,500	1,299	1,201
Saginaw High School	9 – 12	<u>2,500</u>	<u>1,849</u>	<u>651</u>
HIGH SCHOOL TOTAL		<u>10,000</u>	<u>7,711</u>	<u>2,289</u>
Creekview Middle School	6 – 8	1,078	985	93
Ed Willkie Middle School	6 – 8	1,002	770	232
Highland Middle School	6 – 8	1,050	658	392
Marine Creek Middle School	6 – 8	1,200	910	290
Prairie Vista Middle School	6 – 8	1,002	1,017	(15)
Wayside Middle School	6 – 8	<u>1,002</u>	<u>1,189</u>	<u>(187)</u>
MIDDLE SCHOOL TOTAL		<u>6,334</u>	<u>5,529</u>	<u>805</u>
Bryson Elementary School	K – 5	736	642	94
Chisholm Ridge Elementary School	K – 5	803	640	163
Comanche Springs Elementary School	K – 5	781	605	176
Copper Creek Elementary School	K – 5	803	674	129
Dozier Elementary School	K – 5	803	650	153
Eagle Mountain Elementary School	K – 5	758	641	117
Elkins Elementary School	K – 5	736	680	56
Gililand Elementary School	K – 5	691	465	226
Greenfield Elementary School	K – 5	803	589	214
Hatley Elementary School	K – 5	803	603	200
High Country Elementary School	K – 5	758	516	242
Lake County Elementary School	K – 5	803	635	168
Lake Pointe Elementary School	K – 5	781	669	112
Northbrook Elementary School	K – 5	781	493	288
Parkview Elementary School	K – 5	781	545	236
Remington Point Elementary School	K – 5	758	462	296
Saginaw Elementary School	K – 5	558	352	206
Willow Creek Elementary School	K – 5	<u>870</u>	<u>628</u>	<u>242</u>
ELEMENTARY SCHOOL TOTAL		<u>13,807</u>	<u>10,489</u>	<u>3,318</u>
Hafley Development Center	EE / PK	374	278	96
Watson High School / Alternative Discipline Center / JJAEP	7 – 12	---	161	(161)
Hollenstein Career and Technology Center	9 – 12	---	--- ^(C)	---
OTHER PROGRAMS TOTAL		<u>374</u>	<u>439</u>	<u>(65)</u>
TOTALS		<u>30,515</u>	<u>24,168</u>	<u>6,347</u>

^(A) Includes student capacity of any portable buildings on this campus.

^(B) Enrollment as of October 28, 2025.

^(C) Enrollment is included within each student's home high school campus.

Source: District records.

SCHOOLS UNDER CONSTRUCTION

<u>NAME OF SCHOOL</u>	<u>PLANNED FUNCTIONAL CAPACITY</u>	<u>GRADES SERVED</u>	<u>ESTIMATED COMPLETION DATE</u>
Wayside Middle School [New Campus]	1,200	6 – 8	December 2025

Source: District records.

THE CITY OF SAGINAW AND TARRANT COUNTY

Location

The city of Saginaw, Texas (the “City”) is located nine miles north of downtown Fort Worth and 37 miles west of Dallas. The community is located at the intersection of Interstate Loop 820 and Highway 287 and is less than a mile from Interstate 35W. The Dallas/Fort Worth International Airport is 20 miles east of Saginaw and Fort Worth Meacham International Airport is approximately three miles away. The 2020 Census for the City was 23,890, representing a 20.6% increase from 2010.

Tarrant County (2020 census of 2,110,640 increasing 16.7% over 2010) is a north Texas county, and a component of the Dallas-Fort Worth Metropolitan Statistical Area. The county seat and largest city is Fort Worth. Other primary cities include Arlington, Richland Hills, North Richland Hills, Bedford, Euless, Grapevine, Hurst, Haltom City, Mansfield and Southlake.

Economy

The economy of Tarrant County is based on manufacturing and commerce. Major institutions of higher education include The University of Texas at Arlington, Tarrant County College, Texas Christian University, Texas Wesleyan University, University of North Texas Health Science Center and Southwestern Baptist Theological Seminary. Diversified manufacturing is a significant factor in the economy of Tarrant County, including aircraft, automobile and electronic manufacturing. Other segments of the local economy include aerospace products, food and beverage, mobile homes, tourism, livestock and agri-business, transportation including major railroad services, financial services, and medical industries.

Major Employers – Tarrant County

<u>COMPANY</u>	<u>INDUSTRY</u>	<u>ESTIMATED NUMBER OF EMPLOYEES</u>
Lockheed Martin	Aerospace and Defense	18,700
Dallas Fort Worth International Airport	Transportation	14,000
General Motors Alington Assembly Plant	Automobile Manufacturing	10,512
Naval Air Station Fort Worth Joint Reserve Base	Military	10,500
BNSF Railway	Freight Transportation	4,900
John Peter Smith Hospital	Health Care	4,600
Alcon Laboratories Inc	Eye Care	4,500
The University of Texas at Arlington	Higher Education	4,383
General Motors Financial	Automobile Financing	4,371
Texas Health Harris Methodist Hospital	Health Care	4,100

Source: Tarrant County - North Central Texas Council of Governments Regional Data & Analysis Center 2023.

Comparative Unemployment Rates

<u>Entity</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025^(A)</u>
Tarrant County	7.4%	5.3%	3.7%	3.8%	3.9%	4.3%
State of Texas	7.7	5.6	3.9	4.0	4.1	4.7
United States of America	8.1	5.3	3.6	3.6	4.0	4.5

^(A) As of August 2025.

Source: Labor Market Information Department, Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL



Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

[CLOSING DATE]

IN REGARD to the authorization and issuance of the "Eagle Mountain-Saginaw Independent School District Unlimited Tax Refunding Bonds, Series 2025-A," dated November 15, 2025, in the aggregate principal amount of \$_____ (the "Bonds"), we have examined into their issuance by the Eagle Mountain-Saginaw Independent School District (the "District") solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the District's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the District, the disclosure of any financial or statistical information or data pertaining to the District and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on August 15 in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an order adopted by the Board of Trustees of the District authorizing the issuance of the Bonds (the "Order" and, jointly with the Pricing Certificate, the "Bond Order"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Bond Order.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Bond Order, an Escrow Agreement (the "Escrow Agreement") between the District and The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"), a special report of Public Finance Partners LLC (the "Verification Agent"), and an examination of the initial Bond executed and delivered by the District (which we found to be in due form and properly executed); (ii) certifications of officers of the District relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the District; and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certification.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the District and, when issued in compliance with the provisions of the Bond Order, are valid, legally binding, and enforceable obligations of the District, payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District, except to the extent that

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

300528035.1/1001365526

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "Eagle Mountain-Saginaw Independent School District Unlimited Tax Refunding Bonds, Series 2025-A," dated November 15, 2025

the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. The Escrow Agreement has been duly authorized, executed and delivered and, assuming the due authorization, execution or acceptance, and delivery thereof by the Escrow Agent, is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a trust fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the special report of the Verification Agent as to the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the District with the provisions of the Bond Order relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, "S" corporations with subchapter "C" earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of interests in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2024

The information contained in this Appendix consists of excerpts from the Eagle Mountain-Saginaw Independent School District Annual Financial Report for the Year Ended August 31, 2024, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Annual Financial Report for further information.

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

Independent Auditor's Report

Eagle Mountain-Saginaw Independent School District
Fort Worth, Texas

Opinion

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 the Eagle Mountain-Saginaw Independent School District as of and for the year ended August 31, 2024 and the related notes to the financial statements, which collectively comprise Eagle Mountain-Saginaw Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eagle Mountain-Saginaw Independent School District as of August 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eagle Mountain-Saginaw Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagle Mountain-Saginaw Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 14 and the Teacher Retirement System schedules on pages 66 through 74 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 Eagle Mountain-Saginaw Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2025 on our consideration of Eagle Mountain-Saginaw Independent School District's internal control over financial reporting and on our tests of the 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 Eagle Mountain-Saginaw Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eagle Mountain-Saginaw Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn, Scay & Scarborough

Hankins, Eastup, Deaton, Tonn, Scay & Scarborough, LLC
Denton, Texas

January 6, 2025

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2024
(UNAUDITED)**

As management of Eagle Mountain-Saginaw Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2024. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of Eagle Mountain-Saginaw Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal period by \$18,549,152.
- The District's total net position increased by \$35,809,409 during the fiscal year from the result of current year operations.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$335,255,210. Over 16% of this total amount (\$55,581,236) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, the unassigned fund balance of the general fund of \$57,873,295 was 23.31% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 17 through 19). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 33) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The section labeled Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, deferred inflows and liabilities at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

These two statements report the District's net position and changes in it. The District's net position (the difference between assets, deferred outflows, deferred inflows and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- **Governmental activities**—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Business-type activities**—The District charges a fee to “customers” to help it cover all or most of the cost of services it provides in the childcare services program.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

The fund financial statements begin on page 20 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

- Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-four 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, capital projects fund and food service fund, each of which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 20 through 27 of this report.
- Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The District uses an enterprise fund to account for its childcare activities. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities. The District has no internal service funds.
- Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the custodian, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of custodial net position and a separate statement of changes in custodial fund net position that can be found on pages 31 and 32. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The District's total net position increased by \$35,809,409 during the fiscal year from the result of current year operations. Unrestricted net position – 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 – was a \$46,983,811 deficit at August 31, 2024. The increase of \$35,809,409 in governmental activities net position from current operations was the result of several factors. First, the District's revenues exceeded expenditures by \$62,769,687 (as adjusted for the effects of capital outlay and debt service principal payments.) However, the District recorded depreciation expense, which is a non-cash expense that reduces the value of District assets, in the amount of \$27,797,951. In addition, various adjustments totaling \$837,673 were posted to revenues and expenses to account for prepaid expenses, interest accruals and tax revenues earned during the period under the full accrual method of accounting.

Table I
NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 384,117,490	\$ 331,804,650	\$ 1,012,122	\$ 904,837	\$ 385,129,612	\$ 332,709,487
Capital assets	1,061,615,999	962,133,619	-	-	1,061,615,999	962,133,619
Total assets	1,445,733,489	1,293,938,269	1,012,122	904,837	1,446,745,611	1,294,843,106
Deferred outflows of resources	94,967,919	116,861,224	-	-	94,967,919	116,861,224
Total assets and deferred outflows of resources	1,540,701,408	1,410,799,493	1,012,122	904,837	1,541,713,530	1,411,704,330
Long-term liabilities	1,416,607,104	1,291,252,170	-	-	1,416,607,104	1,291,252,170
Other liabilities	48,885,821	52,265,404	107,174	105,249	48,992,995	52,370,653
Total liabilities	1,465,492,925	1,343,517,574	107,174	105,249	1,465,600,099	1,343,622,823
Deferred inflows of resources	57,564,279	87,330,501	-	-	57,564,279	87,330,501
Total liabilities and deferred inflows of resources	1,523,057,204	1,430,848,075	107,174	105,249	1,523,164,378	1,430,953,324
Net Position:						
Net investments in capital assets	30,010,095	5,009,125	-	-	30,010,095	5,009,125
Restricted	35,522,868	24,218,003	-	-	35,522,868	24,218,003
Unrestricted	(47,888,759)	(49,275,710)	904,948	799,588	(46,983,811)	(48,476,122)
Total Net Position	\$ 17,644,204	\$ (20,048,582)	\$ 904,948	\$ 799,588	\$ 18,549,152	\$ (19,248,994)

**Table II
CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues:						
Charges for services	\$ 8,592,830	\$ 11,661,280	\$ 1,196,943	\$ 1,272,867	\$ 9,789,773	\$ 12,934,147
Operating grants and contributions	50,102,151	43,219,717	-	-	50,102,151	43,219,717
General Revenues:						
Maintenance and operations taxes	109,142,745	131,661,035	-	-	109,142,745	131,661,035
Debt service taxes	72,759,008	70,379,324	-	-	72,759,008	70,379,324
State aid - formula grants	117,795,172	78,450,814	-	-	117,795,172	78,450,814
Interest earnings	16,786,602	19,010,438	-	-	16,786,602	19,010,438
Miscellaneous	350,230	672,737	-	-	350,230	672,737
Total Revenue	<u>375,528,738</u>	<u>355,055,345</u>	<u>1,196,943</u>	<u>1,272,867</u>	<u>376,725,681</u>	<u>356,328,212</u>
Expenses:						
Instruction, curriculum and media services	176,341,851	169,087,010	1,090,579	955,836	177,432,430	170,042,846
Instructional and school leadership	20,003,636	18,542,717	-	-	20,003,636	18,542,717
Student support services	25,804,325	24,118,023	-	-	25,804,325	24,118,023
Food services	14,007,570	12,657,426	-	-	14,007,570	12,657,426
Extracurricular activities	10,841,217	10,392,238	-	-	10,841,217	10,392,238
General administration	9,677,614	9,080,865	-	-	9,677,614	9,080,865
Plant maintenance, security and data processing, community svcs	42,897,590	35,803,615	1,004	-	42,898,594	35,803,615
Debt services	39,195,859	37,817,591	-	-	39,195,859	37,817,591
Intergovernmental charges	1,055,027	1,133,446	-	-	1,055,027	1,133,446
Total Expenses	<u>339,824,689</u>	<u>318,632,931</u>	<u>1,091,583</u>	<u>955,836</u>	<u>340,916,272</u>	<u>319,588,767</u>
Change in net position	35,704,049	36,422,414	105,360	317,031	35,809,409	36,739,445
Prior period adjustment	1,988,737	109,166	-	-	1,988,737	109,166
Net Position (deficit) - beginning of year	<u>(20,048,582)</u>	<u>(56,580,162)</u>	<u>799,588</u>	<u>482,557</u>	<u>(19,248,994)</u>	<u>(56,097,605)</u>
Net Position (deficit) - end of year	<u>\$ 17,644,204</u>	<u>\$ (20,048,582)</u>	<u>\$ 904,948</u>	<u>\$ 799,588</u>	<u>\$ 18,549,152</u>	<u>\$ (19,248,994)</u>

The cost of all governmental activities for the current fiscal period was \$339,824,689. However, as shown in the Statement of Activities on pages 18 and 19, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$181,901,753 because some of the costs were paid by those who directly benefited from the programs (\$8,592,830) or State funding (\$117,795,172).

THE DISTRICT'S FUNDS

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$335,255,210 an increase of \$50,015,337 from the previous year. Approximately 22% of this total amount (\$72,843,654) constitutes *committed, assigned* and *unassigned fund balance*. The remainder of fund balance is *nonspendable* or *restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$28,823,187) or for capital projects (\$221,891,374) or for food service (\$4,743,555), or already spent on inventories (\$451,125) or prepaid items (\$6,502,315).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$57,873,295, while the total fund balance was \$77,840,968. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 23.31% of the total general fund expenditures, while the total fund balance represents 31.36% of that same amount.

The fund balance of the District's general fund increased by \$4,605,164 during the current fiscal year compared to a \$1,660,742 increase in the prior year. Key factors related to this change are as follows:

- The District realized \$22,360,725 less property tax revenue but \$39,433,537 more State funding in the current year compared to the prior year. The additional State funding was provided to offset the reduction in property tax rate caused by the compression in the tax rate. However, these additional revenues were offset by an increase in total expenditures of \$11,410,687 or 4.82%, primarily in the areas of instructional costs and facilities maintenance and operations costs.

The debt service fund has a total fund balance of \$28,823,187, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$11,840,941, of which \$6,445,000 of the increase was the result of a prior period adjustment. Property tax revenue increased \$2,361,144 over the prior year, while debt service expenditures increased \$8,625,860. State EDA revenue increased \$6,780,021 primarily due to an increase in the allowed homestead exemption.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by \$40,550,308, due primarily to \$150,000,000 proceeds from the issuance of school building bonds offset by \$118,680,709 spent on construction-related costs during the year. Although capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 4 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget at times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that reflect the actual beginning balances (versus the amounts we estimated in August, 2023). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. Principal amendments in this category were amendments to reflect an increase in the anticipated amount of State funding to be received and changes in tax collections. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$77,840,968 reported on page 20 differs from the General Fund's budgetary fund balance of \$71,438,311 reported in the budgetary comparison schedule on page 27. This is principally due to cost savings in most functional expenditure categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2024, the District had \$1,061,615,999 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$97,493,643, or 10.11%, above last year.

This fiscal year's major additions included:

Continuing construction costs on a new high school	\$85,591,841
Continuing construction costs on a new middle school	4,727,162
HVAC upgrades	7,986,132
Cafeteria equipment	1,814,356
Police department vehicles and equipment	827,383
Totaling	<u>\$100,947,074</u>

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had \$1,289,754,123 in long-term debt (outstanding bonds plus accreted interest and premiums/discounts on bonds, and right-to-use leases and subscriptions) versus \$1,177,988,609 last year—an increase of \$111,765,514 or 9.49%. \$145,380,000 par value in new school building bonds were issued during the current fiscal period, in addition to the remarketing of a prior year bond issuance. The District's underlying rating for unlimited tax bonds is "AA-" by S&P and Fitch and "Aa2" by Moody's but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2023-2024 fiscal year focused on budgeting to meet the needs of a growing district in a competitive employment area while maintaining targeted fund balance levels. Currently, the District has been able to meet and maintain the 90-day fund balance level for six consecutive years. Past and potential future challenges to meeting this requirement have included the acceleration of enrollment and the need to open new schools to accommodate this growth along with limited increases in the state funding formula compared to the rate of inflation. To weather the lack of changes to the school finance formula during the 2024-2025 legislative biennium, the District strategically reduced existing expenditures and also adopted a 2024-2025 operating budget using \$15.7 million from reserves to maintain programs and remain competitive in the labor market until the 2026-2027 biennium as appropriate funding was available in the state appropriations. Also, for the 2024-2025 school year, the District constructed and opened its fourth traditional high school. Citizens passed a \$561.1 million bond referendum in November 2023 to support future growth, replacement, and capital maintenance of facilities which allows the District to best use its operational funding to meet its mission in student excellence.

In the 2019 legislative session, the school finance system was replaced by a new system – referred to as "HB3". The new system provides for local property tax relief based on local property value growth in comparison to the state average. As such the District was able to reduce the overall tax rate by \$0.0015 for the 2024-2025 school year for a total of decrease of \$0.2943 since HB3's inception. New home construction continues to contribute to a strong, stable local property tax base to support the District's finances with the applied 2024 tax rate of \$1.2457 per \$100 taxable valuation.

The District continues to experience the impact of new charter schools in the area; although the impact is mild compared to the impact experienced in prior years. While charter schools will continue to present potential challenges, the District works to minimize the impact created by the fluctuations in enrollment caused by the operation of charter schools.

For the 2024-2025 budget and beyond, the District is addressing the continued student needs brought forth by the COVID-19 pandemic and continues to position itself to 1) accommodate growth, 2) provide quality instruction and options for our students, and 3) be competitive in the labor market for needed employees. The District will balance these objectives with maintaining fund balance levels and the current AA- rating for the issuance of future debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Eagle Mountain-Saginaw Independent School District, 1600 Mustang Rock Road, Fort Worth, Texas 76179, (817) 232-0880.

This page left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 361,672,235	\$ 1,012,122	\$ 362,684,357
1220	Property Taxes - Delinquent	1,839,461	-	1,839,461
1230	Allowance for Uncollectible Taxes	(91,974)	-	(91,974)
1240	Due from Other Governments	13,442,388	-	13,442,388
1290	Other Receivables, Net	301,940	-	301,940
1300	Inventories	451,125	-	451,125
1410	Prepayments	6,502,315	-	6,502,315
	Capital Assets:			
1510	Land	40,642,411	-	40,642,411
1520	Buildings, Net	650,447,396	-	650,447,396
1530	Furniture and Equipment, Net	21,566,763	-	21,566,763
1550	Right-to-Use Leased Assets, Net	6,911,675	-	6,911,675
1580	Construction in Progress	342,047,754	-	342,047,754
1000	Total Assets	1,445,733,489	1,012,122	1,446,745,611
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	34,862,481	-	34,862,481
1705	Deferred Outflow Related to TRS Pension	39,762,166	-	39,762,166
1706	Deferred Outflow Related to TRS OPEB	20,343,272	-	20,343,272
1700	Total Deferred Outflows of Resources	94,967,919	-	94,967,919
LIABILITIES				
2110	Accounts Payable	24,013,926	-	24,013,926
2150	Payroll Deductions and Withholdings	2,390,339	-	2,390,339
2160	Accrued Wages Payable	17,108,973	107,174	17,216,147
2180	Due to Other Governments	17,971	-	17,971
2200	Accrued Expenses	2,529,058	-	2,529,058
2300	Unearned Revenue	2,825,554	-	2,825,554
	Noncurrent Liabilities:			
2501	Due Within One Year: Loans, Note, Leases, etc.	46,246,773	-	46,246,773
	Due in More than One Year:			
2502	Bonds, Notes, Loans, Leases, etc.	1,243,507,350	-	1,243,507,350
2540	Net Pension Liability (District's Share)	90,010,706	-	90,010,706
2545	Net OPEB Liability (District's Share)	36,842,275	-	36,842,275
2000	Total Liabilities	1,465,492,925	107,174	1,465,600,099
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflow Related to TRS Pension	4,008,982	-	4,008,982
2606	Deferred Inflow Related to TRS OPEB	53,555,297	-	53,555,297
2600	Total Deferred Inflows of Resources	57,564,279	-	57,564,279
NET POSITION				
3200	Net Investment in Capital Assets and Right-to-Use Lease Restricted:	30,010,095	-	30,010,095
	Restricted:			
3820	Restricted for Federal and State Programs	5,167,320	-	5,167,320
3850	Restricted for Debt Service	28,823,187	-	28,823,187
3870	Restricted for Campus Activities	1,532,361	-	1,532,361
3900	Unrestricted	(47,888,759)	904,948	(46,983,811)
3000	Total Net Position	\$ 17,644,204	\$ 904,948	\$ 18,549,152

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 168,151,018	\$ 711,755	\$ 22,231,228
12 Instructional Resources and Media Services	3,320,128	-	300,388
13 Curriculum and Instructional Staff Development	4,870,705	-	893,601
21 Instructional Leadership	3,174,405	-	283,949
23 School Leadership	16,829,231	-	1,075,646
31 Guidance, Counseling, and Evaluation Services	13,736,695	-	1,712,818
32 Social Work Services	507,998	-	35,145
33 Health Services	3,510,286	-	251,535
34 Student (Pupil) Transportation	8,049,346	-	1,086,541
35 Food Services	14,007,570	4,843,561	9,588,950
36 Extracurricular Activities	10,841,217	770,864	891,395
41 General Administration	9,677,614	2,158,288	418,291
51 Facilities Maintenance and Operations	32,930,192	108,362	636,730
52 Security and Monitoring Services	6,427,218	-	1,151,749
53 Data Processing Services	3,216,039	-	87,421
61 Community Services	324,141	-	127,254
72 Debt Service - Interest on Long-Term Debt	37,809,296	-	9,329,510
73 Debt Service - Bond Issuance Cost and Fees	1,386,563	-	-
91 Contracted Instructional Services Between Schools	20,483	-	-
93 Payments Related to Shared Services Arrangements	144,209	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	2,838	-	-
99 Other Intergovernmental Charges	887,497	-	-
[TG] Total Governmental Activities:	339,824,689	8,592,830	50,102,151
BUSINESS-TYPE ACTIVITIES:			
01 Employee Child Care	1,090,579	1,195,473	-
02 Security Services	1,004	1,470	-
[TB] Total Business-Type Activities:	1,091,583	1,196,943	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 340,916,272	\$ 9,789,773	\$ 50,102,151
Data			
Control	General Revenues:		
Codes	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
TR	Total General Revenues		
CN	Change in Net Position		
NB	Net Position - Beginning		
PA	Prior Period Adjustment		
NE	Net Position - Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (145,208,035)	\$ -	\$ (145,208,035)
(3,019,740)	-	(3,019,740)
(3,977,104)	-	(3,977,104)
(2,890,456)	-	(2,890,456)
(15,753,585)	-	(15,753,585)
(12,023,877)	-	(12,023,877)
(472,853)	-	(472,853)
(3,258,751)	-	(3,258,751)
(6,962,805)	-	(6,962,805)
424,941	-	424,941
(9,178,958)	-	(9,178,958)
(7,101,035)	-	(7,101,035)
(32,185,100)	-	(32,185,100)
(5,275,469)	-	(5,275,469)
(3,128,618)	-	(3,128,618)
(196,887)	-	(196,887)
(28,479,786)	-	(28,479,786)
(1,386,563)	-	(1,386,563)
(20,483)	-	(20,483)
(144,209)	-	(144,209)
(2,838)	-	(2,838)
(887,497)	-	(887,497)
(281,129,708)	-	(281,129,708)
-	104,894	104,894
-	466	466
-	105,360	105,360
(281,129,708)	105,360	(281,024,348)
109,142,745	-	109,142,745
72,759,008	-	72,759,008
117,795,172	-	117,795,172
16,786,602	-	16,786,602
350,230	-	350,230
316,833,757	-	316,833,757
35,704,049	105,360	35,809,409
(20,048,582)	799,588	(19,248,994)
1,988,737	-	1,988,737
\$ 17,644,204	\$ 904,948	\$ 18,549,152

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2024

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS				
1110	Cash and Cash Equivalents	\$ 78,545,663	\$ 28,733,058	\$ 244,123,316
1220	Property Taxes - Delinquent	1,270,771	568,690	-
1230	Allowance for Uncollectible Taxes	(63,539)	(28,435)	-
1240	Due from Other Governments	7,979,322	573,487	559,651
1260	Due from Other Funds	7,433,238	-	-
1290	Other Receivables	301,812	-	-
1300	Inventories	75,042	-	-
1410	Prepayments	4,162,574	-	-
1000	Total Assets	<u>\$ 99,704,883</u>	<u>\$ 29,846,800</u>	<u>\$ 244,682,967</u>
LIABILITIES				
2110	Accounts Payable	\$ 1,401,935	\$ -	\$ 19,927,666
2150	Payroll Deductions and Withholdings Payable	2,390,339	-	-
2160	Accrued Wages Payable	16,302,478	-	-
2170	Due to Other Funds	-	183,098	2,863,927
2180	Due to Other Governments	17,971	-	-
2300	Unearned Revenue	86,190	-	-
2000	Total Liabilities	<u>20,198,913</u>	<u>183,098</u>	<u>22,791,593</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	1,665,002	840,515	-
2600	Total Deferred Inflows of Resources	<u>1,665,002</u>	<u>840,515</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	75,042	-	-
3430	Prepaid Items	4,162,574	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	221,891,374
3480	Retirement of Long-Term Debt	-	28,823,187	-
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
Assigned Fund Balance:				
3590	2024-2025 Projected Budget Deficit	15,730,057	-	-
3600	Unassigned Fund Balance	57,873,295	-	-
3000	Total Fund Balances	<u>77,840,968</u>	<u>28,823,187</u>	<u>221,891,374</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 99,704,883</u>	<u>\$ 29,846,800</u>	<u>\$ 244,682,967</u>

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

Child Nutrition Fund	Other Funds	Total Governmental Funds
\$ 6,815,010	\$ 3,455,188	\$ 361,672,235
-	-	1,839,461
-	-	(91,974)
738,409	3,591,519	13,442,388
-	-	7,433,238
128	-	301,940
376,083	-	451,125
47,682	2,292,059	6,502,315
<u>\$ 7,977,312</u>	<u>\$ 9,338,766</u>	<u>\$ 391,550,728</u>
\$ 749,781	\$ 1,934,544	\$ 24,013,926
-	-	2,390,339
248,555	557,940	17,108,973
1,484,480	2,901,733	7,433,238
-	-	17,971
327,176	2,412,188	2,825,554
<u>2,809,992</u>	<u>7,806,405</u>	<u>53,790,001</u>
-	-	2,505,517
<u>-</u>	<u>-</u>	<u>2,505,517</u>
376,083	-	451,125
47,682	2,292,059	6,502,315
4,743,555	-	4,743,555
-	-	221,891,374
-	-	28,823,187
-	1,532,361	1,532,361
-	-	15,730,057
-	(2,292,059)	55,581,236
<u>5,167,320</u>	<u>1,532,361</u>	<u>335,255,210</u>
<u>\$ 7,977,312</u>	<u>\$ 9,338,766</u>	<u>\$ 391,550,728</u>

This page left blank intentionally.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 335,255,210
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	1,396,688,860
2 Accumulated depreciation has not been included in the governmental fund financial statements.	(335,072,861)
3 Bonds payable have not been included in the governmental fund financial statements.	(1,162,925,000)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$90,010,706, a Deferred Resource Inflow related to TRS in the amount of \$4,008,982 and a Deferred Resource Outflow related to TRS in the amount of \$39,762,166. This amounted to a decrease in Net Position in the amount of \$54,257,522.	(54,257,522)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$36,842,275, a Deferred Resource Inflow related to TRS OPEB in the amount of \$53,555,297, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$20,343,272. This amounted to a net decrease in Net Position in the amount of \$70,054,300.	(70,054,300)
6 Right-to-use lease liabilities have not been included in the fund financial statements.	(3,546,474)
7 Right-to-own subscription liabilities have not been included in the fund financial statements.	(3,456,377)
8 Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.	(1,394,364)
9 Unavailable revenue on property taxes in the fund financial statements was recorded as revenue in the district-wide financial statements.	2,505,517
10 Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the fund financial statements, an interest expenditure is reported when due.	(2,529,058)
11 Loss on the refunding of bonds reported as net other financing uses on the fund financial statements is deferred in the district-wide financial statements.	34,862,481
12 Premium on the issuance of bonds reported as net other financing sources on the fund financial statements is capitalized in the district-wide financial statements.	(118,431,908)
29 Net Position of Governmental Activities	\$ 17,644,204

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 115,551,001	\$ 75,279,733	\$ 9,227,440
5800	State Program Revenues	131,813,346	8,693,064	-
5900	Federal Program Revenues	4,164,121	567,111	-
5020	Total Revenues	251,528,468	84,539,908	9,227,440
EXPENDITURES:				
Current:				
0011	Instruction	136,424,993	-	413,730
0012	Instructional Resources and Media Services	2,801,939	-	-
0013	Curriculum and Instructional Staff Development	3,677,256	-	-
0021	Instructional Leadership	2,725,391	-	-
0023	School Leadership	14,629,752	-	-
0031	Guidance, Counseling, and Evaluation Services	11,161,237	-	-
0032	Social Work Services	493,862	-	-
0033	Health Services	3,023,928	-	-
0034	Student (Pupil) Transportation	8,298,988	-	-
0035	Food Services	538,209	-	-
0036	Extracurricular Activities	9,582,010	-	-
0041	General Administration	8,663,302	-	-
0051	Facilities Maintenance and Operations	31,151,407	-	-
0052	Security and Monitoring Services	5,712,507	-	644,894
0053	Data Processing Services	3,571,783	-	-
0061	Community Services	87,605	-	-
Debt Service:				
0071	Principal on Long-Term Liabilities	4,350,945	37,725,000	-
0072	Interest on Long-Term Liabilities	280,893	41,375,728	-
0073	Bond Issuance Cost and Fees	-	262,744	1,123,819
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	117,622,085
Intergovernmental:				
0091	Contracted Instructional Services Between Schools	20,483	-	-
0093	Payments to Fiscal Agent/Member Districts of SSA	144,209	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	2,838	-	-
0099	Other Intergovernmental Charges	887,497	-	-
6030	Total Expenditures	248,231,034	79,363,472	119,804,528
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	3,297,434	5,176,436	(110,577,088)
OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued	-	43,595,000	145,380,000
7912	Sale of Real and Personal Property	53,082	-	-
7913	Right-to-Use Lease and SBITA Proceeds	1,366,299	-	-
7916	Premium or Discount on Issuance of Bonds	-	789,505	5,747,396
8949	Other (Uses)	(16,122)	(44,165,000)	-
7080	Total Other Financing Sources (Uses)	1,403,259	219,505	151,127,396
EXTRAORDINARY ITEMS:				
7919	Extraordinary Item - Resource	7,500	-	-
8913	Extraordinary Item - (Use)	(103,029)	-	-
1200	Net Change in Fund Balances	4,605,164	5,395,941	40,550,308
0100	Fund Balance - September 1 (Beginning)	73,235,804	16,982,246	181,341,066
1300	Prior Period Adjustment	-	6,445,000	-
3000	Fund Balance - August 31 (Ending)	\$ 77,840,968	\$ 28,823,187	\$ 221,891,374

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

Child Nutrition Fund	Other Funds	Total Governmental Funds
\$ 5,042,759	\$ 1,852,574	\$ 206,953,507
54,735	1,447,680	142,008,825
8,503,744	9,709,142	22,944,118
13,601,238	13,009,396	371,906,450
-	12,153,883	148,992,606
-	136,666	2,938,605
-	545,945	4,223,201
-	37,921	2,763,312
-	88,526	14,718,278
-	730,381	11,891,618
-	-	493,862
-	14,115	3,038,043
-	-	8,298,988
14,282,434	-	14,820,643
-	197,664	9,779,674
-	334	8,663,636
-	-	31,151,407
-	848,448	7,205,849
-	-	3,571,783
-	65,525	153,130
-	54,083	42,130,028
-	15,252	41,671,873
-	-	1,386,563
-	-	117,622,085
-	-	20,483
-	-	144,209
-	-	2,838
-	-	887,497
14,282,434	14,888,743	476,570,211
(681,196)	(1,879,347)	(104,663,761)
-	-	188,975,000
-	-	53,082
-	2,024,467	3,390,766
-	-	6,536,901
-	-	(44,181,122)
-	2,024,467	154,774,627
-	-	7,500
-	-	(103,029)
(681,196)	145,120	50,015,337
5,848,516	1,387,241	278,794,873
-	-	6,445,000
\$ 5,167,320	\$ 1,532,361	\$ 335,255,210

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 50,015,337
Current year capital outlays are expenditures in the governmental fund financial statements, but are shown as increase in capital assets in the government-wide financial statements.	125,303,420
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(27,797,951)
Current year long-term debt principal payments on contractual obligations are expenditures in the governmental fund financial statements, but are shown as reductions in long-term debt in the district-wide financial statements.	86,295,028
Current year decrease in the accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but is shown as decreases in accreted interest on the government-wide financial statements.	612,938
Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the governmental fund financial statements an interest expenditure is reported when due. This amount represents the current year change in accrued interest.	(759,846)
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	6,662,751
Amortization of deferred loss on bond refunding is not recognized in the governmental funds. The effect of recording current year amortization is to decrease net assets.	(2,653,266)
Current year right-to-use lease proceeds are recorded as an other resource in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(578,179)
Current year right-to-use subscription liabilities are recorded as an other resource in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(2,812,587)
Proceeds from bond sales are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(188,975,000)
Premium received on bond sales are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(6,536,901)
Basis of SBIFAs retired are not recorded in the fund financial statements but are reductions of capital assets and long-term debt in the government-wide financial statements.	(390)
Revenue from property taxes is shown as unavailable in the governmental fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the government-wide financial statements. This amount represents the current year change in unavailable property taxes.	(8,068)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2023 caused the change in the ending net position to increase in the amount of \$7,539,184. Contributions were replaced with the District's pension expense for the year of \$17,170,880, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$9,631,696.	(9,631,696)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2023 but during the current fiscal year caused the ending net position to increase in the amount of \$1,534,763. These contributions were replaced with the District's OPEB expense for the year, which was \$(5,033,696) and also caused an increase in net position. The impact of both of these is to increase net position by \$6,568,459.	6,568,459
Change in Net Position of Governmental Activities	\$ 35,704,049

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

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 123,013,714	\$ 116,112,681	\$ 115,551,001	\$ (561,680)
5800	State Program Revenues	114,359,413	131,185,094	131,813,346	628,252
5900	Federal Program Revenues	4,050,000	4,089,147	4,164,121	74,974
5020	Total Revenues	241,423,127	251,386,922	251,528,468	141,546
EXPENDITURES:					
Current:					
0011	Instruction	142,004,107	138,951,605	136,424,993	2,526,612
0012	Instructional Resources and Media Services	2,820,570	2,882,627	2,801,939	80,688
0013	Curriculum and Instructional Staff Development	4,240,062	4,028,545	3,677,256	351,289
0021	Instructional Leadership	3,047,693	3,143,348	2,725,391	417,957
0023	School Leadership	14,298,135	14,952,901	14,629,752	323,149
0031	Guidance, Counseling, and Evaluation Services	10,676,064	11,442,823	11,161,237	281,586
0032	Social Work Services	571,283	571,283	493,862	77,421
0033	Health Services	3,017,419	3,157,628	3,023,928	133,700
0034	Student (Pupil) Transportation	8,071,114	8,511,834	8,298,988	212,846
0035	Food Services	486,889	603,889	538,209	65,680
0036	Extracurricular Activities	9,663,820	10,049,498	9,582,010	467,488
0041	General Administration	8,997,886	8,993,135	8,663,302	329,833
0051	Facilities Maintenance and Operations	28,329,132	31,244,795	31,151,407	93,388
0052	Security and Monitoring Services	5,063,097	6,035,358	5,712,507	322,851
0053	Data Processing Services	3,639,057	3,990,127	3,571,783	418,344
0061	Community Services	25,000	101,321	87,605	13,716
Debt Service:					
0071	Principal on Long-Term Liabilities	4,053,780	4,617,749	4,350,945	266,804
0072	Interest on Long-Term Liabilities	154,181	289,198	280,893	8,305
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	600,000	135,614	20,483	115,131
0093	Payments to Fiscal Agent/Member Districts of SSA	260,000	144,210	144,209	1
0095	Payments to Juvenile Justice Alternative Ed. Prg.	50,000	20,000	2,838	17,162
0099	Other Intergovernmental Charges	985,914	985,914	887,497	98,417
6030	Total Expenditures	251,055,203	254,853,402	248,231,034	6,622,368
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,632,076)	(3,466,480)	3,297,434	6,763,914
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	27,347	53,082	25,735
7913	Right-to-Use Lease and SBITA Proceeds	1,664,640	1,664,640	1,366,299	(298,341)
8949	Other (Uses)	-	(23,000)	(16,122)	6,878
7080	Total Other Financing Sources (Uses)	1,664,640	1,668,987	1,403,259	(265,728)
EXTRAORDINARY ITEMS:					
7919	Extraordinary Item - Resource	-	111,679	7,500	(104,179)
8913	Extraordinary Item - (Use)	-	(111,679)	(103,029)	8,650
1200	Net Change in Fund Balances	(7,967,436)	(1,797,493)	4,605,164	6,402,657
0100	Fund Balance - September 1 (Beginning)	73,235,804	73,235,804	73,235,804	-
3000	Fund Balance - August 31 (Ending)	\$ 65,268,368	\$ 71,438,311	\$ 77,840,968	\$ 6,402,657

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2024

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,012,122
Total Assets	<u>1,012,122</u>
LIABILITIES	
Current Liabilities:	
Accrued Wages Payable	107,174
Total Liabilities	<u>107,174</u>
NET POSITION	
Unrestricted Net Position	904,948
Total Net Position	<u>\$ 904,948</u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 1,001,741
Federal Revenues	195,202
Total Operating Revenues	1,196,943
OPERATING EXPENSES:	
Payroll Costs	986,056
Professional and Contracted Services	8,710
Supplies and Materials	10,195
Other Operating Costs	86,622
Total Operating Expenses	1,091,583
Operating Income	105,360
Total Net Position - September 1 (Beginning)	799,588
Total Net Position - August 31 (Ending)	\$ 904,948

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT D-3

	Business-Type Activities
	Total
	Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,001,741
Cash Received from Federal Grant	195,202
Cash Payments for Payroll Costs	(983,583)
Cash Payments for Purchased Services	(8,710)
Cash Payments for Supplies and Materials	(10,743)
Cash Payments for Expenses	(86,622)
Net Cash Provided by Operating Activities	107,285
Net Increase in Cash and Cash Equivalents	107,285
Cash and Cash Equivalents at Beginning of Year	904,837
Cash and Cash Equivalents at End of Year	\$ 1,012,122
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 105,360
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(548)
Increase (decrease) in Accrued Wages Payable	2,473
Net Cash Provided by Operating Activities	\$ 107,285

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2024

	Total Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 764,047
Total Assets	<u>764,047</u>
NET POSITION	
Unrestricted Net Position	<u>764,047</u>
Total Net Position	<u><u>\$ 764,047</u></u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

	Total Custodial Funds
ADDITIONS:	
Received from Student Groups	\$ 1,335,227
Total Additions	<u>1,335,227</u>
DEDUCTIONS:	
Student Groups	<u>1,175,317</u>
Total Deductions	<u>1,175,317</u>
Change in Fiduciary Net Position	159,910
Total Net Position - September 1 (Beginning)	<u>604,137</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 764,047</u></u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eagle Mountain-Saginaw Independent School District (the "District") is a public educational agency operating under the applicable rules and regulations of the State of Texas. The District's combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group elected by registered voters of the District, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the Eagle Mountain-Saginaw Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements, except that interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.
4. **Special Revenue Fund-Child Nutrition Fund** - This fund is established to account for resources financing the child nutrition program of the District. Federal reimbursement revenues originating from the US Department of Agriculture, as well as user fees, are expended for program operations with any unused balances legally restricted for use in the program.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Permanent Fund** - The District utilizes a permanent fund to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes to support the District's programs. The District has no permanent funds.
3. **Enterprise Fund** - The District utilizes enterprise funds to account for the Districts' activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District uses this fund to account for its employee childcare services, because this program is self-supporting and does not require subsidies from the general fund.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

4. **Internal Service Funds** – The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has no internal service funds.
5. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no private purpose trust funds.
6. **Fiduciary Funds** – The District reports Custodial Funds as Fiduciary Funds. Custodial Funds are custodial in nature and account for activities of student and employee groups. Custodial Funds exist with the explicit approval of, and are subject to revocation by, the Board. The District's Custodial Fund is the Student Activity Fund.

Activities accounted for in the Special Revenue Funds are:

ESEA I, A Improving Basic Programs - funds granted to serve students needing reading and math assistance
IDEA-Part B Formula - funds granted for children with disabilities
IDEA-Part B Preschool - funds granted for preschool children with disabilities
National Breakfast and Lunch Program - funds granted to serve meals to disadvantaged children
Career and Technical - funds granted for vocational program for students
ESEA II, A Training and Recruiting - funds for training to improve teacher and principal quality
Title III, A English Lang. Acquisition - funds to improve the education of limited English proficient children
Medicaid Admin. Claim MAC - funds to reimburse Medicaid state plan administrative costs
ESSER III Homeless Children - funds granted through the ARP Act for educational programs for homeless students
ESSER III – funds granted through the ARP Act to help the District operate and instruct students during the pandemic
COPS Grant - funds granted to support and assist districts in improving efforts to reduce violent crime in and around schools
Summer School LEP - funds for summer education of limited English proficient students
ESEA Title IV, Part A - funds granted for student support and academic enrichment
Visually Impaired - funds granted for visually impaired students
Advanced Placement Incentives - funds granted under the Texas Advanced Placement Award incentive program
State Instructional Materials - funds granted for textbook and technology needs
Dyslexia Grant - funds granted to increase the District's capacity to serve students with dyslexia
School Safety and Security Grants - funds granted from multiple grants for additional safety and security equipment
Read to Succeed - funds from state license fees for reading programs
TCLAS-GR – funds granted through the State to provide emergency relief related to the pandemic
Special Education Autism Grant – funds granted to provide services to students with autism
Campus Activity Funds - accounts for funds raised by a campus for the benefit of that campus
Lions Club Foundation - accounts for the use of a grant received by the District for a specific purpose

The enterprise fund and internal service funds are proprietary fund types. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Agency funds have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 90-day availability period is also used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first when appropriate, then unrestricted resources as they are needed.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

The Board adopts annual budgets on a basis consistent with GAAP for the General Fund, Debt Service Fund, and the Food Service Special Revenue Fund. The budget is prepared and controlled at the fund and object level for revenues, and the fund and function level for expenditures. The remaining special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year.

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

- Prior to August 20th, the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days, but not more than 30 days, public notice of the meeting is required.
- Prior to September 1st, the Board legally adopts the budget for the General Fund, Debt Service Fund, and the Food Service Special Revenue Fund.
- Expenditure budgets are controlled by the appropriate budget manager (principal, department director, or divisional administrator). Budget managers may authorize transfers within functional and organizational categories that do not affect the total functional and organizational appropriation.
- All budget appropriations lapse at year-end.

Over the course of the year, budget amendments and transfers are necessary to realign funds, which will increase and/or decrease various function levels and object series within the budget. Expenditure amendments and transfers between functional categories must be approved before spending exceeds the functional category appropriation. All necessary amendments and transfers are presented to the Board for approval at regular Board meetings and reflected in the official minutes.

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

F. CASH AND TEMPORARY INVESTMENTS

The cash portion of this caption in the accompanying fund financial statements is comprised of demand accounts, imprest funds and money market savings accounts. The District maintains a demand account on an imprest basis through which most obligations are paid. Checking account balances for most government fund expenditures are pooled into one demand account.

The District's investments in state investment pools are considered to be cash and cash equivalents. All daily receipts are deposited to demand accounts until the funds are invested under the terms of the District's depository contract.

The District's investment in government securities is considered to be cash and cash equivalents and has been adjusted to fair value.

G. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and prepaid items have been shown as nonspendable fund balance to signify that a portion of fund balance is not available for other subsequent expenditures.

H. INVENTORIES

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories have been shown as nonspendable fund balance to indicate that they are unavailable as current expendable financial resources.

Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount. Commodities on hand at August 31, 2024 totaled \$0.

I. INTERFUND RECEIVABLES AND PAYABLES

During the course of normal operations, the District has numerous transactions between funds. The most significant are:

- (A) Inventory is maintained in the General Fund but available for consumption by all funds on a cost reimbursement basis, and
- (B) Short-term interfund loans, due to the fact that checking account balances for most governmental funds are pooled into one demand account.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

J. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 Years
Furniture and Equipment	5-10 Years

In May 2021, GASB Implementation Guide No. 2021-1 updated guidance to require the capitalization of purchases of certain groups of assets with individual values less than the capitalization threshold, effective for fiscal years beginning after June 15, 2023. In prior years, the District had expended purchase of groups of assets with individual values less than the District's capitalization threshold.

K. COMPENSATED ABSENCES

It is the District's policy that after 5 years a terminating employee will be compensated for unused local leave, up to a certain maximum number of days. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Vacations are to be taken within the same year they are earned, and any unused days at the end of the calendar year are forfeited. Therefore, no liability for unused vacation leave has been accrued in the accompanying financial statements.

L. CASH EQUIVALENTS

For purposes of the statement of cash flows, the Childcare Services Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

M. NET POSITION

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

N. 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, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For the governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

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

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at August 31, 2024 was \$34,862,481.

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 of differences between expected and actual actuarial experiences. 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 other 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 which is currently approximately 5.6705 years.

A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the governmental activities for deferred pension expenses at August 31, 2024 was \$39,762,166.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The 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 next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.2215 years. The amount of deferred outflows reported in the governmental activities for deferred OPEB expense at August 31, 2024 was \$20,343,272.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three 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. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2024 was \$2,505,517.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five-year period. In fiscal year 2024, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$4,008,982.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.2215 years for the 2023 measurement year). In fiscal year 2024, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$53,555,297.

P. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2024, the District purchased commercial insurance to cover general liabilities and property damage, and retained some risk through the establishment of deductibles on policies. There were no significant reductions in coverage in the past fiscal year.

Q. SUBSEQUENT EVENTS

Management has reviewed events subsequent to August 31, 2024 through January 6, 2025, which is the date the financial statements were available to be issued. No subsequent events were identified that are required to be disclosed in the financial statements.

R. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

S. DATA CONTROL CODES

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (the "Agency") in their Resource Guide. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

NOTE 2. FUND BALANCE

The District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in a prior year. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law. Food service resources are to be used in the food service program.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of August 31, 2024 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance at August 31, 2024 for a projected 2024-25 budget deficit.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is 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, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

During the current fiscal period, the Board of Trustees adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 20 and 21) and are described below:

General Fund

The General Fund has unassigned fund balance of \$57,873,295 at August 31, 2024. Prepaid expenditures (prepaid items) of \$4,162,574 and inventories of \$75,042 are considered nonspendable fund balance. The District has committed general fund fund balance resources of \$15,730,057 to cover a projected 2024-25 budget deficit.

Other Major Funds

The Debt Service Fund has restricted funds of \$28,823,187 at August 31, 2024 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. \$4,743,555 of the fund balance of the Food Service Fund (a special revenue fund) is shown as restricted for that purpose. The remainder of the Food Service Fund is shown as nonspendable fund balance because it has already been spent on inventories (\$376,083) or prepaid items (\$47,682). The Capital Projects Fund has restricted funds of \$221,891,374 at August 31, 2024, consisting primarily of unspent bond funds that are restricted for ongoing construction contracts.

Other Funds

The fund balance of \$1,532,361 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities.

NOTE 3. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2024, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$20,990,219 and the bank balance was \$24,417,374. The District's cash deposits at August 31, 2024 and at all times during the current fiscal year were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. 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 August 31, 2024, the District's cash balances totaled \$24,417,374. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. 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. At August 31, 2024, the District held its investments in three public funds investment pools (Lone Star, TexPool and Texas Range), U.S. Government securities, state and local government securities and Asian development bank notes. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. Investments in U.S. Government securities do not carry custodial credit risk.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year-end was AAAm (Standard & Poor's), and for Lone Star and Texas Range was AA Af (Standard & Poor's).
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, Texas Range and Lone Star investments is less than 60 days and for the District's investment in U.S. Government securities is 3 years.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2024, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District's investments at August 31, 2024, are shown below:

Name	Carrying Amount	Fair Value
TexPool	\$ 57,444,654	\$ 57,444,654
Lone Star	157,909,872	157,909,872
Texas Range	18,294,566	18,294,566
U.S. Government securities	9,764,843	9,764,843
State & Local Govt securities	98,556,930	98,556,930
Asian Development Bank notes	487,320	487,320
Total	<u>\$342,458,185</u>	<u>\$342,458,185</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

<u>Fair Value Measurements Using</u>				
	Balance at	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value level:</u>	<u>8/31/24</u>			
US Government Securities	\$ 9,764,843	\$ 9,764,843	\$ -	\$ -
State & Local Government Securities	98,556,930	98,556,930	-	-
Asian Development Bank Notes	487,320	487,320	-	-
Total	<u>\$108,809,093</u>	<u>\$108,809,093</u>	<u>\$ -</u>	<u>\$ -</u>

The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in the TexPool, Lone Star and Texas Range (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost. There are no limitations or restrictions on participant withdrawals.

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2024, was as follows:

	Balance September 1	Additions/ Completions	Retirement/ Adjustments	Balance August 31
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 40,642,411	\$ -	\$ -	\$ 40,642,411
Construction in Progress	271,024,879	117,347,504	(46,324,629)	342,047,754
Total capital assets, not being depreciated	311,667,290	117,347,504	(46,324,629)	382,690,165
Capital assets, being depreciated				
Buildings and Improvements	862,266,139	42,633,743	-	904,899,882
Furniture and Equipment	81,818,462	8,256,036	-	90,074,498
Right-to-Use Assets	15,658,592	3,390,766	(25,043)	19,024,315
Total capital assets, being depreciated	959,743,193	54,280,545	(25,043)	1,013,998,695
Less accumulated depreciation for:				
Buildings and Improvements	(234,658,705)	(19,793,781)	-	(254,452,486)
Furniture and Equipment	(63,529,608)	(4,978,127)	-	(68,507,735)
Right-to-Use Assets	(9,099,814)	(3,026,043)	13,217	(12,112,640)
Total accumulated depreciation	(307,288,127)	(27,797,951)	13,217	(335,072,861)
Total capital assets being depreciated, net	652,455,066	26,482,594	(11,826)	678,925,834
Governmental activities capital assets, net	\$ 964,122,356	\$ 143,830,098	\$ (46,336,455)	\$ 1,061,615,999

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$17,936,296
Instructional Resources & Media Services	315,667
Curriculum & Instructional Staff Development	507,663
Instructional Leadership	312,131
School Leadership	1,783,377
Guidance, Counseling & Evaluation Services	1,480,705
Health Services	376,744
Food Services	713,493
Cocurricular/Extracurricular Activities	866,650
General Administration	829,737
Plant Maintenance and Operations	1,634,091
Data Processing Services	635,856
Security & Monitoring Services	259,360
Community Services	146,181
Total depreciation expense-Governmental activities	<u>\$27,797,951</u>

Land and construction in progress are not depreciated.

NOTE 5. LONG-TERM DEBT

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

Long-term debt of the District consists of twenty series of general obligation bonds, maintenance tax notes, capital leases, accreted interest on capital appreciation bonds, premiums/discounts on bond issuances and right-to-use lease liabilities and SBITA liabilities. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2024:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 9/1/2023	Additions	Refunded/ Retired	Amounts Outstanding 8/31/2024	Due Within One Year
Bonded Indebtedness							
2010A Building	4.783%	12,445,000	\$ 6,000,000	\$ 6,445,000	\$ -	\$ 12,445,000	\$ -
2011 Building	Variable	55,000,000	53,165,000	43,595,000	53,165,000	43,595,000	500,000
2013A Refunding	2.00-5.00%	53,800,000	2,900,000	-	2,900,000	-	-
2013B Refunding	0.92-3.50%	8,605,000	5,225,000	-	450,000	4,775,000	470,000
2014A Refunding	2.00-5.00%	17,055,000	4,115,000	-	2,015,000	2,100,000	2,100,000
2014B Refunding	2.00-3.75%	3,635,000	2,275,000	-	195,000	2,080,000	200,000
2015 Refunding	1.31-5.00%	64,660,000	20,920,000	-	3,130,000	17,790,000	3,300,000
2015A Building	3.50-5.00%	25,605,000	9,850,000	-	-	9,850,000	-
2015B Refunding	2.00-5.00%	11,205,000	2,515,000	-	595,000	1,920,000	615,000
2016 Refunding	2.25-5.00%	157,515,000	138,185,000	-	5,845,000	132,340,000	6,090,000
2016A Refunding	3.00-5.00%	51,700,000	51,700,000	-	-	51,700,000	-
2016B Building	2.00-4.00%	4,400,000	3,945,000	-	240,000	3,705,000	245,000
2018 Building	3.00-5.00%	42,815,000	41,630,000	-	785,000	40,845,000	835,000
2018A Building	4.00-5.00%	39,775,000	39,030,000	-	785,000	38,245,000	820,000
2019 Building	3.00-5.00%	135,755,000	119,500,000	-	3,345,000	116,155,000	1,925,000
2020A Refunding	3.00-5.00%	62,100,000	59,265,000	-	805,000	58,460,000	840,000
2020B Refunding	1.672-5.00%	30,115,000	29,340,000	-	160,000	29,180,000	105,000
2020C Refunding	1.602-5.00%	59,935,000	58,120,000	-	85,000	58,035,000	565,000
2021 Building	2.25-5.00%	224,465,000	216,360,000	-	4,320,000	212,040,000	4,535,000
2022 Building	4.00-5.00%	187,740,000	185,355,000	-	3,070,000	182,285,000	3,220,000
2024 Building	4.00-5.00%	145,380,000	-	145,380,000	-	145,380,000	9,490,000
Total Bonded Indebtedness			<u>1,049,305,000</u>	<u>195,420,000</u>	<u>81,890,000</u>	<u>1,162,925,000</u>	<u>35,855,000</u>
Lease Liabilities	2.50-4.50%		4,890,809	578,179	1,922,514	3,546,474	1,777,434
Subscription Liabilities	4.50%		1,672,740	2,812,587	1,028,950	3,456,377	1,013,134
Maintenance Tax Notes	1.60-3.25%		1,465,000	-	1,465,000	-	-
Premiums/Discounts on Bond Issuance			118,557,758	6,536,901	6,662,751	118,431,908	6,871,205
Accreted Interest			<u>2,007,302</u>	<u>37,062</u>	<u>650,000</u>	<u>1,394,364</u>	<u>730,000</u>
Total Other Obligations			<u>128,593,609</u>	<u>9,964,729</u>	<u>11,729,215</u>	<u>126,829,123</u>	<u>10,391,773</u>
Total Obligations of District			<u>\$ 1,177,988,609</u>	<u>\$ 205,384,729</u>	<u>\$ 93,619,215</u>	<u>\$ 1,289,754,123</u>	<u>\$ 46,246,773</u>

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

The District will pay a 4.00% interest rate on the Series 2011 variable rate bonds until July 31, 2027. For purposes of the debt service requirements disclosed in Note 8, a 5.00% interest rate is assumed thereafter.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2024.

In 2010 the District issued \$12,445,000 Series 2010A Qualified School Construction Bonds under a program of tax-credit bonds for school construction authorized by the American Recovery and Reinvestment Act. This program allows the District to receive an interest subsidy from the Federal government semiannually that was intended to pay 100% of the interest requirements on the bonds. Since October 1, 2015, however, sequestration reductions have reduced the subsidy received by 6.9% each year. The interest subsidies received during the current fiscal year have been shown in the accompanying financial statements as Federal revenue in the debt service fund.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

The debt agreement requires the District to deposit a specified amount annually on August 15 into a sinking fund for 9 years, beginning with the fiscal year ended August 31, 2019. Those sinking fund deposits will be used to retire the District's outstanding principal of \$12,445,000 upon maturity on August 15, 2027. The balance of the sinking fund at August 31, 2024 of \$7,945,000 is being held by the District as cash in the sinking fund and is presented as part of the District's debt service fund cash and cash equivalents in the accompanying financial statements.

NOTE 6. LEASES

During the year ended August 31, 2022, the District adopted GASB Statement No. 87 - Leases. This statement increased the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The District has entered into long-term agreements for the right-to-use copy machines and other technology equipment. No impairment related to losses were recognized by the District. The lease assets are amortized over the life of the agreements.

The District measured the lease liability at the present value of the original unpaid lease payments, discounted using the District's incremental borrowing rate, which has ranged from 2.50% to 4.50%. A summary of the lease activity for the year is shown below.

	Balance 8/31/2023	Additions	Retirements	Balance 8/31/2024
Right-to-Use Asset	\$ 12,423,082	\$ 578,179	\$ -	\$ 13,001,261
Less Accumulated Amortization	<u>(7,574,086)</u>	<u>(1,960,338)</u>	<u>-</u>	<u>(9,534,424)</u>
Total Right-to-Use Asset, Net	<u>\$ 4,848,996</u>	<u>\$ (1,382,159)</u>	<u>\$ -</u>	<u>\$ 3,466,837</u>

	Balance 8/31/2023	Additions	Retirements	Balance 8/31/2024
Lease Liability	\$ 4,890,809	\$ 578,179	\$ (1,922,514)	\$ 3,546,474
Total Lease Liability	<u>\$ 4,890,809</u>	<u>\$ 578,179</u>	<u>\$ (1,922,514)</u>	<u>\$ 3,546,474</u>

Future payment requirements under the leases as of August 31, 2024, are as follows:

Year Ended August 31,	Principal	Interest	Total
2025	\$1,777,434	\$120,158	\$1,897,592
2026	1,117,906	55,319	1,173,225
2027	651,134	14,542	665,676
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$3,546,474</u>	<u>\$190,019</u>	<u>\$3,736,493</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

NOTE 7. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

During the year ended August 31, 2023, the District adopted GASB Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITAs). This statement increased the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for SBITAs that previously were classified as operating licenses or subscriptions and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The District has entered into long-term agreements for the right-to-use various technology licenses and subscriptions. No impairment related to losses were recognized by the District. The SBITA assets are amortized over the life of the agreements.

The District measured the subscription liability at the present value of the original unpaid subscription payments, discounted using the District's incremental borrowing rate of 4.50%. A summary of the SBITA activity for the year is shown below.

	Balance 8/31/2023	Additions	Retirements	Balance 8/31/2024
Right-to-Use Asset	\$ 3,235,510	\$ 2,812,587	\$ (25,043)	\$ 6,023,054
Less Accumulated Amortization	<u>(1,525,728)</u>	<u>(1,065,705)</u>	<u>13,217</u>	<u>(2,578,216)</u>
Total Right-to-Use Asset, Net	<u>\$ 1,709,782</u>	<u>\$ 1,746,882</u>	<u>\$ (11,826)</u>	<u>\$ 3,444,838</u>

	Balance 8/31/2023	Additions	Retirements	Balance 8/31/2024
SBITA Liability	<u>\$ 1,672,740</u>	<u>\$ 2,812,587</u>	<u>\$ (1,028,950)</u>	<u>\$ 3,456,377</u>
Total SBITA Liability	<u>\$ 1,672,740</u>	<u>\$ 2,812,587</u>	<u>\$ (1,028,950)</u>	<u>\$ 3,456,377</u>

Future payment requirements under SBITAs as of August 31, 2024, are as follows:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$1,013,134	\$134,739	\$1,147,873
2026	856,644	91,738	948,382
2027	540,910	59,019	599,929
2028	203,942	42,876	246,818
2029	207,964	33,624	241,588
Thereafter	<u>633,783</u>	<u>42,289</u>	<u>676,072</u>
	<u>\$3,456,377</u>	<u>\$404,285</u>	<u>\$3,860,662</u>

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

NOTE 8. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2025	\$ 35,855,000	\$ 50,503,475	\$ 86,358,475
2026	32,490,000	45,454,920	77,944,920
2027	47,160,000	43,231,908	90,391,908
2028	37,500,000	41,374,876	78,874,876
2029	39,345,000	39,530,707	78,875,707
2030-2034	212,355,000	170,292,190	382,647,190
2035-2039	207,445,000	128,247,116	335,692,116
2040-2044	217,065,000	86,160,906	303,225,906
2045-2049	236,510,000	42,669,830	279,179,830
2050-2054	97,200,000	8,037,199	105,237,199
	<u>\$1,162,925,000</u>	<u>\$655,503,127</u>	<u>\$1,818,428,127</u>

NOTE 9. DEFEASED BONDS OUTSTANDING

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On August 31, 2024, \$15,755,000 of bonds outstanding are considered defeased.

NOTE 10. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Tarrant County Appraisal District (TCAD) is responsible for the appraisal of property for all taxing units in Tarrant County, including the District. Under the terms of a contract for appraisal services, the District paid TCAD \$887,497 in fiscal year 2024 for appraising property.

The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The appraisal and recording of all property within the District is the responsibility of the Tarrant County Appraisal District (TCAD), an independent government unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. TCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the TCAD Review Board through various appeals and, if necessary, legal action. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2023-24 fiscal year was based was \$14,685,893,922. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges at the rate of 1.5% per month of delinquency, plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2024, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.7492 and \$0.498 per \$100 valuation, respectively, for a total of \$1.2472 per \$100 valuation.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Current tax collections for the year ended August 31, 2024 were 99.82% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2024, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,207,232 and \$540,255 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as deferred revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description. Eagle Mountain-Saginaw Independent School 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.

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

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

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

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

	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2024</u>
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Eagle Mountain-Saginaw ISD FY24 Employer Contributions	\$	7,539,184
Eagle Mountain-Saginaw ISD FY24 Member Contributions	\$	14,661,524
Eagle Mountain-Saginaw ISD FY24 NECE On-Behalf Contributions	\$	8,736,162

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 the TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public 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 source or a privately sponsored source, from non-educational and general, or local funds.
- All public schools must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025.

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

- 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Actuarial Assumptions. The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2023	4.13%
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

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

The long-term rate of return on pension plan investments is 7.00%.

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

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.0%	1.00%
Non-U.S. Developed	13%	4.5%	0.90%
Emerging Markets	9%	4.8%	0.70%

¹ Target allocations are based on the FY23 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

⁴ Absolute Return includes credit sensitive investments.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Private Equity	14%	7.0%	1.50%
Stable Value			
Government Bonds	16%	2.5%	0.50%
Absolute Return ⁴	0%	3.6%	0.00%
Stable Value Hedge Funds	5%	4.1%	0.20%
Real Return			
Real Estate	15%	4.9%	1.10%
Energy, Natural Resources	6%	4.8%	0.40%
Commodities	0%	4.4%	0.00%
Risk Parity			
Risk Parity	8%	4.5%	0.40%
Leverage			
Cash	2%	3.7%	0.00%
Assct Allocation Leverage	-6%	4.4%	-0.10%
Inflation Expectation	-		2.30%
Volatility Drag ³	-		-0.90%
Total	<u>100%</u>		<u>8.00%</u>

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.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Eagle Mountain-Saginaw ISD's proportionate share of the net pension liability:	\$134,570,976	\$90,010,706	\$52,958,813

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2024, Eagle Mountain-Saginaw Independent School District reported a liability of \$90,010,706 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Eagle Mountain-Saginaw Independent School District. The amount recognized by Eagle Mountain-Saginaw Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Eagle Mountain-Saginaw Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 90,010,706
State's proportionate share that is associated with the District	<u>116,743,620</u>
Total	<u>\$206,754,326</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 0.1310383553%, an increase of 4.67% from its proportionate share of 0.1251966114% at August 31, 2022.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation.

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

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

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 elections which will be paid in January, 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

The amount of pension expense recognized by Eagle Mountain-Saginaw Independent School District in the reporting period was \$11,089,938.

For the year ended August 31, 2024 Eagle Mountain-Saginaw Independent School District recognized pension expense of \$17,627,277 and revenue of \$17,627,277 for support by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$3,207,112	\$1,089,931
Changes in actuarial assumptions	8,513,250	2,083,386
Difference between projected and actual investment earnings	13,098,743	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	7,403,877	835,665
Contributions paid to TRS subsequent to the measurement date	7,539,184	-
Total	\$39,762,166	\$4,008,982

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

Year ended August 31:	Pension Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2025	\$ 6,144,449	\$ 22,069,551
2026	4,261,179	17,808,372
2027	12,690,999	5,117,373
2028	4,469,138	648,235
2029	648,235	-
Thereafter	-	-

NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

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

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

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

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

TRS-Care Monthly for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon 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 .65% of salary. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2023</u>	<u>2024</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Eagle Mountain-Saginaw ISD FY24 Employer Contributions	\$1,534,763	
Eagle Mountain-Saginaw ISD FY24 Member Contributions	\$1,155,353	
Eagle Mountain-Saginaw ISD FY24 NECE On-behalf Contributions	\$1,741,974	

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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

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

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2023

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

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

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

Additional Actuarial Methods and Assumptions:

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%
Aging Factors	Based on specific plan 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
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 4.13% was used to measure the total OPEB liability. There was an increase of 0.22 percent in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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

	1% Decrease in Discount Rate (3.13%)	Current Single Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District's proportionate share of the Net OPEB Liability:	\$43,392,517	\$36,842,275	\$31,497,112

Healthcare Cost Trend Rates Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	\$30,337,773	\$36,842,275	\$45,210,332

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2024, the District reported a liability of \$36,842,275 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	\$36,842,275
State's proportionate share that is associated with the District	<u>44,455,867</u>
Total	<u>\$81,298,142</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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB 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 OPEB Liability was 0.1664186777%, an increase of 2.34% compared to the August 31, 2022 proportionate share of 0.1626192145%.

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 since the prior measurement period:

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

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

Changes of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was \$2,785,861.

For the year ended August 31, 2023, the District recognized OPEB expense of \$(9,503,726) and revenue of \$(9,503,276) for support provided by the State.

At August 31, 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 related to OPEB from the following sources (the amounts shown below will be the cumulative layers for the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$1,666,834	\$30,995,795
Changes in actuarial assumptions	5,028,702	22,559,502
Difference between projected and actual investment earnings	15,918	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	12,097,055	-
Contributions paid to TRS subsequent to the measurement date	1,534,763	-
Total	\$20,343,272	\$53,555,297

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

Year ended August 31:	OPEB Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2025	\$ (8,113,515)	\$ (26,633,273)
2026	(6,423,724)	(20,209,549)
2027	(4,136,046)	(16,073,503)
2028	(5,327,624)	(10,745,879)
2029	(4,354,044)	(6,391,835)
Thereafter	(6,391,835)	-

NOTE 13. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2024, the contribution made on behalf of the District was \$1,013,052.

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

NOTE 14. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2024, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 1,270,771	\$ 7,979,322	\$ 7,433,238	\$ 301,812	\$ 16,985,143
Debt Service Fund	568,690	573,487	-	-	1,142,177
Capital Projects Fund	-	559,651	-	-	559,651
Special Revenue Funds	-	4,329,928	-	128	4,330,056
Total - Governmental Activities	<u>\$ 1,839,461</u>	<u>\$ 13,442,388</u>	<u>\$ 7,433,238</u>	<u>\$ 301,940</u>	<u>\$ 23,017,027</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 91,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,974</u>

Payables at August 31, 2024, were as follows:

	Accounts	Salaries and Benefits	Due to Other Funds	Other	Total Payables
Governmental Activities:					
General Fund	\$ 1,401,935	\$ 18,692,817	\$ -	\$ 17,971	\$ 20,112,723
Debt Service Fund	-	-	183,098	-	183,098
Capital Projects Fund	19,927,666	-	2,863,927	-	22,791,593
Special Revenue Funds	2,684,325	806,495	4,386,213	-	7,877,033
Total - Governmental Activities	<u>\$ 24,013,926</u>	<u>\$ 19,499,312</u>	<u>\$ 7,433,238</u>	<u>\$ 17,971</u>	<u>\$ 50,964,447</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 15. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2024, consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
<u>General Fund</u>		
Special Revenue Funds:		
ESEA Title I Improving Basic Program	\$ 197,437	\$ -
IDEA - Part B, Formula	346,966	-
Child Nutrition	1,484,480	-
ESEA, Title II, Training and Recruiting	94,206	-
ESEA, Title III, English Lang Acquisition	24,953	-
Career and Technical - Basic Grant	46,641	-
ESSER III Homeless Children	43,485	-
ESSER III ARP Act	1,174,266	-
ESEA, Title IV, Part A	64,687	-
COPS Grant	90,369	-
Visually Impaired SSVI	9,024	-
Dyslexia Grant	16,829	-
School Safety and Security Grants	790,610	-
Other State Funds	2,260	-
Total	<u>4,386,213</u>	<u>-</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Debt Service Fund	183,098	-
Capital Projects Fund	<u>2,863,927</u>	-
Total General Fund	<u>7,433,238</u>	-
<u>Special Revenue Fund</u>		
General Fund	-	<u>4,386,213</u>
Total Special Revenue Fund	-	<u>4,386,213</u>
<u>Capital Projects Fund</u>		
General Fund	-	<u>2,863,927</u>
Total Capital Projects Fund	-	<u>2,863,927</u>
<u>Debt Service Fund</u>		
General Fund	-	<u>183,098</u>
Total Debt Service Fund	-	<u>183,098</u>
Total	<u>\$7,433,238</u>	<u>\$7,433,238</u>

Virtually all of the above interfund balances are short-term loans due to the fact that checking account balances for most governmental funds are pooled into one demand account. There are no interfund balances that are not expected to be repaid within one year.

There were no interfund transfers during the year ended August 31, 2024.

NOTE 16. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal, state and local governments as of August 31, 2024, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Local	State Entitlements	Federal Grants	Total
General	\$ 483,841	\$ 7,439,669	\$ 55,812	\$ 7,979,322
Special Revenue	-	992,522	3,337,406	4,329,928
Capital Projects Fund	559,651	-	-	559,651
Debt Service	-	289,931	283,556	573,487
Total	<u>\$ 1,043,492</u>	<u>\$ 8,722,122</u>	<u>\$ 3,676,774</u>	<u>\$ 13,442,388</u>

NOTE 17. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, will not be known until as long as five years from the bond issuance date. At August 31, 2024, the estimated rebate liability on outstanding bond series was \$4,987,057.

NOTE 18. LITIGATION AND CONTINGENCIES

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the financial statements for such contingencies.

The Tarrant County Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NOTE 19. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property taxes	\$ 108,748,028	\$ -	\$ 72,448,682	\$ -	\$ 181,196,710
Investment income	4,937,703	314,410	2,621,459	9,227,440	17,101,012
Food sales	115,302	4,728,349	-	-	4,843,651
Penalties, interest and other tax related income	503,519	-	209,592	-	713,111
Co-curricular student activities	770,864	1,784,812	-	-	2,555,676
Tuition and fees	70,075	-	-	-	70,075
Gifts and bequests	30,000	67,762	-	-	97,762
Facilities rentals	78,901	-	-	-	78,901
VIT overage	113,270	-	-	-	113,270
Insurance proceeds	29,461	-	-	-	29,461
Other	153,878	-	-	-	153,878
Total	<u>\$ 115,551,001</u>	<u>\$ 6,895,333</u>	<u>\$ 75,279,733</u>	<u>\$ 9,227,440</u>	<u>\$ 206,953,507</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

NOTE 20. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Lunchroom Receipts	\$ -	\$ 327,176	\$ -	\$ 327,176
Unspent Donations	86,190	-	-	86,190
Medicaid Admin Claim (MAC)	-	70,815	-	70,815
State Instructional Materials	-	2,318,974	-	2,318,974
AP Incentives	-	5,761	-	5,761
Read to Succeed	-	15,438	-	15,438
Other State Funds	-	1,200	-	1,200
Total	<u>\$ 86,190</u>	<u>\$ 2,739,364</u>	<u>\$ -</u>	<u>\$ 2,825,554</u>

NOTE 21. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories for the year ended August 31, 2024.

NOTE 22. SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for deaf education services with several other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Eagle Mountain-Saginaw ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended August 31, 2024, the District contributed \$144,209 to the fiscal agent as its share of the costs of the joint venture.

The District participates in a shared services arrangement for juvenile justice alternative education services with several other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Eagle Mountain-Saginaw ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended August 31, 2024, the District contributed \$2,838 to the fiscal agent as its share of the costs of the joint venture.

NOTE 23. DEFERRED CHARGES ON BOND REFUNDINGS

The District's deferred charge on bond refundings are as follows:

Balance – August 31, 2023	\$37,515,747
Current year amortization	<u>(2,653,266)</u>
Balance – August 31, 2024	<u>\$34,862,481</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

NOTE 24. SUBSEQUENT EVENT

Management has reviewed events subsequent to August 31, 2024 through January 6, 2025, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.

NOTE 25. EXTRAORDINARY ITEMS

Extraordinary items shown in the Statement of Revenues, Expenditures and Changes in Fund Balances consists of insurance proceeds and related repair activities related to damages caused by flood and other natural disasters incurred by the District.

NOTE 26. PRIOR PERIOD ADJUSTMENTS

As described in Note 1, during the current fiscal year the District implemented GASB Implementation Guide No. 2021-1 which updated guidance concerning the capitalization of purchases of group of assets with individual values less than the District's capitalization threshold. As part of the implementation, the District recorded a prior period adjustment for \$1,988,737 increasing the beginning net position of the Governmental Activities. The net prior period adjustment was the result of an increase in capital assets of \$2,593,404 offset by an increase in accumulated depreciation of \$604,667.

In addition, as described in Note 5, the District annually deposits an amount into a sinking fund to set aside funds for retirement of the District's outstanding principal on its Series 2010A Qualified School Construction Bonds. In prior years the sinking fund deposits were erroneously shown in the financial statements as principal payments on the bond series. The August 31, 2023 balance of \$6,445,000 in the sinking fund account has been shown as a prior period adjustment in the fund financial statements in order to record the sinking fund asset.

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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 Board’s roles and responsibilities in managing and administering the Fund, see the IPS and Board meeting materials (available on the PSF Corporation’s website).

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

	Annual Distributions to the Available School Fund⁽¹⁾									
<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>2023⁽²⁾</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.

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>
SBOE Distribution Rate ⁽¹⁾	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2024 and 2023				
Asset Class	August 31, 2024	August 31, 2023	Amount of Increase (Decrease)	Percent Change
Equity				
Domestic Small Cap	\$3,651.3	\$ 2,975.1	\$ 676.2	22.7%
Domestic Large Cap	<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	-	-
U.S. 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>
Total Alternative Investments	25,071.8	24,612.0	459.8	1.9%
Unallocated 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>
<u>Investment Type</u>	<u>As of</u> <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⁾	—
Total Investments & Cash in State Treasury	\$ 5,428.23

⁽¹⁾ Unaudited figures from Table 5 in the FY 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

⁽²⁾ Historical Cost of investments at August 31, 2024 was: Sovereign Lands \$838,730.24; Discretionary Internal Investments \$318,902,420.97; Other Lands \$37,290,818.76; and Minerals \$13,437,063.73.

⁽³⁾ Includes an estimated 1,000,000.00 acres in freshwater rivers.

⁽⁴⁾ Includes an estimated 1,747,600.00 in excess acreage.

⁽⁵⁾ Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.

⁽⁶⁾ Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

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

The School District Bond Guarantee Program

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

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

also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any

agreement with a third party relating to guaranteed bonds that is defined or described in State law as a “bond enhancement agreement” or a “credit agreement,” unless the right to payment of such third party is directly as a result of such third party being a bondholder.

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

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

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

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

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the “State Capacity Limit”) and that imposed by regulations and a notice issued by the IRS (the “IRS Limit”, with the limit in effect at any

given time being the “Capacity Limit”). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 after the IRS updated regulations relating to the PSF and similar funds.

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity Limit; however, in 2007, Senate Bill 389 (“SB 389”) was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

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

Changes in SBOE-determined multiplier for State Capacity Limit	
<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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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, a division of Standard & Poor’s Financial Services LLC, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF “Aaa,” “AAA” and “AAA,” respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district’s underlying rating and the enhanced rating applied to a given series of bonds.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations		
Fiscal Year Ended 8/31	Book Value ⁽¹⁾	Market Value ⁽¹⁾
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	
<u>At 8/31</u>	<u>Principal Amount⁽¹⁾</u>
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⁾						
<u>School District Bonds</u>			<u>Charter District Bonds</u>		<u>Totals</u>	
<u>Fiscal Year</u> <u>Ended 8/31</u>	<u>Number</u> <u>of Issues</u>	<u>Principal</u> <u>Amount</u>	<u>Number</u> <u>of Issues</u>	<u>Principal</u> <u>Amount</u>	<u>Number</u> <u>of Issues</u>	<u>Principal</u> <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 8-31-2024⁽¹⁾		
<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return⁽²⁾</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 “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.” The information also includes the Annual Report. The PSF Corporation will update and provide this information within six months after the end of each fiscal year.

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

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

The PSF Corporation 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.