

OFFICIAL STATEMENT

Dated: December 9, 2025

NEW ISSUE: Book-Entry-Only

Ratings: Moody's (PSF): "Aaa"

S&P (PSF): "AAA"

(see "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

In the opinion of Bond Counsel (defined below), under current law and subject to conditions described in the Section herein "TAX EXEMPTION," interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "TAX EXEMPTION."

\$29,740,000

**DICKINSON INDEPENDENT SCHOOL DISTRICT
(Galveston County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

Dated Date: January 1, 2026

Interest to Accrue from the Delivery Date (defined below)

Due: February 15, as shown on page ii

The Dickinson Independent School District (the "District") is issuing its \$29,740,000 Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, and a bond order passed by the Board of Trustees of the District (the "Board") on November 3, 2025 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who approved and executed a "Pricing Certificate" that sets forth the final terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein 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 limitation as to rate or amount, against all taxable property located within the District. See "THE BONDS - Authority for Issuance." In addition, the District has applied for and received conditional approval for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

Interest on the Bonds shall accrue from the Delivery Date (defined below) and will be payable on February 15, 2026 and semiannually thereafter on each August 15 and February 15 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof within a maturity. See "THE BONDS - General Description."

The District intends to use the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but use of such system could be discontinued. The principal amount of the Bonds at maturity or amounts due upon a prior redemption date, and interest on the Bonds will be payable to Cede & Co., as nominee for DTC, by Computershare Trust Company, N.A., 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 currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Bonds"), in order to achieve present value debt service savings, and (ii) to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose."

CUSIP PREFIX: 253363 / MATURITY SCHEDULE – See Page ii

The Bonds are offered when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Houston, Texas, Counsel for the Underwriters. Delivery of the Bonds is expected to be on or about January 14, 2026 (the "Delivery Date").

SAMCO Capital

BOK Financial Securities, Inc.

Siebert Williams Shank

MATURITY SCHEDULE

\$29,740,000
DICKINSON INDEPENDENT SCHOOL DISTRICT
(Galveston County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

CUSIP Prefix^(a): 253363

Maturity (2/15)^(b)	Principal Amounts	Interest Rate	Initial Yield ^(c)	CUSIP Suffix ^(a)
2026	\$3,305,000	5.00%	2.65%	G25
2027	5,655,000	5.00%	2.69%	G33
2028	2,225,000	5.00%	2.67%	G41
2029	3,675,000	5.00%	2.67%	G58
2030	415,000	5.00%	2.71%	G66
2031	650,000	5.00%	2.74%	G74
2032	5,900,000	5.00%	2.80%	G82
2033	6,165,000	5.00%	2.92%	G90
2034	855,000	5.00%	2.93%	H24
2035	895,000	5.00%	3.01%	H32

(Interest accrues from the Delivery Date)

^(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 and are included solely for convenience of the purchasers of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

^(b) The Bonds are not subject to optional redemption prior to stated maturity.

^(c) The initial yields are established by, and are the sole responsibility of, the Underwriters and may subsequently be changed.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Certain information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and 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.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein.

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 JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE 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 or the affairs of the Texas Education Agency ("TEA") described under "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

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

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

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

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

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The cover page hereof, the section entitled "SELECTED DATA FROM THE OFFICIAL STATEMENT," this Table of Contents and the Appendices attached hereto are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District

Dickinson Independent School District (the “District”) is a political subdivision of the State of Texas (the “State”) located in Galveston County, Texas. The District is governed by a 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.”

Authority for Issuance

The District is issuing its \$29,740,000 Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”) in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, and a bond order passed by the Board of Trustees of the District (the “Board”) on November 3, 2025 (the “Bond Order”), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who approved and executed a “Pricing Certificate” that sets forth the final terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the “Order”).

The Bonds

Bonds shall mature on the dates and in the amounts set forth on page ii 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 and will be payable on February 15, 2026 and semiannually thereafter on each August 15 and February 15 until stated maturity or prior redemption. See “THE BONDS – General Description.”

Security

The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS - 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, the District has applied for and received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.”

No Optional Redemption

The Bonds are not subject to optional redemption prior to stated maturity.

Use of Proceeds

Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District’s currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule I attached hereto (the “Refunded Bonds”), in order to achieve present value debt service savings, and (ii) to pay the costs of issuance of the Bonds.

Ratings

Standard and Poor’s Global Ratings (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) are expected to assign municipal bond ratings of “AAA” and “Aaa” respectively to the Bonds based upon the of the Permanent School Fund Guarantee. In addition, S&P has assigned its underlying unenhanced rating of “A” to the Bonds, and Moody’s has assigned its underlying unenhanced rating of “Aa3 (negative outlook).” An explanation of the significance of such ratings may be obtained from each company respectively. See “RATINGS.”

Paying Agent/Registrar

The Paying Agent/Registrar for the Bonds is Computershare Trust Company, N.A. See “THE BONDS - Paying Agent/Registrar.”

Tax Exemption

In the opinion of Bond Counsel (defined below), under current law and subject to conditions described in the Section herein captioned “TAX EXEMPTION,” interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the

alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "TAX EXEMPTION."

Book-Entry-Only-System

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry- Only System described herein. The Bonds will be issued in principal denominations of \$5,000, or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of the Bonds at maturity or upon a prior redemption date as well as interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation per Capita	Taxable Supported Debt Outstanding at End of Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt per Capita
2022	63,291	\$ 5,943,730,817	\$ 93,911	\$ 362,190,000	6.09%	\$ 5,723
2023	64,650	6,606,402,796	102,187	453,820,000	6.87%	7,020
2024	66,030	6,611,112,393	100,123	448,075,000	6.78%	6,786
2025	65,746	7,333,589,749	111,544	435,580,000	5.94%	6,625
2026	70,000	6,943,525,200 ⁽³⁾	99,193	419,615,000 ⁽⁴⁾	6.04% ⁽⁴⁾	5,995 ⁽⁴⁾

⁽¹⁾ Source: Municipal Advisory Council of Texas.

⁽²⁾ Established by Galveston Central Appraisal District. Includes value of property which is "frozen" at lower levels for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers. Net of exemptions. Subject to change during ensuing years.

⁽³⁾ Includes the application of a \$140,000 state mandated general homestead exemption and a \$60,000 state-mandated residence homestead exemption for persons 65 years of age or older pursuant to constitutional amendments approved by voters at a statewide election held on November 4, 2025.

⁽⁴⁾ Projected. Includes the Bonds and excludes the Refunded Bonds.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	2024	2023	2022	2021	2020
Beginning Balance	\$ 29,089,336	\$ 38,119,881	\$ 49,072,013	\$ 55,921,475	\$ 56,034,139
Total Revenue	132,218,901	121,523,800	112,769,365	112,304,765	107,645,905
Total Expenditures	137,765,852	131,598,843	123,846,038	119,287,344	107,760,788
Other Financing Sources	(23,210)	44,346	124,541	133,117	2,219
Extraordinary Items	-	1,000,152	-	-	-
Ending Balance ⁽¹⁾	\$ 23,519,175	\$ 29,089,336 ⁽²⁾	\$ 38,119,881 ⁽³⁾	\$ 49,072,013	\$ 55,921,475

Source: The District's audited financial statements.

⁽¹⁾ The District's budget for the 2025-2026 school year includes the expected surplus of approximately \$4 million of General Fund balance and the budget for the 2024-2025 school year had a deficit of approximately \$5 million.

⁽²⁾ The decline in fund balance was due to lost average daily attendance funding due to a decline in attendance and the hiring of additional staff, particularly mental health professionals and academic tutors, for the purpose of aiding students impacted by the COVID -19 pandemic. The District is in the process of reducing these additional services but continued to incur expenses for this purpose through the 2023-2024 school year.

⁽³⁾ The decline in fund balance was due to the hiring of additional staff, particularly mental health professionals and academic tutors, for the purpose of aiding students impacted by the COVID-19 pandemic.

DISTRICT OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

Name	Position	Service Began	Term Expiration
Corey Magliolo	President	2020	2028
Jessica Rodriguez	Vice President	2020	2028
Veanna Veasey	Secretary	2019	2026
Mary Anthamatten	Member	2023	2028
Mike Mackey	Member	2014	2026
Kenna Cotton	Member	2024	2027
Jonathan Mills	Member	2024	2027

SELECT ADMINISTRATIVE STAFF

Name	Position	Length of Service with District
Dr. Rebecca Brown	Superintendent	1 year
Ryan Boone	Chief of Finance and Operations	16 years
Kelly Logsdon	Executive Director for Business Operations	19 years

CONSULTANTS AND ADVISORS

Auditors.....Mays & Associates, PLLC
Baytown, Texas

Bond Counsel.....Hunton Andrews Kurth LLP
Houston, Texas

Financial AdvisorPost Oak Municipal Advisors LLC
Houston, Texas

Dr. Rebecca Brown
Superintendent of Schools
Dickinson Independent School District
2218 FM 517 East
Dickinson, Texas 77539
Phone: (281) 229-6100

or

Terrell Palmer
President
Post Oak Municipal Advisors LLC
820 Gessner Road, Suite 1350
Houston, Texas 77024
Phone: (713) 328-0990

OFFICIAL STATEMENT
relating to

\$29,740,000
DICKINSON INDEPENDENT SCHOOL DISTRICT
(Galveston County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

INTRODUCTION

This Official Statement, including Schedule I and the Appendices hereto, has been provided by the Dickinson Independent School District (the "District") located in Galveston County, Texas, in connection with the offering by the District of its \$29,740,000 Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds").

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 (hereinafter defined), 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, Post Oak Municipal Advisors LLC, 820 Gessner Road, Suite 1350, Houston, Texas 77024.

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 ("MSRB") and will be available through its Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. 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.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Bonds"), in order to achieve present value debt service savings, and (ii) to pay the costs of issuance of the Bonds.

Refunded Bonds

The Refunded Bonds, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with Computershare Trust Company, N.A. (the "Escrow Agent") pursuant to an escrow agreement between the District and the Escrow Agent (the "Escrow Agreement").

The Order (defined herein) provides that from a portion of the proceeds of the sale of the Bonds to the underwriters listed on the cover page hereof (the "Underwriters") the District will deposit with the Escrow Agent 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. Such funds will be held by the Escrow Agent in an escrow fund (the "Escrow Fund") and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, which authorized securities include direct noncallable obligations of the United States of America rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and guaranteed by the full faith and credit of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

Public Finance Partners LLC will verify at the time of delivery of the Bonds to the Underwriters that the Federal 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 on their scheduled redemption date and maturity dates. Such maturing principal of and interest on the Federal Securities will not be available to pay the debt service on the Bonds. See "VERIFICATION OF ARITHMETICAL COMPUTATIONS."

By the deposit of the Federal Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, and the order authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that as a result of such deposit, and in reliance on the above mentioned verification of arithmetical computation, the firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and the Refunded Bonds will no longer be outstanding, and the lien on and pledge of ad valorem taxes and other

revenues as set forth in the order authorizing their issuance will be appropriately and legally defeased, except for the purpose of being paid from funds provided thereof, in the Escrow Agreement. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund.

In the Escrow Agreement, the District covenants to make timely deposits with the Escrow Agent, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

Sources and Uses of Funds

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

<u>Sources of Funds</u>	
Par Amount of the Bonds	\$ 29,740,000.00
Original Issue Premium	2,411,411.95
Total	<u>\$ 32,151,411.95</u>
<u>Uses of Funds</u>	
Deposit to Escrow Agent	31,869,182.01
Underwriters' Discount	113,400.37
Costs of Issuance ⁽¹⁾	168,829.57
Total	<u>\$ 32,151,411.95</u>

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

THE BONDS

Authority for Issuance

The District is issuing the Bonds in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, and a bond order passed by the Board of Trustees of the District (the "Board") on November 3, 2025 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who approved and executed a "Pricing Certificate" that sets forth the final terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order").

General Description

Interest on the Bonds will accrue from the date of their initial delivery to the Underwriters and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The paying agent and registrar for the Bonds is initially Computershare Trust Company, N.A. (the "Paying Agent/Registrar").

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal amount of the Bonds at maturity, or amounts due upon a prior redemption date, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "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 the interest payable on any interest payment date for the Bonds is the last business day of the month next preceding such interest payment date. See "THE BONDS – Record Date for Interest Payment." The principal of the Bonds, at maturity or on a prior redemption date will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption, as applicable; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are to mature on the dates and in the principal amounts shown on page ii hereof. The Bonds will be issued as fully registered obligations in principal denominations of \$5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will be payable on February 15, 2026 and semiannually thereafter on each August 15 and February 15 until stated maturity or prior redemption.

Security

The Bonds are direct obligations of the District and are payable as to principal and interest from an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. In addition, the District has applied for and received approval, subject to certain conditions, for the Bonds to be guaranteed by 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” herein, and APPENDIX D.

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has submitted an application to the Texas Education Agency for the payment of the Bonds to be guaranteed under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code). Subject to meeting certain conditions discussed under the heading “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein and in APPENDIX D, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State in accordance with the terms of the Guarantee Program for School District Bonds (the “Permanent School Fund Guarantee”).

In the event of default, registered owners will receive all payments due from the corpus of the Permanent School Fund. In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee.

Paying Agent/Registrar

The initial Paying Agent/Registrar is Computershare Trust Company, N.A. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times while any Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated payment office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange for and transfer. Bonds 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 payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or 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 any integral multiple of \$5,000 of principal for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment

The record date (“Record Date”) for determining the person to whom the interest payable on the Bonds 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 non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest 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.

No Optional Redemption

The Bonds are not subject to optional redemption prior to stated maturity.

Defeasance of Bonds

The Order provides that Bonds may be defeased, refunded or discharged in any manner now or hereafter permitted by applicable law. Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to such defeased Bonds.

REGISTERED OWNERS' REMEDIES

The Order does not provide for the appointment of a trustee to represent the interests of the Bond holders upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Chapter 1371, Texas Government Code ("Chapter 1371"), which forms part of the authority for the issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. However, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages beyond Chapter 1371, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. In addition, the enforcement of a claim for the payment of a Bond would be subject to the applicable provisions of federal bankruptcy laws and any other statutes affecting the rights of creditors of political subdivisions and may be limited by general principles of equity.

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

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

BOOK-ENTRY-ONLY-SYSTEM

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

The District 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 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 Bonds, 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 Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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).

Principal amounts and interest payments 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. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant’s interest in the Bonds, on DTC’s records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered Bonds to the Tender Agent’s DTC account.

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” above.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath, et.al v. The Texas Taxpayer and Student Fairness Coalition*, et al., No. 14-0776 (Tex. May 13, 2016) (“*Morath*”). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that “[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements.” The Court also noted that:

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

Possible Effects of Litigation and Changes in Law on District Bonds

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

Although, as a matter of law, the Bonds, upon conversion 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 (the “Finance System”) as it is currently structured. The information contained under the captions “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “TAX RATE LIMITATIONS” is subject to change, and only reflects the District’s understanding based on information available to the District as of the date of this Official Statement. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

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

2025 Legislative Session

The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Texas Legislature (the “Legislature”) meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session. Additional special sessions may be called by the Governor.

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

Local Funding for School Districts

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

State Compression Percentage. The “State Compression Percentage” or “SCP” is 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: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

Maximum Compressed Tax Rate. The “Maximum Compressed Tax Rate” or the “MCR” is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the “State Compression Percentage” (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than

90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2025 Legislative Session, the Legislature took action to reduce the MCR for the 2025-2026 school year. The MCR for the 2025-2026 school year is \$0.6322 and the floor is \$0.5689.

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. At a statewide election held on November 4, 2025, voters approved constitutional amendments which increase (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000. Such constitutional amendments take 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 for such year.

State Funding for School Districts

State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide "Tier One" funding or "Tier Two" funding, respectively, to fund the difference between the school district's entitlements and the calculated M&O revenues generated by the school district's respective M&O tax rates. The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district to increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as amended (see "– Local Revenue Level In Excess of Entitlement")), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein), Tier Two funding may not be used for the payment of debt service or capital outlay.

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

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

Tier One. Tier One funding is the basic level of programmatic funding guaranteed to a school district, consisting of a State- appropriated baseline level of funding (the "Basic Allotment"), 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 student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics and the 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 school districts 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 school districts 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 the 2026-27 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 the State's 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 district's 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 weights are 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$320 million for each year of the 2026-2027 state fiscal biennium.

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

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

Since future-year IFA awards were not funded by the Legislature for the 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 exemption. See "— 2025 Legislative Sessions."

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

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

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 (6) options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters. A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 fiscal year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's local revenue levels must be tested for each future school year and, if local revenues exceed the district's entitlements, the district must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's local revenues should exceed its entitlements in future school years, it will be required to exercise one or more of the permitted options to reduce local revenues.

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

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 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

Furthermore, a school district can not 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 approve the adopted rate.

I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. 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.

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), Texas 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 SCP, 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. See "WEATHER EVENTS."

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

Through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,160,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

State Mandated Homestead Exemption

State law grants, with respect to each school district in the State, (1) a \$100,000 exemption of the appraised value of all homesteads (which in some instances may be prorated in the first year the exemption is granted based on the amount of time the homestead was owned), (2) a \$10,000 exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Legislation passed by both houses of the Legislature during the 89th Regular Session and approved by the voters increases (1) the State mandated general homestead exemption from \$100,000 to \$140,000 and (2) the additional exemption on the residence homesteads of those at least 65 years of age and the disabled from \$10,000 to \$60,000.

Local Option Homestead Exemption

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

Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption described in clause (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.

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

Personal Property

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

Legislation passed by the Legislature during the 89th Regular Session and approved by the voters provides a person 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.

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 State 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 physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement under Chapter 313, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022. In the 88th Legislative Session, House Bill 5 ("HB 5" or "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements

with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code (“Chapter 403”) and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project’s construction period. Taxable valuation for purposes of the debt service tax securing a series of bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

For a discussion of how the various exemptions described above are applied by the District, see “THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT” herein.

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

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 within its boundaries. The Appraisal District is governed by a board of directors appointed by voters of the governing bodies of various political subdivisions located in Galveston County.

Galveston County collects taxes for the District.

The District grants a state mandated general residence homestead exemption and a State-mandated residence homestead exemption for persons 65 years of age or older or the disabled.

The District has not granted a local option, additional exemption of a percentage up to 20% of the market value of residence homesteads or for persons who are 65 years of age or older and disabled persons above the amount of State-mandated exemptions.

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 does not exempt Freeport Property from taxation.

The District does not exempt Goods-in-Transit from taxation

The District is not currently a participant in a TIRZ.

WEATHER EVENTS

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

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. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition.

EXPOSURE TO OIL AND GAS INDUSTRY

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), 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 of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), 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.

INVESTMENTS

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

Legal Investments

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body of the District or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the United States Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and

deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less. The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

As a school district that qualifies as an issuer under Chapter 1371, the District is also authorized to purchase, sell and invest its funds in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased. State law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include unsecured debt obligations or debt obligations that, on conversion, would result in the holder becoming a stockholder or shareholder in the entity that issued the debt obligation. The District may not (1) invest in the aggregate more than 15% of its monthly average fund balance, excluding funds held for the payment of debt service, in corporate bonds or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The investment officer of the District must sell any corporate bonds not later than seven days after a nationally recognized investment rating firm (1) issues a release that places the corporate bonds or the entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or (2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent. The District may invest its funds in corporate bonds only if the Board of Trustees of the District (1) amends its investment policy to authorize corporate bonds as an eligible investment; (2) adopts procedures to provide for the monitoring of rating changes in corporate bonds and liquidating the investment in corporate bonds; and (3) identifies the funds eligible to be invested in corporate bonds.

Investment Policies

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

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

Additional Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and recording any changes made to either its investment policy or investment strategy; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Education; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments

For a list and description of the District's investments, please see Appendix A attached hereto.

EMPLOYEES' BENEFIT PLANS

Pension Fund. Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). The individual employees contribute a fixed amount of their salary to the System, currently 8.25%, and the State contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by Federally funded programs. (For more detailed information concerning the retirement plan, see Appendix B, "EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT" – Note 10). The District does not provide post-employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). The requirements established by COBRA are fully funded by former employees who elect coverage under the Act, and no direct costs are incurred by the District.

Retiree Healthcare. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS- Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. The State and active public school employee contribution rates were 1.25% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.65% for fiscal year 2024. For detailed information concerning TRS-Care, including contributions made by the State, the District and District employees for fiscal years 2023 and 2024, see "Appendix B – EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT" – Note 11.

As a result of its participation in the Plan and the TRS-Care Retired Plan and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board ("GASB") Statement 45.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by Texas 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.

In June 2015, GASB Statement No. 75 (Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions – which supersedes GASB Statement No. 45) ("GASB 75") was issued to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions ("OPEB"). GASB 75 requires reporting entities, such as the District, to recognize their proportionate share of the net OPEB liability in the TRS-Care Plan and a deferred outflow for the contributions made by the District subsequent to the measurement date in the Statement of Net Position, a government-wide financial statement. The changes related to OPEB in the Statement

of Net Position to implement GASB 75 are reflected in the Statement of Activities, a government-wide financial statement. The changes related to the OPEB affect only the government-wide financial statements and do not affect the General Fund balance. The calculation of OPEB contributions is unaffected by the change. Such reporting began with the District's fiscal year ended August 31, 2019. To date, the District has met all funding requirements of the TRS-Care Plan.

The Government Accounting Standards Board ("GASB") has issued GASB Statements No. 68, No. 73, and No. 82 regarding pension issues. The implementation of these statements is reflected in the financial statements and the notes to the financial statements. The District implemented GASB Statement No. 75 entitled Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB Statement No. 75") at the beginning of the 2018 fiscal year. Changes for revenues and expenses prior to the implementation have not been calculated and are not available for comparison.

RATINGS

Standard and Poor's Global Ratings ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign municipal bond ratings of "AAA" and "Aaa" respectively to the Bonds based upon the guarantee of the Permanent School Fund Guarantee. In addition, S&P has assigned its underlying unenhanced rating of "A" to the Bonds, and Moody's has assigned its underlying unenhanced rating of "Aa3 (negative outlook)."

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the view of such organization and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such rating company, circumstances so warrant. 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 MATTERS

The District will furnish to the Underwriters a complete transcript of the 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 Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel in substantially the form attached hereto as APPENDIX C.

Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect hereto or undertaken 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 captions or subcaptions "PLAN OF FINANCING – Purpose," "PLAN OF FINANCING – Refunded Bonds," "THE BONDS" (except for the information under the subcaptions "Permanent School Fund Guarantee," as to which no opinion is expressed) and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the sub-caption "Compliance with Prior Undertakings," as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions and sub-captions "LEGAL MATTERS," "TAX EXEMPTION," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS," and "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Houston, Texas, Counsel for the Underwriters. The legal fees 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 EXEMPTION

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding,

among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See “Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions”, 63 Bus. Law. 1277 (2008) and “Legal Opinion Principles”, 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel’s opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the “Service”) or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel’s attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Alternative Minimum Tax

Individuals – Bond Counsel’s opinion states that under current law interest on the Bonds is not an item of reference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel’s opinion also states that under current law interest on the Bonds is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an “applicable corporation” generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds \$1 billion.

Other Tax Matters

The Bonds have not been designated as qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Original Issue Discount

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the “Discount Bonds”). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder’s basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder’s adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder’s basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such 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 under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB via the EMMA system at www.emma.msrb.org. This information will be available free of charge from the MSRB.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually free of charge via EMMA. The information to be updated includes quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in "APPENDIX A - FINANCIAL INFORMATION REGARDING THE DISTRICT" Tables 1 through 6 and 8 through 13. The District will update and provide this information within six months after the end of each fiscal year. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the time the information is provided. If the audit of such financial information is not complete within twelve (12) months after the applicable fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for such fiscal year, when and if the audit report becomes available. Any financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended and in effect from time to time (the "Rule").

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

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 of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information and operating data in accordance with its agreement described above under “- Annual Reports.” The District will provide each notice described in this paragraph to the MSRB.

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

All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

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 the Rule, taking into account any amendments or interpretations of the Rule 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 the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule 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

The District filed a notice of redemption in connection with the redemption of a portion of its Unlimited Tax Schoolhouse Bonds, Series 2014 on April 24, 2024. The District did not file a separate notice of defeasance.

FINANCIAL ADVISOR

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

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

UNDERWRITERS

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price of \$32,038,011.58 (representing the principal amount of the Bonds plus a reoffering premium of \$2,411,411.95, less an underwriting discount of \$113,400.37). The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters 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 sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

SAMCO Capital Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, SAMCO Capital Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, SAMCO Capital Markets Inc. will compensate Fidelity for its selling efforts.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

The verification performed by Public Finance Partners LLC will be solely based upon data, information and documents provided to Public Finance Partners LLC by Post Oak Municipal Advisors LLC, on behalf of the District. Public Finance Partners LLC has restricted its procedures to recalculating the computations provided by Post Oak Municipal Advisors LLC on behalf of the District and has not evaluated or examined the assumptions or information used in the computations.

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.

AUDITED FINANCIAL STATEMENTS

Mays & Associates, PLLC, the District's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Mays & Associates, PLLC, relating to District's financial statements for the fiscal year ended August 31, 2024 is included in this Official Statement in APPENDIX B; however, Mays & Associates, PLLC has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement.

The District currently expects to receive its Annual Financial Report for fiscal year ended August 31, 2025 (the "2025 Annual Report") in January 2026. Once accepted by the Board of Trustees of the District, the District expects to file the 2025 Annual Report with EMMA in accordance with its existing continuing disclosure undertakings and associate the 2025 Annual Report with the Bonds on EMMA. The 2025 Annual Report is hereby incorporated by reference into this Official Statement.

After the District files the 2025 Annual Report with EMMA, it may be obtained by accessing EMMA at <https://emma.msrb.org/IssuerHomePage/Issuer?id=E8FB65690CD45602BE89C501FD4BF035>, or by using the EMMA Advanced Search function and entering the term "Dickinson ISD" in the Issuer Name field within the Security Information search field filter. A copy of the 2025 Annual Report may also be obtained by written request from the District's Financial Advisor, Post Oak Municipal Advisors LLC, 820 Gessner Road, Suite 1350, Houston, Texas 77024, Attn: Terrell Palmer.

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

The Order authorizing the issuance of the Bonds approves the use of this Official Statement and any addenda, supplement or amendment thereto in the reoffering of the Bonds by the Underwriters in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. §240.15c2-12, as amended.

SCHEDULE I
SCHEDULE OF REFUNDED BONDS

Unlimited Tax Schoolhouse Bonds, Series 2016A

Original Maturity	Interest Rate	Principal Outstanding	Principal Refunded	Redemption Date	Redemption Price
2/15/2027	5.000%	\$1,200,000	\$1,200,000	2/15/2026	100.000%
2/15/2028	4.000%	1,250,000	1,250,000	2/15/2026	100.000%
2/15/2029	4.000%	1,305,000	1,305,000	2/15/2026	100.000%
2/15/2030	4.000%	1,360,000	1,360,000	2/15/2026	100.000%
2/15/2031	4.000%	1,630,000	1,630,000	2/15/2026	100.000%
2/15/2032	4.000%	1,690,000	1,690,000	2/15/2026	100.000%
2/15/2033	4.000%	1,720,000	1,720,000	2/15/2026	100.000%
2/15/2034	3.500%	1,790,000	1,790,000	2/15/2026	100.000%
2/15/2035	3.500%	1,850,000	1,850,000	2/15/2026	100.000%
		<u>\$13,795,000</u>	<u>\$13,795,000</u>		

Unlimited Tax Refunding Bonds, Series 2016B

Original Maturity	Interest Rate	Principal Outstanding	Principal Refunded	Redemption Date	Redemption Price
2/15/2027	5.000%	\$1,805,000	\$1,805,000	2/15/2026	100.000%
2/15/2028	4.000%	1,895,000	1,895,000	2/15/2026	100.000%
2/15/2029	4.000%	3,300,000	3,300,000	2/15/2026	100.000%
2/15/2032	3.500%	5,180,000	5,180,000	2/15/2026	100.000%
2/15/2033	4.000%	5,380,000	5,380,000	2/15/2026	100.000%
		<u>\$17,560,000</u>	<u>\$17,560,000</u>		

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 – VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

2025/26 Appraised Valuation Established by Galveston Central Appraisal District (Excludes Fully Exempt Property)	\$ 11,509,431,844
Less: Exemptions/Reductions at 100% Market Value	
Homestead Cap Adjustment	\$ (410,170,315)
Productivity Loss	(227,138,489)
Residential Homestead Exemptions	(2,355,598,764)
Over 65 Homestead Exemptions (State Mandated)	(250,340,858)
Disabled Persons Exemptions	(26,020,004)
Disabled and Deceased Veterans Survivor(s) Exemptions	(139,271,189)
Pollution Control	(37,973,664)
Freeport Exemptions	(98,521,070)
Other Exemptions	(1,020,872,291)
Total Exemptions/Reductions at 100% Market Value	<u>\$ (4,565,906,644)</u>
2025/26 Taxable Assessed Valuation Established by Galveston Central Appraisal District	<u><u>\$ 6,943,525,200</u></u> ^{(a)(b)}
^(a) Includes value of property which is "frozen" at lower levels for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers. ^(b) Includes the application of a \$140,000 state mandated general homestead exemption and a \$60,000 state-mandated residence homestead exemption for persons 65 years of age or older pursuant to constitutional amendments approved by the voters at a statewide election held on November 4, 2025.	
Debt Payable from Ad Valorem Taxes:	
Outstanding Unlimited Tax Bonds (as of December 10, 2025)	\$ 435,580,000
Plus: The Bonds	29,740,000
Less: The Refunded Bonds	(31,355,000)
Total Debt Payable from Ad Valorem Taxes	<u>\$ 433,965,000</u>
Less: Estimated Interest and Sinking Fund Balance August 31, 2026	<u>\$ (18,091,573)</u> ^(a)
Net Debt Payable from Ad Valorem Taxes	<u><u>\$ 415,873,427</u></u>
Ratio of Tax Supported Debt to Taxable Assessed Valuation	6.25%
2025/26 Estimated Population	70,000 ^(b)
Per Capita Taxable Assessed Valuation	\$ 99,193
Per Capita Tax Supported Debt	\$ 6,200

^(a) Unaudited projection. See "TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION." See "FORWARD LOOKING STATEMENTS".

^(b) Source: The District.

TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

Type of Property	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2026 ^(a)		2025 ^(b)		2024 ^(b)	
	Amount	%	Amount	%	Amount	%
Residential	\$ 7,483,725,064	65.02%	\$ 7,175,480,706	65.64%	\$ 6,576,513,836	71.81%
Vacant Lots / Tracts	387,218,815	3.36%	563,365,034	5.15%	228,817,596	2.50%
Acreage / Farm & Ranch Improvements	446,888,605	3.88%	198,892,797	1.82%	275,747,429	3.01%
Commercial & Industrial	1,495,047,964	12.99%	1,959,483,301	17.92%	1,379,940,608	15.07%
Utilities	215,314,974	1.87%	203,549,280	1.86%	187,510,510	2.05%
Minerals	10,472,691	0.09%	9,722,674	0.09%	6,580,796	0.07%
Other	1,470,763,731	12.78%	821,274,095	7.51%	503,318,114	5.50%
Total Appraised Value Before Exemptions	\$ 11,509,431,844	100.00%	\$ 10,931,767,887	100.00%	\$ 9,158,428,889	100.00%
Less: Exemptions/Reductions	(4,565,906,644)		(3,598,178,138)		(2,547,316,496)	
Taxable Assessed Value ^(c)	<u>\$ 6,943,525,200</u>		<u>\$ 7,333,589,749</u>		<u>\$ 6,611,112,393</u>	

Type of Property	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2023		2022	
	Amount	%	Amount	%
Residential	\$ 5,663,071,775	70.37%	\$ 4,845,645,901	69.82%
Vacant Lots / Tracts	202,464,456	2.52%	206,470,331	2.97%
Acreage / Farm & Ranch Improvements	253,167,830	3.15%	233,919,687	3.37%
Commercial & Industrial	1,356,058,003	16.85%	1,061,705,917	15.30%
Utilities	172,190,699	2.14%	152,505,044	2.20%
Minerals	7,971,922	0.10%	3,747,895	0.05%
Other	392,741,517	4.88%	436,404,449	6.29%
Total Appraised Value Before Exemptions	\$ 8,047,666,202	100.00%	\$ 6,940,399,224	100.00%
Less: Exemptions/Reductions	(1,441,263,406)		(996,668,407)	
Taxable Assessed Value ^(c)	<u>\$ 6,606,402,796</u>		<u>\$ 5,943,730,817</u>	

NOTE: Valuations shown are taxable assessed values reported by the Galveston Central Appraisal District to the State Comptroller of Public Accounts. Values are subject to change throughout the year as contested values are resolved and the Appraisal District updates its records.

^(a) Values include the application of a \$140,000 state mandated general homestead exemption and a \$60,000 state-mandated residence homestead exemption for persons 65 years of age or older pursuant to constitutional amendments approved by voters at a statewide election held on November 4, 2025. The reduction in taxable assessed valuation between 2025 and 2026 is primarily attributable to the implementation of the new state-mandated exemptions.

^(b) Values include the application of a \$100,000 State mandated general homestead exemption and a \$10,000 state-mandated residence homestead exemption for persons 65 years of age or older.

^(c) Includes value of property which is "frozen" at lower levels for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers.

TABLE 3 – VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population ^(a)	Taxable Assessed Valuation ^(b)	Taxable Assessed Valuation per Capita	Taxable Supported Debt Outstanding at End of Year	Supported Debt to Taxable Assessed Valuation	Tax Supported Debt per Capita
2022	63,291	\$5,943,730,817	\$93,911	\$362,190,000	6.09%	\$5,723
2023	64,650	6,606,402,796	102,187	453,820,000	6.87%	7,020
2024	66,030	6,611,112,393	100,123	448,075,000	6.78%	6,786
2025	65,746	7,333,589,749	111,544	435,580,000	5.94%	6,625
2026	70,000	6,943,525,200	99,193	419,615,000 ^(c)	6.04% ^(c)	5,995 ^(c)

^(a) Source: Municipal Advisory Council of Texas.

^(b) Established by the Galveston Central Appraisal District. Subject to change during ensuing year.

^(c) Projected. Includes the Bonds and excludes the Refunded Bonds.

TABLE 4 – TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year					% Current	% Total
Ended		General	Interest & Sinking	Net	Tax Collections to	Tax Collections to
8/31	Tax Rate	Fund	Fund	Tax Levy	Net Tax Levy ^(a)	Net Tax Levy ^(a)
2022	\$ 1.31200	\$ 0.87200	\$ 0.44000	\$ 74,981,141	98.04%	98.67%
2023	1.29400	0.85400	0.44000	83,151,261	97.72%	98.66%
2024	1.17800	0.73800	0.44000	72,948,691	97.92%	98.56%
2025	1.13600	0.73600	0.40000	77,099,488	97.08%	98.35%
2026	1.14200	0.72200	0.42000	77,067,959 ^(b)	---In Process---	

Source: The District's annual audited financial statements.

^(a) Excludes penalties and interest.

^(b) Source: The District's records as of October 8, 2025. Unaudited.

TABLE 5 – PRINCIPAL TAXPAYERS

Principal Taxpayer	Type of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Texas-New Mexico Power Co.	Electric Utility/Power Plant	\$ 79,902,480	1.15%
Topaz Generating LLC	Natural Gas Utility	72,306,700	1.04%
Galveston Outlets LLC	Shopping Center/Mall	67,276,665	0.97%
ISP Technologies Inc.	Chemical Plant	63,870,190	0.92%
KV Beacon Lakes Apartments LLC	Apartments	48,650,000	0.70%
CenterPoint Energy Houston	Electric Utility/Power Plant	47,277,100	0.68%
Stonetown Green Caye Borrower LLC	Residential Homes	44,555,805	0.64%
Windsor Estates Texas City LLC	Apartments	43,505,320	0.63%
TL II Apartments LLC	Apartments	42,000,100	0.60%
TPI LCTC Retail LLC	Strip Mall/Plaza	41,664,030	0.60%
		<u>\$ 551,008,390</u>	<u>7.94%</u>

Source: Municipal Advisory Council of Texas.

TABLE 6 – TAX ADEQUACY

2026 Principal and Interest Requirements	\$ 35,108,427
Less: Hold Harmless	(8,000,000)
Net Principal and Interest Requirements	<u>27,108,427</u>
\$0.4025 Tax Rate on 2025/26 Taxable Assessed Valuation at 97.0% Collection Produces	<u>27,109,258 ^(a)</u>
Estimated Average Annual Debt Service Requirements (2026/27 – 2052/53)	\$ 23,213,647
Less: Hold Harmless	(8,000,000)
Net Average Annual Debt Service Requirements (2026/27 – 2052/53)	<u>15,213,647</u>
\$0.2259 Tax Rate on 2025/26 Taxable Assessed Valuation at 97.0% Collections Produces	<u>15,214,861 ^(a)</u>
Estimated Maximum Annual Debt Service Requirements (2025/26)	\$ 35,108,427
Less: Hold Harmless	(8,000,000)
Net Maximum Annual Debt Service Requirements (2025/26)	<u>27,108,427</u>
\$0.4025 Tax Rate on 2025/26 Taxable Assessed Valuation at 97.0% Collections Produces	<u>27,109,258 ^(a)</u>

^(a) Calculation based on 2025/26 net taxable assessed valuation of \$6,943,525,200.

TABLE 7 – ESTIMATED OVERLAPPING DEBT

Taxing Jurisdiction	Gross Tax Debt as of 9/30/2025	Overlapping Debt	
		Percentage Overlapping	Overlapping Amount
Bacliff MUD	\$ 25,195,000	97.41%	\$ 24,542,450
Bay Colony West MUD	28,440,000	100.00%	28,440,000
College of the Mainland	142,695,000	37.89%	54,067,136
Dickinson, City of	5,410,000	95.67%	5,175,747
Galveston Co	143,154,091	13.99%	20,027,257
Galveston Co MUD # 14	1,900,000	99.87%	1,897,530
Galveston Co MUD # 31	21,500,000	100.00%	21,500,000
Galveston Co MUD # 43	22,380,000	31.43%	7,034,034
Galveston Co MUD # 44	25,960,000	100.00%	25,960,000
Galveston Co MUD # 45	47,240,000	0.69%	325,956
Galveston Co MUD # 54	19,770,000	100.00%	19,770,000
Galveston Co MUD # 56	89,995,000	100.00%	89,995,000
Galveston Co MUD # 59	28,250,000	100.00%	28,250,000
Galveston Co MUD # 66	11,140,000	70.06%	7,804,684
Galveston Co MUD # 73	10,905,000	99.71%	10,873,376
Galveston Co MUD # 79	4,440,000	95.39%	4,235,316
Galveston WC&ID # 1	37,180,000	100.00%	37,180,000
La Marque, City of	34,217,087	5.38%	1,840,879
League City, City of	247,670,000	16.24%	40,221,608
San Leon MUD	31,555,000	100.00%	31,555,000
Texas City, City of	80,055,000	25.64%	20,526,102
Total Estimated Overlapping Debt.....			\$ 481,222,074
Dickinson ISD			\$ 433,965,000 ^(a)
Total Direct and Overlapping Debt.....			\$ 915,187,074
Total Direct and Overlapping Debt % of 2026 Assessed Valuation.....			13.18%
Total Direct and Overlapping Debt per Capita.....			\$ 13,074 ^(b)
Fiscal Year 2025/26 Taxable Assessed Valuation Per Capita.....			\$ 99,193

Source: Municipal Advisory Council of Texas.

^(a) Includes the Bonds and excludes the Refunded Bonds.

^(b) Based on the 2025/26 Estimated Population of 70,000.

Table 8
OUTSTANDING TAX DEBT SERVICE

Fiscal Year Ending (8/31)	Outstanding Debt Service Requirements ^(a)	Less: Refunded Bonds	Plus: The Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2026	\$ 32,254,655	\$ (1,240,150)	\$ 3,305,000	\$ 788,922	\$ 4,093,922	\$ 35,108,427
2027	31,395,855	(4,170,025)	5,655,000	1,180,375	6,835,375	34,061,205
2028	31,391,905	(4,172,000)	2,225,000	983,375	3,208,375	30,428,280
2029	31,260,680	(5,477,000)	3,675,000	835,875	4,510,875	30,294,555
2030	31,255,880	(2,112,700)	415,000	733,625	1,148,625	30,291,805
2031	32,553,305	(2,322,900)	650,000	707,000	1,357,000	31,587,405
2032	32,559,455	(7,405,850)	5,900,000	543,250	6,443,250	31,596,855
2033	33,217,805	(7,369,400)	6,165,000	241,625	6,406,625	32,255,030
2034	33,224,738	(1,886,075)	855,000	66,125	921,125	32,259,788
2035	34,051,480	(1,882,375)	895,000	22,375	917,375	33,086,480
2036	33,856,787	-	-	-	-	33,856,787
2037	33,500,887	-	-	-	-	33,500,887
2038	31,601,530	-	-	-	-	31,601,530
2039	16,474,119	-	-	-	-	16,474,119
2040	16,467,969	-	-	-	-	16,467,969
2041	20,624,369	-	-	-	-	20,624,369
2042	20,619,369	-	-	-	-	20,619,369
2043	20,618,669	-	-	-	-	20,618,669
2044	20,616,369	-	-	-	-	20,616,369
2045	15,569,619	-	-	-	-	15,569,619
2046	15,568,434	-	-	-	-	15,568,434
2047	15,563,081	-	-	-	-	15,563,081
2048	15,565,900	-	-	-	-	15,565,900
2049	15,567,363	-	-	-	-	15,567,363
2050	11,308,394	-	-	-	-	11,308,394
2051	11,305,275	-	-	-	-	11,305,275
2052	7,091,581	-	-	-	-	7,091,581
2053	7,092,581	-	-	-	-	7,092,581
	<u>\$ 652,178,054</u>	<u>\$ (38,038,475)</u>	<u>\$ 29,740,000</u>	<u>\$ 6,102,547</u>	<u>\$ 35,842,547</u>	<u>\$ 649,982,126</u>

^(a) Interest on the District's Variable Rate Unlimited Tax Refunding Bonds, Series 2013 is calculated at the current rate through July 31, 2027 and at 5.00% thereafter for purposes of illustration.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION ^(a)

Interest and Sinking Fund Balance, August 31, 2025	\$ 16,500,000 ^(a)
Plus: 2025/26 Interest and Sinking Fund Tax Revenue @ 97% Collections	27,500,000 ^(a)
Plus: 2025/26 Collection of Delinquent Taxes	300,000 ^(a)
Plus: 2025/26 Penalties and Interest on Delinquent Taxes	200,000 ^(a)
Plus: 2025/26 Interest Earnings and Other Local Income	700,000 ^(a)
Plus: 2025/26 Budgeted State Revenue	8,000,000 ^(a)
Less: Tax Supported Debt Service Requirements, Fiscal Year Ending August 31, 2026	(35,108,427) ^(b)
Estimated Interest and Sinking Fund Balance August 31, 2026	<u>\$ 18,091,573</u>

^(a) Based on the District's proposed budget for the 2025/26 fiscal year. Subject to change. See "FORWARD LOOKING STATEMENTS."

^(b) Includes the Bonds and excludes the Refunded Bonds. Net of federal subsidy on the District's Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) that is expected to be paid by the Federal government.

TABLE 10 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The District has no authorized but unissued unlimited tax bonds.

TABLE 11 – OTHER OBLIGATIONS

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, contractual obligations, delinquent tax notes and leases for various purposes payable from State appropriations and surplus maintenance taxes.

In 2023 the District obtained two loans of up to \$3,000,000 each from the State Energy Conservation Office to finance energy-related cost-reduction chiller retrofits. The costs of the loans are expected to be offset by and repaid from annual energy savings from the implementation of the financed projects. The loans are not secured by a pledge of taxes.

TABLE 12 – CHANGE IN NET POSITION

	Fiscal Year Ending August 31,				
	2024	2023	2022	2021	2020
REVENUES					
Program Revenues:					
Charges for services	\$ 3,722,436	\$ 3,439,398	\$ 2,120,964	\$ 1,758,342	\$ 3,186,224
Operating grants and contributions	33,659,388	29,211,373	22,565,579	22,993,227	18,870,179
General Revenues:					
Property taxes	72,830,587	83,132,901	74,767,149	65,792,054	60,541,697
State-aid formula grants	70,674,017	52,265,537	52,534,966	59,345,468	54,300,760
Grants and Contributions Not Restricted	1,776,903	2,011,163	3,106,906	3,697,882	6,722,365
Investment earnings	4,533,815	11,079,977	734,582	247,073	1,867,015
Miscellaneous Local and Intermediate Revenue	4,763,783	4,071,995	1,348,034	732,105	1,525,339
Total Revenues	\$ 191,960,929	\$ 185,212,344	\$ 157,178,180	\$ 154,566,151	\$ 147,013,579
EXPENSES					
Instruction	\$ 103,906,731	\$ 94,596,903	\$ 87,279,137	\$ 89,831,147	\$ 85,534,103
Instructional resources and media services	1,616,815	1,665,549	1,803,451	1,555,928	1,546,311
Curriculum and staff development	1,763,163	2,271,083	2,052,871	1,498,104	1,604,448
Instructional leadership	2,210,663	2,169,094	1,984,570	1,846,297	1,850,419
School leadership	9,274,503	8,959,769	8,081,402	8,476,701	8,429,096
Guidance, counseling and evaluation services	5,593,817	4,980,012	4,630,429	4,403,312	4,450,100
Social work services	235,292	204,571	224,849	220,774	207,687
Health services	1,618,592	1,430,810	1,420,201	1,500,305	1,353,588
Student transportation	7,704,118	7,788,693	7,003,145	6,247,014	5,970,351
Food Services	8,647,328	7,486,025	7,147,014	6,339,539	6,144,453
Extracurricular activities	3,800,630	3,725,134	2,991,491	3,059,295	3,059,708
General administration	3,728,990	3,789,994	3,445,040	4,221,817	3,783,711
Plant, maintenance and operations	25,209,784	18,901,644	15,837,655	16,748,243	16,514,175
Security and monitoring services	2,271,345	1,592,501	1,340,572	1,264,432	1,204,273
Data processing services	2,505,138	2,332,844	1,968,531	2,089,706	1,829,060
Community services	728,553	707,920	682,617	588,163	588,710
Debt Service	6,502,235	13,425,822	12,723,509	13,056,186	12,051,328
Juvenile Justice Alternative Ed Programs	157,581	202,194	368,493	238,005	116,084
Payments Related to SSA	388,950	359,908	146,590	161,859	204,053
Other governmental charges	621,251	580,494	559,580	501,225	462,749
Total Expenses	\$ 188,485,479	\$ 177,170,964	\$ 161,691,147	\$ 163,848,052	\$ 156,904,407
Change in Net Position	\$ 3,475,450	\$ 8,041,380	\$ (4,512,967)	\$ (9,281,901)	\$ (9,890,828)
Net Position – Beginning	(70,150,007)	(78,191,387)	(73,678,420)	(64,396,519)	(54,505,691)
Net Position – Ending	<u>\$ (66,674,557)</u>	<u>\$ (70,150,007)</u>	<u>\$ (78,191,387)</u>	<u>\$ (73,678,420)</u>	<u>\$ (64,396,519)</u>

Source: The District's audited financial statements.

TABLE 12A – GENERAL FUND REVENUES AND EXPENDITURES HISTORY

GENERAL OPERATING FUND	Fiscal Year Ending August 31,				
	2024	2023	2022	2021	2020
Revenues:					
Local and Intermediate Sources	\$ 51,994,878	\$ 59,487,927	\$ 51,459,174	\$ 43,944,233	\$ 44,474,110
State Sources	78,247,633	59,312,582	58,903,630	65,489,413	60,150,983
Federal Sources	1,976,390	2,723,291	2,406,561	2,871,119	3,020,812
Total Revenues	\$ 132,218,901	\$ 121,523,800	\$ 112,769,365	\$ 112,304,765	\$ 107,645,905
Expenditures:					
Instruction & Instructional Related Services	\$ 81,077,098	\$ 77,710,106	\$ 76,821,149	\$ 70,624,086	\$ 64,390,587
Curriculum and Staff Development	792,560	1,157,727	1,074,638	776,841	872,980
Instructional and School Leadership	9,509,756	9,632,626	8,913,229	8,383,502	8,042,772
Guidance, Counseling and Evaluation Services	4,179,942	3,886,154	3,508,019	3,398,183	2,959,445
Social Work Services	113,132	176,659	199,301	196,151	185,459
Health Services	1,380,034	1,286,043	1,253,042	1,253,937	1,085,300
Student Transportation	7,161,966	8,168,739	6,448,473	5,988,409	5,731,839
Food Services	-	-	3,345	6,523	56,240
Cocurricular / Extracurricular Activities	2,709,224	2,925,047	2,323,090	2,371,137	2,195,641
Administrative Support Services	3,346,477	3,556,264	3,196,332	3,672,748	3,187,805
Facilities Maintenance and Operation	21,666,853	17,153,209	14,273,739	14,436,460	11,702,973
Security and Monitoring Services	1,999,803	1,271,415	1,159,781	1,037,219	976,430
Data Processing Services	2,329,173	2,201,486	1,811,767	1,852,350	1,565,153
Community Services	610,672	603,422	569,558	482,284	481,494
Capital Outlay	11,807	987,508	1,441,197	4,025,601 ^(a)	3,643,388
Intergovernmental Charges	877,355	882,438	849,378	781,913	683,282
Total Expenditures	\$ 137,765,852	\$ 131,598,843	\$ 123,846,038	\$ 119,287,344	\$ 107,760,788
Excess (Deficit) of Revenues Over Expenditures	\$ (5,546,951)	\$ (10,075,043)	\$ (11,076,673)	\$ (6,982,579)	\$ (114,883)
Other Financing Sources (Uses):					
Transfers In (Out)	\$ -	\$ -	\$ 71,553	\$ 133,117	\$ -
Sale of Real and Personal Property	14,434	64,545	52,988	-	2,219
Other Resources (Uses)	(37,644)	(20,199)	-	-	-
Total Other Financing Sources (Uses)	\$ (23,210)	\$ 44,346	\$ 124,541	\$ 133,117	\$ 2,219
Extraordinary Items					
Extraordinary Items - Resource	\$ -	\$ 1,000,152	\$ -	\$ -	\$ -
Net Change in General Fund Balance	\$ (5,570,161)	\$ (9,030,545)	\$ (10,952,132)	\$ (6,849,462)	\$ (112,664)
General Fund Balance – Beginning	29,089,336	38,119,881	49,072,013	55,921,475	56,034,139
General Fund Balance – Ending ^(b)	<u>\$ 23,519,175</u>	<u>\$ 29,089,336 ^(c)</u>	<u>\$ 38,119,881 ^(d)</u>	<u>\$ 49,072,013</u>	<u>\$ 55,921,475</u>

Source: The District's audited financial statements.

^(a) Reflects purchases of land for future development. The District opted to fund these purchases with a strategic drawdown of its general fund balance.

^(b) The District's budget for the 2025-2026 school year includes an expected surplus of approximately \$4 million of General Fund balance and the budget for the 2024-2025 school year had a deficit of approximately \$5 million. The District currently estimates that the General Fund balance for the 2024-2025 school year will reflect a slight surplus. Such estimate is based on internal accounts prior to review by the District's outside auditors and is subject to change in connection with audited financial statements.

^(c) The decline in fund balance was due to lost average daily attendance funding due to a decline in attendance and the hiring of additional staff, particularly mental health professionals and academic tutors, for the purpose of aiding students impacted by the COVID-19 Pandemic. The District is in the process of reducing these additional services but expects to continue to incur expenses for this purpose through the 2023-2024 school year.

^(d) The decline in fund balance was due to the hiring of additional staff, particularly mental health professionals and academic tutors, for the purpose of aiding students impacted by the COVID-19 Pandemic.

TABLE 13 – CURRENT INVESTMENTS

As of August 31, 2025 the District's investable funds were invested in the following categories:

Description	Book Value ^(a)	Percent of Total Value
Texas FIT	\$ 104,536,909	71.71%
Texas Range	19,912,638	13.66%
Texas Class	11,938,622	8.19%
Gulf Coast EFCU	5,867,612	4.03%
Logic	3,513,099	2.41%
	<u>\$ 145,768,880</u>	<u>100.00%</u>

^(a) Unaudited.

APPENDIX B

EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT



MAYS & ASSOCIATES^{PLLC}

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
DICKINSON INDEPENDENT SCHOOL DISTRICT
Dickinson, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TRS pension and OPEB schedules on pages 8-15 and 66-75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, compliance schedules required by the Texas Education Agency, and 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, schedules required by the Texas Education Agency, 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 13, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


Mays & Associates, PLLC

Baytown, Texas
January 13, 2025

**DICKINSON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2024**

As administrators of the Dickinson Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2024.

FINANCIAL HIGHLIGHTS

- The District's total liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$66,674,557 (*net position*).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$176,788,279, a decrease of \$16,550,553 in comparison with the prior year. The decrease in overall governmental fund balances was primarily due to ongoing capital project expenditures coupled with excess expenditures over revenues in the general fund. During 2024, the District expended approximately \$5.7 million in conservation expenditures and expect reimbursement in the subsequent year. Fund balance in the debt service fund decreased by \$853,974.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,374,218 or 7% of total general fund expenditures; however, total general fund balance was \$23,519,175 or 17% of general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the District's basic *financial statements*. The District's basic *financial statements* are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements. The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending. *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the District's self-insurance workers' compensation program. *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.
- The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

The basic financial statements are followed by a section of other *required supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of *management's discussion and analysis* explains the structure and contents of each of the statements.

Government-wide Financial Statements

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

The Statement of Net Position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net positions are indicators of whether financial health is improving or deteriorating, respectively. To fully assess the overall health of the District, however, non-financial factors need to be considered as well, such as changes in the District's average daily attendance, its property tax base and the condition of the District's facilities.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2024**

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

The government-wide financial statements of the District reflect the governmental activities which are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Student (Pupil) Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Payments to Shared Services Arrangements, and Payments to Juvenile Justice Alternative Education Programs.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the 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 District'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 District's near-term financing decisions. Both the government 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 individual governmental funds for general, special revenue, debt services, and capital projects funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual funds data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service funds, and National School Breakfast and Lunch Program special revenue fund.

Proprietary Fund

The District maintains individual internal service funds for life insurance and workers' compensation insurance coverage. *Internal service funds*, one type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. Because this service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2024**

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements provide information for the life and workers' compensation insurance funds.

Fiduciary Fund

The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate statements (Exhibits E-1 & E-2). We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Fund Balance

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

- *Nonspendable* – 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.
- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board.
- *Assigned* – includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*.

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information.

In addition, information related to the District's proportionate share of its net pension liability, net OPEB liability, and contributions to the Teacher Retirement System of Texas is also presented.

Other Information

The other supplementary information is presented immediately following the required supplementary information and includes schedules required by the Texas Education Agency.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$66,674,557 at the close of the most recent fiscal year.

The District's net position includes amounts invested in capital assets (e.g., land, building and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

COMPARATIVE SCHEDULE OF NET POSITION			
	Governmental Activities		Change
	2024	2023	2024-2023
Current and other assets	\$ 195,138,913	\$ 220,133,206	\$ (24,994,293)
Capital assets and non current assets	314,637,397	301,529,033	13,108,364
Total assets	<u>509,776,310</u>	<u>521,662,239</u>	<u>(11,885,929)</u>
Total deferred outflows of resources	<u>42,497,451</u>	<u>32,965,281</u>	<u>9,532,170</u>
Other liabilities	13,250,015	21,944,917	(8,694,902)
Long-term liabilities	552,154,158	564,906,549	(12,752,391)
Total liabilities	<u>565,404,173</u>	<u>586,851,466</u>	<u>(21,447,293)</u>
Total deferred inflows of resources	<u>35,100,290</u>	<u>37,926,061</u>	<u>(2,825,771)</u>
Net position:			
Net investment in capital assets	(42,427,003)	(52,619,673)	10,192,670
Restricted	24,085,253	23,890,451	194,802
Unrestricted	(48,332,807)	(41,420,785)	(6,912,022)
Total net position	<u>\$ (66,674,557)</u>	<u>\$ (70,150,007)</u>	<u>\$ 3,475,450</u>

Net position is restricted for various purposes as follows:

	Governmental Activities	
	2024	2023
Federal and state programs	\$ 7,529,690	\$ 6,595,186
Debt Services	16,555,563	17,295,265
	<u>\$ 24,085,253</u>	<u>\$ 23,890,451</u>

Unrestricted net position, which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, amount to (\$48,332,807) at August 31, 2024. Unrestricted net position continues to reflect a deficit balance. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net pension and OPEB liabilities. The District's liability is reported in governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the pension and TRS-Care plans are funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2024**

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION					
	Governmental Activities				Change
	2024	%	2023	%	2024-2023
Revenues					
Program revenues:					
Charges for services	\$ 3,722,436	2%	\$ 3,439,398	2%	\$ 283,038
Operating grants & contributions	33,659,388	18%	29,211,373	16%	4,448,015
General revenues:					
Property taxes	72,830,587	38%	83,132,901	45%	(10,302,314)
State aid - formula grants	70,674,017	37%	52,265,537	28%	18,408,480
Grants and contributions not restricted	1,776,903	1%	2,011,163	1%	(234,260)
Investment earnings	4,533,815	2%	11,079,977	6%	(6,546,162)
Other	4,763,783	2%	4,071,995	2%	691,788
Total revenues	<u>191,960,929</u>	<u>100%</u>	<u>185,212,344</u>	<u>100%</u>	<u>6,748,585</u>
Expenses:					
Instruction and related services	107,286,709	57%	96,262,452	54%	11,024,257
Instructional and school leadership	11,485,166	6%	13,399,946	8%	(1,914,780)
Support services - student	27,599,777	15%	25,615,245	14%	1,984,532
Administrative support services	3,728,990	2%	3,789,994	2%	(61,004)
Support services - non-student based	29,986,267	16%	22,826,989	13%	7,159,278
Ancillary services	728,553	0%	707,920	0%	20,633
Debt service	6,502,235	3%	13,425,822	8%	(6,923,587)
Intergovernmental charges	621,251	0%	580,494	0%	40,757
Shared service arrangements and other charge	546,531	0%	562,102	0%	(15,571)
Total expenses	<u>188,485,479</u>	<u>100%</u>	<u>177,170,964</u>	<u>100%</u>	<u>11,314,515</u>
Increase (decrease) in net position	3,475,450		8,041,380		(4,565,930)
Net position, beginning	(70,150,007)		(78,191,387)		8,041,380
Prior period adjustment	-		-		-
Net position, ending	<u>\$ (66,674,557)</u>		<u>\$ (70,150,007)</u>		<u>\$ 3,475,450</u>

Governmental Activities

The decrease in Net Position of \$3,475,450 results primarily from excess revenue over expenses. The primary objective of these Statements was to improve accounting and financial reporting by state and local governments.

Governments providing defined benefit pension plans and other post-employment benefits were required to recognize their long-term obligation for pension and OPEB benefits as a liability on their accrual-based, government-wide statement of net position. This provides citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

The implementation of these standards clearly depicts the government's financial position. While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed. Reporting the net pension liability and net OPEB liability on the face of the financial statements will more clearly portray the government's financial status because the pension and OPEB liabilities will be placed on an equal footing with other long-term obligations.

At August 31, 2024, the District reported a net pension liability of \$55,019,018 for its proportionate share of TRS' net pension liability and a net OPEB liability of \$22,748,326 for its proportionate share of the District's Other Post-Employment benefits other than pensions. At August 31, 2023, the District's net pension liability and OPEB liability was \$44,303,387 and \$34,769,568, respectively.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2024**

Revenues are generated primarily from the following three sources: property taxes, state-aid formula grants, and operating grants and contributions. When combined (\$177,163,992), these represented 92% of total revenues. The remaining 8% is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction and related services, which represents 57% of total expenses. Support services – student (such as guidance, counseling and evaluation services, student transportation, food services, and extracurricular activities, etc.) represents 15% of total expenses, support services – non-student based (such as facilities maintenance and operations, etc.) represents 16% of total expenses, and the remaining individual functional categories of expenses are each less than 10% of total expenses.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$176,788,279, a decrease of \$16,550,553 in comparison with prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,374,218, while total fund balance reached \$23,519,175. As a measure of the general fund's liquidity, it may be useful to compare unassigned, assigned, committed fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 7% of total general fund expenditures, while assigned fund balance represents 4%, committed fund balance represents 6%, and total fund balance represents 17% of that same amount. The fund balance of the District's general fund decreased by \$5,570,161 during the current fiscal year. The decrease in fund balance resulted from expenditures exceeding operating revenues.

The debt service fund has total fund balance of \$16,256,305, all of which is restricted for the payment of debt service. Overall, the District's debt service fund balance decreased by \$853,974, which included additional expenditures associated with a current year refunding.

The capital projects fund has a total fund balance of \$128,397,549, all of which is restricted for authorized construction and technology projects/enhancements. The decrease in fund balance during the current year of \$11,118,454 was due to ongoing construction projects.

General Fund Budgetary Highlights

The District adopted a deficit budget for fiscal year 2024. Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	BUDGET	
	Original	Final
Total revenues	\$ 134,064,432	\$ 137,113,911
Total expenditures	138,113,065	150,257,301
Other financing sources (uses)	5,000	5,000
Net change in fund balance	\$ (4,043,633)	\$ (13,138,390)

There were no significant budget amendments affecting total budgeted revenues. The increase in final budgeted expenditures resulted primarily from budget amendments to increase facilities acquisition and operations (\$8.5 million).

**DICKINSON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2024**

For fiscal year 2024, local and intermediate revenue sources fell below estimates by approximately \$4.7 million. State program revenues were less than District's estimates by approximately \$490 thousand. Federal revenues accounted for in the General Fund was more than the District's estimates by approximately \$291 thousand. Expenditures were less than budgetary estimates by approximately \$12.4 million as instruction and related services, facilities maintenances and operations, and other expenses were less than budgeted amounts. Overall, the general fund fund balance decreased by \$7.6 million, compared to its projected deficit of \$20 million.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The District's investment in capital assets for its governmental type activities, as of August 31, 2024, amounts to \$296,193,542 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings and improvements, furniture and equipment, and library books and media. The total amount invested in capital assets for the current fiscal year was:

	2024	2023
Land	\$ 16,817,988	\$ 16,817,988
Construction in progress	2,338,893	11,689,334
Buildings and improvements	487,826,559	467,046,446
Furniture and equipment	28,893,432	28,106,626
Library books and media	32,389	32,389
Total	535,909,261	523,692,783
Accumulated depreciation	(239,715,719)	(222,163,750)
Net capital assets	<u>\$ 296,193,542</u>	<u>\$ 301,529,033</u>

Additional information of the District's capital assets can be found in the notes to the financial statements.

Long-term Liabilities

At the end of the current fiscal year, the District had \$448,075,000 in bonded debt outstanding, a decrease of \$18,315,000 over the prior year. The District's bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "A" and from Moody's Investors Service is "Aa3" for general obligation debt.

Changes in all long-term debt, for the year ended August 31, 2024, are as follows:

	Outstanding 9/1/2023	Additions	Reductions	Outstanding 8/31/2024
General obligation bonds	\$ 466,390,000	\$ 52,855,000	\$ (71,170,000)	\$ 448,075,000
Deferred bond components	31,454,937	4,615,955	(9,759,078)	26,311,814
Other liabilities	67,061,612	10,715,631	(9,899)	77,767,344
	<u>\$ 564,906,549</u>	<u>\$ 68,186,586</u>	<u>\$ (80,938,977)</u>	<u>\$ 552,154,158</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. For the fiscal year ended August 31, 2024, the current debt limitation for the District is \$619,894,253. The District's outstanding debt of \$448,075,000 less the reserve for the retirement of the debt of \$16,256,305 totals \$431,818,695 leaving a legal debt margin of \$188,075,558. Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2024**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2024-2025 budget preparation was increased by \$1.1 billion, or 13.0% from the previous year. This increase was due to a property re-evaluation and an increase in construction of new homes.
- The Tax Rate for 2024-2025 is \$1.136 (\$.736 for M&O; \$.40 for I&S), the total tax rate was decreased by \$.042 due to a reduction in I&S.
- The 2024-2025 general fund operating budget projects spending \$11,218 per student.
- The District's 2024-2025 refined average daily attendance is expected to be 11,900.

Dickinson ISD is classified as a 6A district and has grown consistently for the past several years. The District received a 'above standard' rating under the new Financial Integrity Rating System of Texas.

The Board of Trustees sold \$120 million in bonds in 2023. The bond proceeds will be used to build a Pre-K thru 5 campus and a Career and Technology center at Dickinson High School.

The tax rate did not increase due to the bond election.

The District is growing and several residential projects are being developed. Lago Mar, a subdivision with 5,000 to 7,500 residential units is under construction.

Subdivisions, on the west side of the District, have started building and include plans for approximately 550 new residential homes within the next five to seven years.

Restaurants, banks, department stores and businesses within the District continue to be constructed as the business community grows.

The Tuscan Lakes subdivision construction projects of new homes and additional apartments are adding to the growth of the District. More commercial building is in the planning stages for this area.

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 the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at Dickinson Independent School District, 2218 FM 517, Dickinson, Texas 77539.

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 152,812,456
1120 Current Investments	27,425,315
1220 Property Taxes - Delinquent	6,674,234
1230 Allowance for Uncollectible Taxes	(2,925,516)
1240 Due from Other Governments	8,846,120
1250 Accrued Interest	623,305
1267 Due from Fiduciary Funds	1,288
1290 Other Receivables, Net	278,787
1300 Inventories	762,520
1410 Prepayments	640,404
Capital Assets:	
1510 Land	16,817,988
1520 Buildings, Net	269,716,028
1530 Furniture and Equipment, Net	7,320,494
1560 Library Books and Media, Net	139
1580 Construction in Progress	2,338,893
1000 Total Assets	<u>491,332,455</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	5,944,262
1705 Deferred Outflow Related to TRS Pension	23,532,224
1706 Deferred Outflow Related to TRS OPEB	13,020,965
1700 Total Deferred Outflows of Resources	<u>42,497,451</u>
LIABILITIES	
2110 Accounts Payable	2,459,609
2140 Accrued Interest	883,884
2160 Accrued Wages Payable	7,199,896
2180 Due to Other Governments	210
2200 Accrued Expenses	1,595,892
2300 Unearned Revenue	1,110,524
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	12,495,000
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	461,891,814
2540 Net Pension Liability (District's Share)	55,019,018
2545 Net OPEB Liability (District's Share)	22,748,326
2000 Total Liabilities	<u>565,404,173</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	2,032,480
2606 Deferred Inflow Related to TRS OPEB	33,067,810
2600 Total Deferred Inflows of Resources	<u>35,100,290</u>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets Restricted:	(42,427,003)
3820 Restricted for Federal and State Programs	7,529,690
3850 Restricted for Debt Service	16,555,563
3900 Unrestricted	(48,332,807)
3000 Total Net Position	<u><u>\$ (66,674,557)</u></u>

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

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

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for	Operating	Primary Gov.
	Expenses	Services	Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 103,906,731	\$ 633,451	\$ 16,003,460	\$ (87,269,820)
12 Instructional Resources and Media Services	1,616,815	-	99,291	(1,517,524)
13 Curriculum and Instructional Staff Development	1,763,163	-	806,109	(957,054)
21 Instructional Leadership	2,210,663	40,486	350,458	(1,819,719)
23 School Leadership	9,274,503	256,909	563,294	(8,454,300)
31 Guidance, Counseling, and Evaluation Services	5,593,817	-	1,025,977	(4,567,840)
32 Social Work Services	235,292	-	103,233	(132,059)
33 Health Services	1,618,592	-	133,320	(1,485,272)
34 Student (Pupil) Transportation	7,704,118	-	306,772	(7,397,346)
35 Food Services	8,647,328	1,528,520	7,336,028	217,220
36 Extracurricular Activities	3,800,630	1,197,360	183,559	(2,419,711)
41 General Administration	3,728,990	-	349,791	(3,379,199)
51 Facilities Maintenance and Operations	25,209,784	65,710	790,647	(24,353,427)
52 Security and Monitoring Services	2,271,345	-	128,424	(2,142,921)
53 Data Processing Services	2,505,138	-	81,343	(2,423,795)
61 Community Services	728,553	-	50,285	(678,268)
72 Debt Service - Interest on Long-Term Debt	5,976,358	-	5,039,970	(936,388)
73 Debt Service - Bond Issuance Cost and Fees	525,877	-	-	(525,877)
81 Capital Outlay	-	-	17,000	17,000
93 Payments Related to Shared Services Arrangements	388,950	-	290,427	(98,523)
95 Payments to Juvenile Justice Alternative Ed. Prg.	157,581	-	-	(157,581)
99 Other Intergovernmental Charges	621,251	-	-	(621,251)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 188,485,479	\$ 3,722,436	\$ 33,659,388	(151,103,655)

Data Control Codes		General Revenues: Taxes:	
MT	Property Taxes, Levied for General Purposes		45,630,526
DT	Property Taxes, Levied for Debt Service		27,200,061
SF	State Aid - Formula Grants		70,674,017
GC	Grants and Contributions not Restricted		1,776,903
IE	Investment Earnings		4,533,815
MI	Miscellaneous Local and Intermediate Revenue		4,763,783
TR	Total General Revenues		154,579,105
CN	Change in Net Position		3,475,450
NB	Net Position - Beginning		(70,150,007)
NE	Net Position - Ending		\$ (66,674,557)

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2024

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 17,346,457	\$ 9,357,636	\$ 113,199,664
1120 Investments - Current	5,604,142	6,742,682	15,078,491
1220 Property Taxes - Delinquent	4,567,762	2,106,472	-
1230 Allowance for Uncollectible Taxes	(2,002,186)	(923,330)	-
1240 Due from Other Governments	7,017,056	48,254	-
1250 Accrued Interest	48,871	107,733	466,701
1260 Due from Other Funds	1,272,199	-	-
1290 Other Receivables	182,865	-	-
1300 Inventories	615,310	-	-
1410 Prepayments	218,603	-	-
1000 Total Assets	<u>\$ 34,871,079</u>	<u>\$ 17,439,447</u>	<u>\$ 128,744,856</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,506,730	\$ -	\$ 323,975
2160 Accrued Wages Payable	7,010,805	-	-
2170 Due to Other Funds	-	-	-
2180 Due to Other Governments	210	-	-
2200 Accrued Expenditures	268,583	-	23,332
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>8,786,328</u>	<u>-</u>	<u>347,307</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	2,565,576	1,183,142	-
2600 Total Deferred Inflows of Resources	<u>2,565,576</u>	<u>1,183,142</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	615,310	-	-
3430 Prepaid Items	218,603	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	128,397,549
3480 Retirement of Long-Term Debt	-	16,256,305	-
Committed Fund Balance:			
3510 Construction	6,000,000	-	-
3530 Capital Expenditures for Equipment	500,000	-	-
3545 Other Committed Fund Balance	1,800,000	-	-
Assigned Fund Balance:			
3570 Capital Expenditures for Equipment	340,000	-	-
3580 Self-Insurance	300,000	-	-
3590 Other Assigned Fund Balance	4,371,044	-	-
3600 Unassigned Fund Balance	9,374,218	-	-
3000 Total Fund Balances	<u>23,519,175</u>	<u>16,256,305</u>	<u>128,397,549</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 34,871,079</u>	<u>\$ 17,439,447</u>	<u>\$ 128,744,856</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 9,368,574	\$ 149,272,331
-	27,425,315
-	6,674,234
-	(2,925,516)
1,780,810	8,846,120
-	623,305
5	1,272,204
95,679	278,544
147,210	762,520
421,801	640,404
<u>\$ 11,814,079</u>	<u>\$ 192,869,461</u>
\$ 612,327	\$ 2,443,032
189,091	7,199,896
1,270,916	1,270,916
-	210
15,971	307,886
1,110,524	1,110,524
<u>3,198,829</u>	<u>12,332,464</u>
-	3,748,718
-	3,748,718
96,657	711,967
-	218,603
7,433,033	7,433,033
-	128,397,549
-	16,256,305
-	6,000,000
-	500,000
1,085,560	2,885,560
-	340,000
-	300,000
-	4,371,044
-	9,374,218
<u>8,615,250</u>	<u>176,788,279</u>
<u>\$ 11,814,079</u>	<u>\$ 192,869,461</u>

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DICKINSON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT C-1R

Total Fund Balances - Governmental Funds	\$ 176,788,279
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$535,909,261 and the accumulated depreciation is \$239,715,719. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase net position. (See Note II. D.)	296,193,542
2 Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds. The effect of these long-term liabilities is a decrease to net position. (See Note II. E.)	(474,386,814)
3 Recognizing unearned revenue (property taxes) as revenue in the government-wide statements to convert from modified accrual basis of accounting to the accrual basis of accounting. The net effect is an increase to net position.	3,748,718
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 \$55,019,018, a deferred resource inflow related to TRS in the amount of \$2,032,480 and a deferred resource outflow related to TRS in the amount of \$23,532,224. The net effect of these pension related items is a decrease to net position. (See Note II. H.)	(33,519,274)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$22,748,326, a deferred inflow related to TRS OPEB in the amount of \$33,067,810, and a deferred resource outflow related to TRS OPEB in the amount of \$13,020,965. The net effect of these OPEB related items is a decrease to net position. (See Note II. I.)	(42,795,171)
6 The District uses internal service funds to charge the costs of self-insurance activities to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	2,235,785
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, accrued interest, and recognizing the bond components associated with outstanding debt. Deferred charges on refundings are not financial resources and therefore, are not reported in governmental funds. Deferred charges are amortized over the life of the debt. The net effect is an increase to net position.	5,060,378
29 Net Position of Governmental Activities	\$ (66,674,557)

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

DICKINSON 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 Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 51,994,878	\$ 28,217,334	\$ 1,747,914
5800 State Program Revenues	78,247,633	4,739,015	-
5900 Federal Program Revenues	1,976,390	-	-
5020 Total Revenues	132,218,901	32,956,349	1,747,914
EXPENDITURES:			
Current:			
0011 Instruction	79,694,201	-	-
0012 Instructional Resources and Media Services	1,382,897	-	-
0013 Curriculum and Instructional Staff Development	792,560	-	-
0021 Instructional Leadership	1,633,465	-	-
0023 School Leadership	7,876,291	-	-
0031 Guidance, Counseling, and Evaluation Services	4,179,942	-	-
0032 Social Work Services	113,132	-	-
0033 Health Services	1,380,034	-	-
0034 Student (Pupil) Transportation	7,161,966	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	2,709,224	-	-
0041 General Administration	3,346,477	-	-
0051 Facilities Maintenance and Operations	21,666,853	-	283,608
0052 Security and Monitoring Services	1,999,803	-	-
0053 Data Processing Services	2,329,173	-	-
0061 Community Services	610,672	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	-	11,390,000	-
0072 Interest on Long-Term Liabilities	-	18,777,898	-
0073 Bond Issuance Cost and Fees	-	525,877	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	11,807	-	12,582,760
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	98,523	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	157,581	-	-
0099 Other Intergovernmental Charges	621,251	-	-
6030 Total Expenditures	137,765,852	30,693,775	12,866,368
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,546,951)	2,262,574	(11,118,454)
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	52,855,000	-
7912 Sale of Real and Personal Property	14,434	-	-
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	4,503,599	-
8911 Transfers Out (Use)	(37,644)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(60,475,147)	-
7080 Total Other Financing Sources (Uses)	(23,210)	(3,116,548)	-
1200 Net Change in Fund Balances	(5,570,161)	(853,974)	(11,118,454)
0100 Fund Balance - September 1 (Beginning)	29,089,336	17,110,279	139,516,003
3000 Fund Balance - August 31 (Ending)	\$ 23,519,175	\$ 16,256,305	\$ 128,397,549

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	4,051,325	\$	86,011,451
	2,790,002		85,776,650
	19,814,785		21,791,175
	26,656,112		193,579,276
	13,513,788		93,207,989
	73,818		1,456,715
	789,672		1,582,232
	330,732		1,964,197
	464,224		8,340,515
	838,807		5,018,749
	98,184		211,316
	79,526		1,459,560
	-		7,161,966
	7,823,335		7,823,335
	707,206		3,416,430
	-		3,346,477
	491,625		22,442,086
	139,735		2,139,538
	-		2,329,173
	43,641		654,313
	-		11,390,000
	-		18,777,898
	-		525,877
	17,000		12,611,567
	290,427		388,950
	-		157,581
	-		621,251
	25,701,720		207,027,715
	954,392		(13,448,439)
	-		52,855,000
	-		14,434
	37,644		37,644
	-		4,503,599
	-		(37,644)
	-		(60,475,147)
	37,644		(3,102,114)
	992,036		(16,550,553)
	7,623,214		193,338,832
\$	8,615,250	\$	176,788,279

DICKINSON 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-3

Total Net Change in Fund Balances - Governmental Funds	\$ (16,550,553)
The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.	453
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing current year capital outlays is an increase to net position. (See Note II.)	13,139,813
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (See Note II. D.)	(18,443,855)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. The net effect is to increase net position. (See Note II. E.)	23,458,867
Changes in the District's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the Teacher Retirement System of Texas for the current year are not reported in governmental funds but are reported in the Statement of Activities. The net effect of all these changes is a decrease to net position.	(6,283,069)
Changes in the District's proportionate share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the Texas Public Retired Employees Group Insurance Program (TRS-Care) for the current year are not reported in the governmental funds but are reported in the Statement of Activities. The net effect of all these changes is an increase to net position.	4,063,398
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating inter-fund transactions, recognizing the net effect of retirement of capital assets, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	4,090,396
Change in Net Position of Governmental Activities	<u><u>\$ 3,475,450</u></u>

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

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

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,540,125
Other Receivables	243
	<hr/>
Total Assets	3,540,368
	<hr/>
LIABILITIES	
Current Liabilities:	
Accounts Payable	16,577
Accrued Expenses	1,288,006
	<hr/>
Total Liabilities	1,304,583
	<hr/>
NET POSITION	
Unrestricted Net Position	2,235,785
	<hr/>
Total Net Position	\$ 2,235,785
	<hr/> <hr/>

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

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

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 551,931
Total Operating Revenues	551,931
OPERATING EXPENSES:	
Professional and Contracted Services	396,784
Other Operating Costs	329,013
Total Operating Expenses	725,797
Operating Income (Loss)	(173,866)
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	174,319
Total Nonoperating Revenues (Expenses)	174,319
Change in Net Position	453
Total Net Position - September 1 (Beginning)	2,235,332
Total Net Position - August 31 (Ending)	\$ 2,235,785

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

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

EXHIBIT D-3

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 552,173
Cash Payments for Insurance Claims	(693,903)
Net Cash Used for Operating Activities	(141,730)
<u>Cash Flows from Investing Activities:</u>	
Proceeds from Sale & Maturities of Securities	2,937,522
Interest and Dividends on Investments	210,457
Net Cash Provided by Investing Activities	3,147,979
Net Increase in Cash and Cash Equivalents	3,006,249
Cash and Cash Equivalents at Beginning of Year	533,876
Cash and Cash Equivalents at End of Year	\$ 3,540,125
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (173,866)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	242
Increase (decrease) in Accounts Payable	(11,424)
Increase (decrease) in Accrued Expenses	43,318
Net Cash Used for Operating Activities	\$ (141,730)

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

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

	Total Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 500,835
Other Receivables	<u>252</u>
Total Assets	<u>501,087</u>
LIABILITIES	
Accounts Payable	50,471
Due to Other Funds	<u>1,288</u>
Total Liabilities	<u>51,759</u>
NET POSITION	
Restricted for Student Groups	<u>449,328</u>
Total Net Position	<u><u>\$ 449,328</u></u>

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

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

	Total Custodial Funds
ADDITIONS:	
Miscellaneous Revenue - Student	\$ 1,086,119
Earnings from Temporary Deposits	14,031
Miscellaneous Additions	2,748
Total Additions	<u>1,102,898</u>
DEDUCTIONS:	
Supplies and Materials	<u>1,029,904</u>
Total Deductions	<u>1,029,904</u>
Change in Fiduciary Net Position	72,994
Total Net Position - September 1 (Beginning)	<u>376,334</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 449,328</u></u>

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Dickinson Independent School District (the “District”) have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) promulgated by the Governmental Accounting Standards Board (“GASB”) and other authoritative sources identified in *Statement on Auditing Standards No. 69*, as amended by *Statement on Auditing Standards No.’s 91 and 93* of the American Institute of Certified Public Accountants (“AICPA”); and it complies with the requirements of the appropriate version of Texas Education Agency’s (“TEA”) Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of Trustees (the “Board”), a seven member group, has fiscal responsibility over all activities related to public elementary and secondary education within the jurisdiction of the District. The public elects the Board that corporately has 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 (“TEA”) or to the Texas State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, *“The Financial Reporting Entity”: Omnibus - an amendment by GASB Statements No. 14 and 34*. There are no component units or entities for which the District is considered financially accountable included within the reporting entity.

B. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements, which includes the statement of net position and the statement of activities, report on all of the non-fiduciary activities of the District’s primary government. These statements exclude the effects of interfund activities that do not involve services provided or used. In this context, the District’s governmental activities are typically funded by tax revenues and intergovernmental revenues. The District does not have business-type activities, which would normally depend significantly on fees and charges for financial support.

The statement of activities provides a comparison between direct expenses and program revenues for each program or function of the District’s governmental activities. *Direct expenses* are specifically associated with a program or function and are clearly attributable to that function. *Indirect costs* are allocated proportionally, based on the ratio of function’s expense to total expense. *Program revenues* are categorized as 1) Charges for services, goods, or privileges purchased by students, applicants, or users who directly benefit from a specific function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Revenues that are not classified as program revenues, such as taxes, are reported as *general revenues*.

2. Fund Financial Statements

The District presents separate financial statements for governmental, proprietary, and fiduciary funds. Fiduciary funds, though excluded from the government-wide financial statements, are still reported in separate fiduciary fund financial statements. During the fiscal year, the District segregates transactions related to specific functions or activities into separate funds to aid financial management and demonstrate legal compliance.

Fund financial statements are designed to present the District’s financial information at a more detailed level, with the focus on major funds. These major individual governmental funds are reported in separate columns to highlight their financial activity. All remaining nonmajor governmental funds are aggregated and presented in a single column for reporting purposes. Additionally, proprietary funds are reported separately, and fiduciary funds are presented in their own financial statements, even though they are not included in the government-wide statements.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

C. Fund Accounting

The District utilizes funds to manage and organize its financial records during the fiscal year. A fund is an accounting entity with its own set of self-balancing accounts, meaning it independently tracks its financial resources and obligations. There are three categories of funds: governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The District reports the following major governmental funds:

- **General Fund** – is the District’s primary operating fund and accounts for resources that finance the fundamental operations of the District. It includes all financial resources not required to be accounted for in another fund. Major revenue sources for the General Fund include local property taxes and state funding, such as the Foundation School Program.

This fund covers all expenditures related to the District’s daily operations, except for specific programs funded by federal or state government, as well as food service, debt service, and capital projects. It plays a central role in supporting the District’s mission, in partnership with the community, to enable and motivate students to reach their full potential. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

- **Debt Service Fund** – is the used to account for the accumulation of resources to pay the principal and interest on long-term debt issued by the District. These funds ensure that the District can meet its debt obligations as they come due. Major revenue sources for the Debt Service Fund include dedicated property taxes. Transfers from other funds or special assessments that set aside to pay off debt. This is a budgeted fund, and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all the related debt obligations have been met.
- **Capital Projects Fund** – This fund accounts for proceeds from the sale of voter-approved bonds and other resources to be used for Board authorized acquisition, construction, and renovations of major capital facilities as well as providing their furnishings and equipment. Upon completion of a bond project, any unused proceeds are transferred to the debt service fund to retire related bond principal.
- **Nonmajor Governmental Funds** - account for grants and other resources of the District whose uses are restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the program.

2. Proprietary Fund

Proprietary funds are used to account for operations that are similar to private businesses, where goods or services are provided to external parties for a fee and distinguished between operating and non-operating revenues and expenses. The two main types of proprietary funds are *enterprise funds* and *internal service funds*.

DICKINSON INDEPENDENT SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

The District uses internal service funds to account for specific services provided to other funds or departments on a cost reimbursement basis. The District uses the following *internal service fund*:

- **Workers' Compensation Fund** – The District's statutory workers' compensation obligations are accounted for in the internal service fund using a cost reimbursement basis. All funds within the District that expend resources for salaries and wages contribute a percentage to the workers' compensation program. The operating revenues of the District's internal service fund includes charges for self-funded worker's compensation services provided to other funds and/or employees of the District. Operating expenses consists of insurance claims, premiums and administrative costs associated with the workers' compensation program.

3. Fiduciary Funds

Fiduciary Funds are used to manage resources the Districts holds in a trust or as an agent for others, such as pension funds, scholarship donations, or various campus organization fundraising resources. Fiduciary funds are excluded from the government-wide financial statements because they do not belong to the government but are held in trust for others. The District uses the following fiduciary funds:

- **Custodial Funds** – These funds accounts for the resources raised by student groups and various other campus organizations received by the District in a custodial capacity that do not constitute District property. However, the District's role is considered to be substantive because in the absence of an approved policy, the faculty advisor has the ability to reject, modify, or approve how the resources are being spent.

The custodial funds meet the requirements for reporting as fiduciary activities. The assets derived from these funds are not from the District's owned revenue sources. In addition, they do not meet the criteria for District-mandated or voluntary nonexchange transactions. Lastly, these assets are for the benefits of individuals, namely students or others, and the District does not have administrative involvement or direct financial involvement for these funds.

D. Measurement Focus and Basis of Accounting

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. All assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the District are included in the statement of net position. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recorded as revenues in the year of levy.

2. Fund Financial Statements

The Governmental fund statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. These statements reflect only current assets (such as cash and receivables expected to be collected within the year) and current liabilities (those expected to be settled within the fiscal year). Long-term assets and liabilities, such as capital assets and long-term debt, are not reported in these statements.

Revenues are recognized when they are both measurable (the amount can be determined) and available (expected to be collected within the current period or within 60 days after the fiscal year ends). Property tax revenue and state funding follow the susceptible-to-accrual concept, meaning they must be available and measurable to be recognized. Taxes not collected within 60 days are reported as deferred inflows of resources. Miscellaneous revenues, such as fees or minor revenues, are recorded when received because they are generally not measurable until collection.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Interest revenue and building rentals are recognized when earned, as they are measurable and available. State and Federal grants revenue is recognized when eligible expenditures are incurred. If funds are received before expenditures are made, they are recorded as unearned revenues. If expenditures are made before receiving grant funds, they are reported as receivables.

Expenditures are recognized when a liability is incurred, similar to accrual accounting. However, debt service payments (principal and interest), compensated absences, claims, and judgments are recorded only when payment is due, not when the liability is incurred.

The government-wide financial statements (using the *accrual basis*) include all assets and liabilities, including long-term ones. In contrast, the fund financial statements (using *modified accrual*) exclude long-term items like capital assets and long-term debt. As a result, reconciliations are provided in the fund financial statements to explain these differences.

3. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

- ***Revenues-Exchange and Non-exchange Transactions***

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized. Tax revenues are considered available when collected.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

- **Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to current fiscal year operations, are recorded as deferred inflows of resources in the fund financial statements. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue in both the government-wide and fund financial statements.

In governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

- **Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

E. Assets, Liabilities, and Net Position or Fund Equity

1. Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, the District considers cash on hand, demand deposits, investment pools, and short-term investments with maturities of three months or less from the date of acquisition to be cash and cash equivalents.

2. Deposits and Investments

Under Texas state law, a bank serving as the school depository must have a bond, or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, in an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

Investments consist of balances in privately managed public funds investment pools, certificates of deposit, and U.S. agencies. Investments in local government investment pools are valued and recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. Investments with maturities of 12 months or less at the date of purchase are held at amortized cost and net asset value (NAV). Investments with maturities exceeding 12 months at the date of purchase are stated at fair value based on quoted market prices at year-end date.

The District categorizes fair value measurements of its investments based on the hierarchy established by GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology are quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

3. Property Taxes

The District levies property taxes on October 1, as per the Texas Property Tax Code. Taxes are due upon receipt of the bill and become delinquent after February 1 of the following year, subject to interest and penalties. A tax lien is attached to properties on January 1 to secure payment.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of levy. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. 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.

4. Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations. Interfund receivables and payables are eliminated in the government-wide financial statements as are transfers between funds.

5. Inventories

The District reports inventories of supplies using the first-in, first-out method of accounting. Inventories for food, school, maintenance, and custodial supplies are carried at cost and charged to a respective fund expenditure account when consumed. Inventories of food commodities are recorded at fair values. Although commodities are received at no cost, their fair value is provided by the Texas Department of Agriculture and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized in an equal amount.

6. Prepayments (i.e., Deferred Expenditures/Expenses)

Certain payments to vendors reflect costs applicable to the next fiscal period and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are accounted for using the consumption method and are recognized as expenditures/expenses proportionately over the periods in which the services are provided.

7. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as those with an initial individual cost of more than \$5,000 and an estimated useful life of more than five years. Such assets are recorded at historical cost, or if unavailable, at estimated historical cost. Donated assets are recorded at their acquisition value or estimated fair value on the date of donation.

Furniture and equipment costing in excess of \$5,000 are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed, but interest incurred during construction is not capitalized. When assets are retired or disposed of, their related costs or other recorded amounts are removed from the records.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Capital assets of the District are depreciated using the straight-line method over their estimated useful lives, which are as follows:

Capital Asset:	Years
Portable Buildings	9
Building & Improvements	5-30
Furniture, Fixtures & Equipment	5-15
Buses & Vehicles	5-10
Library Books & Media	10

8. Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of net position and balance sheet 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 outflow of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow 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.
- Deferred outflow 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.

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 inflow 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. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

- Deferred inflow 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.
- Deferred inflow 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 of all members.

9. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term indebtedness is reported as a liability. Bond premiums and discounts, as well as defeasance costs, are deferred and amortized over the life of the bonds using the straight-line method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium, discount, and other costs.

In the fund financial statements, bond premiums (net of discounts) are recognized in the current period and recorded as other financing sources. Issuance costs are recognized in the current period as debt service expenditures. The face amount of the debt issued is reported as other financing sources; whereas, bonds refunded during the period are recorded as other financing uses.

10. Compensated Absences

Compensated absences are absences for which employees will be paid, such as sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In addition to the State personal leave law which entitles all employees to 5 days of paid personal leaver year, certain employees are entitled to sick leave benefits under the District's local sick leave policy. Under the local sick leave policy, eligible employees may earn up to an additional 6.5 local days per year.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported as long-term liabilities on the statement of net position.

11. Pensions

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

12. Other Post-Employment Benefits

The fiduciary net position of the 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.

13. Fund Balance

Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. The government 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 government funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- ***Nonspendable*** – 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. (Inventories and Prepaid Items are considered *Nonspendable* as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.)
- ***Restricted*** – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- ***Committed*** – includes amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance.
- ***Assigned*** – 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 or through the Board delegating this responsibility to the Superintendent or Chief Financial Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the *general fund*.
- ***Unassigned*** – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*. The *Unassigned* classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of *Assigned* fund balance amounts.

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 has provided otherwise in its commitment or assignment actions.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

14. Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The classifications used in the government-wide financial statements are as follows:

- ***Net investment in capital assets*** – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- ***Restricted net position*** – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- ***Unrestricted net position*** – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

15. Budgetary Data

The Board adopts an “appropriated budget” for the General Fund, Debt Services Fund, and the Child Nutrition Program (which is included in the Nonmajor Governmental Funds). The District compares the final amended budget to actual revenues and expenditures. The Budgetary Comparison Schedules appear in Exhibits G-1, J-2, and J-3.

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

- a) Prior to August 20, the District prepares an operating budget for the next succeeding fiscal year beginning September 1. The budget includes proposed expenditures and the means of financing them.
- b) A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten day’s public notice of the meeting must be given.
- c) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end.
- d) Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
- e) Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

16. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

The amount of state foundation and available school revenue a school district earns for a year, can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is probable that the foundation revenue estimate as of August 31 will change and those changes could be material. For the year ended August 31, 2024, the District received approximately 44% of revenues from the State of Texas.

17. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

A summary of the District's cash and investments by fund at August 31, 2024 is shown below:

	Cash and Deposits	Investment Pools	Total Cash & Cash Equivalents	Investments	Total Cash & Investments
Governmental Funds:					
General fund	\$ 9,658,989	\$ 7,687,468	\$ 17,346,457	\$ 5,604,142	\$ 22,950,599
Debt service fund	1,006,133	8,351,503	9,357,636	6,742,682	16,100,318
Capital projects fund	17,053	113,182,611	113,199,664	15,078,491	128,278,155
Non-major governmental funds	<u>4,095,117</u>	<u>5,273,457</u>	<u>9,368,574</u>	<u>-</u>	<u>9,368,574</u>
Total governmental funds	<u>14,777,292</u>	<u>134,495,039</u>	<u>149,272,331</u>	<u>27,425,315</u>	<u>176,697,646</u>
Proprietary funds	<u>396,783</u>	<u>3,143,342</u>	<u>3,540,125</u>	<u>-</u>	<u>3,540,125</u>
Fiduciary funds	<u>334,092</u>	<u>166,743</u>	<u>500,835</u>	<u>-</u>	<u>500,835</u>
Total	<u>\$ 15,508,167</u>	<u>\$ 137,805,124</u>	<u>\$ 153,313,291</u>	<u>\$ 27,425,315</u>	<u>\$ 180,738,606</u>

At August 31, 2024, the net carrying amount of the District's cash and deposits was \$15,508,167 and the bank balance was \$15,619,256. At August 31, 2024, the District's combined deposits were fully insured by FDIC insurance or collateralized with securities held by the Bank's agent in the District's name.

The Public Funds Investment Act ("the Act") and Board policy governs the District's investment policies. The Act 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, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits. 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) securities lending programs, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools and (9) guaranteed investment contracts.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The District's cash equivalents and investments at August 31, 2024 are as shown below:

Investment Type:	Rating	Value at August 30, 2024	Fair Value Measurements Using:			Percent of Portfolio	WAM (Days/Years)
			(Level 1)	(Level 2)	(Level 3)		
Cash in Bank		\$ 15,508,167				9%	
<i>Cash equivalents measured at amortized costs:</i>							
LOGIC	AAA	5,128,360				3%	< 365 days
Texas TERM (daily)	AAAmmf	12,595,627				7%	< 365 days
Texas CLASS	AAAm	6,767,812				4%	< 365 days
TX-FIT	AAAF/S1	113,313,325				63%	< 365 days
Cash and cash equivalents - subtotal		153,313,291					
<i>Investments measured at cost not subject to level reporting:</i>							
Certificates of deposits	Unrated	5,604,142				3%	< 365 days
TX-FIT (choice pool)	AAAF	15,078,491				8%	< 270 days
Texas TERM (fixed)	AAAF	6,742,682				4%	< 365 days
Investments - subtotal		27,425,315	-	-	-		
Total cash & investments		\$ 180,738,606	\$ -	\$ -	\$ -	100%	

The Texas Cooperative Liquid Assets Securities System (TexasCLASS), Texas Fixed Income Trust (TX-FIT), Local Government Investment Pool (TexasDAILY), and Local Government Investment Cooperative (LOGIC) are local government investment "pools" organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, 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, TexasCLASS, TX-FIT, TexasDAILY and LOGIC are reported at amortized cost. Deposits and withdrawals can be made on any business day of the week. The pools have a redemption notice of one day, which may be redeemed daily. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects the pools liquidity. There are no limits on the number of accounts a participant can have or the number of transactions. The District has no unfunded commitments related to the pools.

The District's investment in TexasTERM and TX-FIT is a fixed-rate, fixed-term portfolio rated AAAs by Fitch, that enables investors to lock in a fixed rate for a term of 60 days to 365 days.

The District's management believes that it has complied with the requirements of the Act and with local policies.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following investment risks at year end and if so, the reporting of certain disclosures:

1) Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2023, the District's investments in TexasCLASS and TexasDAILY are rated AAAs, TX-FIT is rated AAAs, and LOGIC is rated AAA by Standard and Poor's.

At year end, the District was not exposed to credit risk.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

2) Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

3) Concentration of Credit Risk

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

At year end, the District was not exposed to concentration of credit risk.

4) Interest Rate Risk

The risk that changes in interest rates may adversely affect the value of investments. The District monitors interest rate risk utilizing weighted average maturity and specific identification. In order to limit interest and market rate risk from changes in interest rates, the District's Investment Policy sets a maximum maturity as follows:

- CD's are limited to a stated maturity of one year.
- Repurchase agreements are limited to a maximum maturity of three months.
- Municipal obligations of the State of Texas or any other state or political subdivision must have a stated maturity less than two years.
- Obligations of the U.S. government, its agencies, and instrumentalities excluding mortgage backed securities, or guaranteed by governmental entities not to exceed two years to stated maturity in the operating and debt service funds and not to exceed three years in bond funds (2256.009).
- Commercial paper is limited to mature in 365 days or less.

At year end, the District was not exposed to interest rate risk.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

B. Receivables and Unearned Revenue

Receivables as of August 31, 2024, for the District's individual major funds and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 2,692,273	\$ 1,356,108	\$ -	\$ -	\$ 4,048,381
Property taxes - penalty & interest	1,875,489	804,364	-	-	2,679,853
Subtotal - property taxes	4,567,762	2,160,472	-	-	6,728,234
Due from other governments-state	6,802,051	-	-	576,218	7,378,269
Due from other governments-federal	132,677	-	-	1,044,703	1,177,380
Due from other governments-other	82,328	48,254	-	159,889	290,471
Subtotal - due from other governments	7,017,056	48,254	-	1,780,810	8,846,120
Interest	48,871	107,733	466,701	-	623,305
Other receivables	182,865	-	-	95,679	278,544
Gross receivables	11,816,554	2,316,459	466,701	1,876,489	16,476,203
Less: allowance for uncollectibles	(2,002,186)	(923,330)	-	-	(2,925,516)
Net total receivables	\$ 9,814,368	\$ 1,393,129	\$ 466,701	\$ 1,876,489	\$ 13,550,687

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

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned.

Unearned revenue at August 31, 2024, for the District's governmental funds is as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - General Fund	\$ 2,565,576	\$ -
Delinquent property taxes receivable - Debt Service Fund	1,183,142	-
Nonmajor Governmental Fund	-	1,110,524
Total deferred revenue	\$ 3,748,718	\$ 1,110,524

Property Taxes

Property taxes are considered available when collected within the current period. The District levies taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and become past due, subject to interest and penalty, if not paid by February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property securing payment of all taxes, penalties, and interest ultimately imposed. The tax rates assessed for the year ended August 31, 2024 to finance general fund operations and voter approved debt service principal and interest payments were \$0.7380 and \$0.4400 respectively, per \$100 of assessed valuation for a total tax rate of \$1.178.

The net assessed/appraised value for school tax purposes was \$6,198,942,530, upon which the current year's total levy value was \$73,023,543.

Current tax collections for the year ended August 31, 2024, were 98% of the year-end adjusted levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of levy. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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. The property taxes receivable allowance is approximately 44% of outstanding property taxes receivable at August 31, 2024.

C. Interfund Receivables, Payables and Transfers

Interfund balances consist of short-term lending/borrowing arrangements between two or more governmental funds. Interfund balances in the fund financial statements at August 31, 2024 consisted of the following:

Fund	Receivable (Due From)	Payable (Due To)
General Fund:		
Nonmajor Governmental Funds	\$ 1,270,911	\$ -
Fiduciary Funds	1,288	-
	<u>1,272,199</u>	<u>-</u>
Nonmajor Governmental Funds:		
General Fund	5	1,270,916
Proprietary Funds:		
General Fund	-	1,288
Total	<u><u>\$ 1,272,204</u></u>	<u><u>\$ 1,272,204</u></u>

District expenditures are paid from a centralized-pooled operating bank account maintained in the general fund. Since all cash transactions flow through this account, each District fund carries a receivable/payable balance with the general fund, which will be repaid within one year.

Interfund transfers in the fund financial statements as of August 31, 2024 consisted of the following:

Transfers from	Transfers to	Amount
General Fund	Nonmajor Governmental Funds	\$ 37,644
		<u><u>\$ 37,644</u></u>

The District transferred funds from the general fund to the nonmajor governmental funds to cover operating expenditures.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

D. Capital Assets

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

	Beginning Balances	Additions	Deletions	Transfers	Ending Balances
<u>Capital assets not being depreciated:</u>					
Land Purchase and Improvements	\$ 16,817,988	\$ -	\$ -	\$ -	\$ 16,817,988
Construction in Progress	11,689,334	9,893,446	-	(19,243,887)	2,338,893
Total capital assets not being depreciated	28,507,322	9,893,446	-	(19,243,887)	19,156,881
<u>Capital Assets being depreciated:</u>					
Buildings and Improvements	467,046,446	1,933,767	(397,541)	19,243,887	487,826,559
Furniture and Equipment	28,106,626	1,312,600	(525,794)	-	28,893,432
Library Books and Media	32,389	-	-	-	32,389
Total capital assets being depreciated	495,185,461	3,246,367	(923,335)	19,243,887	516,752,380
<u>Less accumulated depreciation for:</u>					
Buildings and Improvements	(201,568,900)	(16,939,172)	397,541	-	(218,110,531)
Furniture and Equipment	(20,563,115)	(1,504,168)	494,345	-	(21,572,938)
Library Books and Media	(31,735)	(515)	-	-	(32,250)
Total Accumulated Depreciation	(222,163,750)	(18,443,855)	891,886	-	(239,715,719)
Capital Assets, Net	\$ 301,529,033	\$ (5,304,042)	\$ (31,449)	\$ -	\$ 296,193,542

Depreciation expense was charged to the following functions as follows:

<u>Expenditures:</u>	
Instruction	\$ 10,575,614
Instructional resources and media services	165,283
Curriculum and instructional staff development	179,524
Instructional leadership	222,863
School leadership	946,336
Guidance, counseling and evaluation services	569,440
Social work services	23,976
Health services	165,605
Student (pupil) transportation	812,615
Food services	887,655
Extracurricular activities	387,637
General administration	379,700
Facilities maintenance and operations	2,546,336
Security and monitoring services	242,757
Data processing services	264,274
Community services	74,240
Total depreciation expense	\$ 18,443,855

E. Long-Term Liabilities

General Obligation Bonds

The District issues general obligation bonds for governmental activities to provide resources 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. Principal and interest requirements are payable solely from future revenues of the debt service fund which consists primarily 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.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas through 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.

Long-term liabilities include current interest bonds, term bonds, variable bonds, and capital appreciation bonds (CAB). State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. For the fiscal year ended August 31, 2024, the current debt limitation for the District is \$619,894,253. The District's outstanding debt of \$448,075,000 less the reserve for the retirement of the debt of \$16,256,305 totals \$431,818,695 leaving a legal debt margin of \$188,075,558.

There are a number of limitations and restrictions contained in the general obligation debt indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2024.

Bonded debt as of August 31, 2024 is as follows:

Description	Interest Rate Payable	Maturity Date	Original Issue	Outstanding
Unlimited Tax Schoolhouse & Refunding Bonds, Series 2000	5.40-6.05%	02/15/28	\$ 26,297,916	\$ 8,320,000
Unlimited Tax Schoolhouse Bonds, Series 2008	4.625-4.75%	02/15/33	30,000,000	300,000
Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B	5.941-6.011%	02/15/38	30,000,000	30,000,000
Variable Rate Unlimited Tax Refunding Bonds, Series 2013	Variable	08/01/37	27,940,000	27,940,000
Unlimited Tax Schoolhouse Bonds, Series 2014	4.00-5.00%	02/15/44	54,755,000	26,970,000
Unlimited Tax Schoolhouse Bonds, Series 2016A	2.00%-5.00%	02/15/49	64,475,000	60,490,000
Unlimited Tax Refunding Bonds, Series 2016B	3.00%-5.00%	02/15/33	27,720,000	27,720,000
Unlimited Tax Refunding Bonds, Series 2019	4.00%	02/15/34	12,965,000	12,965,000
Unlimited Tax Schoolhouse Bonds, Series 2021	2.00%-5.00%	02/15/51	86,140,000	83,870,000
Unlimited Tax Schoolhouse Bonds, Series 2023	4.00-5.00%	02/15/53	116,645,000	116,645,000
Unlimited Tax Refunding Bonds, Series 2023A	5.00%	02/15/32	32,905,000	32,905,000
Unlimited Tax Refunding Bonds, Series 2024	5.00%	02/15/38	19,950,000	19,950,000
			\$ 616,657,916	\$ 448,075,000

Variable Rate Terms – In August 2023, outstanding bonds totaling \$27,940,000 were remarketed to a term rate (3.50%) for a period of two years through August 31, 2025. Thereafter, the bonds will bear interest in a mode and at a rate determined by the remarketing agent (JP Morgan Securities LLC) and may change at the District's option from time to time to (a) a weekly or term rate of a different duration or (b) a flexible rate not to exceed the lesser of (i) 7% per annum, or (ii) the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended. In addition, at the option of the District, the bonds bearing interest at a variable rate or flexible rate may be converted in whole or in part to a fixed rate to their maturity.

In December 2023, the District issued Unlimited Tax Refunding Bonds, Series 2023A totaling \$32,905,000. The proceeds, along with additional funds of \$3,472,965 from the Debt Service Fund will be used to refund \$1,820,000 of the outstanding Unlimited Tax Refunding Bonds, Series 2013 and \$35,490,000 of the outstanding Unlimited Tax Refunding Bonds, Series 2014. The bonds were issued at a new premium of \$1,743,322 and issuance costs of \$288,410. The Series 2023A bonds bear interest of 5.0% and are due in annual installments ranging from \$3,525,000 to \$4,515,000 through February 15, 2032. As a result of this refunding, the District reduced its total debt service requirements by \$2,593,125 and realized a present value savings of \$1,707,751.

In April 2024, the District issued Unlimited Tax Schoolhouse Bonds, Series 2024 totaling \$19,950,000. The proceeds, along with additional funds of \$139,067 from the Debt Service Fund will be used to refund \$22,470,000 of the outstanding Unlimited Tax Refunding Bonds, Series 2014. The bonds were issued at a new premium of \$2,760,277 and issuance costs of \$207,074. The Series 2024 bonds bear interest of 5.0% and are due in annual installments ranging from \$860,000 to \$3,200,000 through February 15, 2038. As a result of this refunding, the District reduced its total debt service requirements by \$1,515,700 and realized a present value savings of \$1,214,552.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
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Long-term liability activity for the year ended August 31, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Bonds payable:					
Unlimited taxschoolhouse & refunding bonds, series 2000	\$ 10,105,000	\$ -	\$ (1,785,000)	\$ 8,320,000	\$ 1,895,000
Unlimited taxschoolhouse bonds, taxable series 2010B	30,000,000	-	-	30,000,000	-
Variable rate unlimited tax refunding bonds, series 2013	27,940,000	-	-	27,940,000	-
Unlimited tax refunding bonds, series 2013	3,285,000	-	(3,285,000)	-	-
Unlimited taxschoolhouse bonds, series 2014	50,295,000	-	(23,325,000)	26,970,000	-
Unlimited tax refunding bonds, series 2014	39,670,000	-	(39,670,000)	-	-
Unlimited taxschoolhouse bonds, series 2016A	61,525,000	-	(1,035,000)	60,490,000	1,090,000
Unlimited tax refunding bonds, series 2016B	27,720,000	-	-	27,720,000	-
Unlimited tax refunding bonds, series 2019	12,965,000	-	-	12,965,000	-
Unlimited taxschoolhouse bonds, series 2021	85,755,000	-	(1,885,000)	83,870,000	1,965,000
Unlimited Tax Schoolhouse Bonds, Series 2023	116,645,000	-	-	116,645,000	1,910,000
Unlimited Tax Refunding Bonds, Series 2023A	-	32,905,000	-	32,905,000	4,475,000
Unlimited Tax Refunding Bonds, Series 2024	-	19,950,000	-	19,950,000	860,000
	466,390,000	52,855,000	(71,170,000)	448,075,000	12,495,000
Deferred amounts:					
Accumulated accretion on capital appreciation bonds	2,107,102	112,356	(795,000)	1,424,458	-
Premium on issuance of bonds	29,486,787	4,503,599	(8,994,954)	24,995,432	-
Discount on issuance of bonds	(138,952)	-	30,876	(108,076)	-
Total Bonds payable	497,844,937	57,470,955	(80,929,078)	474,386,814	12,495,000
Other liabilities:					
Net pension liability	44,303,387	10,715,631	-	55,019,018	-
Net OPEB liability	22,757,481	-	(9,155)	22,748,326	-
Compensated absences	744	-	(744)	-	-
Total Other liabilities	67,061,612	10,715,631	(9,899)	77,767,344	-
Governmental activities long-term liabilities	\$ 564,906,549	\$ 68,186,586	\$ (80,938,977)	\$ 552,154,158	\$ 12,495,000

Debt service requirements at August 31, 2024 were as follows:

Fiscal Year Ending Aug 31,	General Obligation		
	Principal	Interest	Total
2025	\$ 12,495,000	\$ 19,618,681	\$ 32,113,681
2026	14,350,000	17,904,655	32,254,655
2027	14,205,000	17,190,856	31,395,856
2028	14,925,000	16,466,905	31,391,905
2029	15,525,000	15,735,681	31,260,681
2030-2034	95,485,000	67,326,186	162,811,186
2035-2039	107,015,000	42,469,802	149,484,802
2040-2044	74,135,000	24,811,743	98,946,743
2045-2049	65,585,000	12,249,396	77,834,396
2050-2053	34,355,000	2,442,831	36,797,831
Total	\$ 448,075,000	\$ 236,216,736	\$ 684,291,736

Build America Bonds

In February 2009, as part of the American Recovery and Reinvestment Act of 2009, Congress added Sections 54AA and 6431 to the Internal Revenue Code of 1986, which permit state and local governments to obtain certain tax advantages when issuing taxable obligations that meet certain requirements of the Code and the related Treasury regulations. Such obligations are referred to as Build America Bonds.

In April 2010, the District issued Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B Bonds in the amount of \$30,000,000 under the Build America Bonds program. Under this program, the District receives semi-annual subsidies equal to 35% of the interest it pays on the bonds. The subsidy payments received by the District will not be pledged as security for the payment of the Series 2010B Bonds and no holder of the Series 2010B Bonds will be entitled to a tax credit or any subsidy payment with respect to the Series 2010B Bonds.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
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The District intends to use the subsidy payments for any lawful purpose, which may include payment of principal and interest on the Series 2010B Bonds. For fiscal year ended August 31, 2024, the District received \$300,955 in such subsidies. The amount received was recorded as federal revenue in the General Fund.

Accreted Interest on Capital Bonds

With capital appreciation bonds, the interest is paid upon maturity of the bonds. In order to properly reflect the amounts payable on these bonds, the annual interest is added to the long-term liabilities as accretion of interest on capital appreciation bonds.

The interest on these obligations will be paid upon maturity in the fiscal years ending 2024-2025. The values associated with these bonds are reflected in the following table:

	Maturity Value of Bonds	Stated Bond Principal Amount	Accreted Interest on Bonds	Accreted Value of Bond at Year-End
Unlimited taxschoolhouse bonds, series 2008	2,750,000	485,000	2,219,458	2,704,458

Defeased Debt

The District has defeased certain general obligation and other bonds in prior years by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2024, bonds outstanding of \$60,420,000 were considered defeased.

Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. As of August 31, 2024, the District does not anticipate any arbitrage liability.

F. Leases

GASB Statement No. 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities.

GASB 87 had no significant impact to the District's financial statements, therefore are not present within the disclosures.

G. Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). Under GASB 96, a SBITA is defined as a contract that conveys controls of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
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The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter, with earlier application encouraged.

GASB 96 had no significant impact to the District's financial statements, therefore are not present within the disclosures.

H. Defined Benefit Pension Plan

Plan Description. The District participates in a cost-sharing multiple employer defined benefit pension plan with a special funding situation. The pension plan is administered by the TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund plan 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 plan'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 TRS' fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Components of the net pension liability of the pension plan as of August 31, 2023 are as follows:

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

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT
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Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the Plan'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 pension plan during the fiscal year.

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

	Contribution Rates	
	2023	2024
Member	8.00%	8.25%
Non-Employer Contributing Entity (NECE) (State)	8.00%	8.25%
Employers	8.00%	8.25%
2024 Employer Contributions		\$ 4,379,254
2024 Member Contributions		\$ 8,701,740
2023 NECE On-Behalf Contributions		\$ 5,372,604

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

The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements.

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

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

DICKINSON INDEPENDENT SCHOOL DISTRICT

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

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

Actuarial Assumptions. The total pension plan liability in the August 31, 2022 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%*
Last year ending August 31 in Projection Period (100 years)	2122
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post-Employment Benefit Changes	None
* Source: Fixed Income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."	

The actuarial 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. The single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50% of payroll in fiscal year 2024 gradually increasing to 9.56% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.0%	4.0%	1.0%
Non-U.S. Developed	13.0%	4.5%	0.9%
Emerging Markets	9.0%	4.8%	0.7%
Private Equity*	14.0%	7.0%	1.5%
Stable Value			
Government Bonds	16.0%	2.5%	0.5%
Absolute Return*	0.0%	3.6%	0.0%
Stable Value Hedge Funds	5.0%	4.1%	0.2%
Real Return			
Real Estate	15.0%	4.9%	1.1%
Energy, Natural Resources and Infrastructure	6.0%	4.8%	0.4%
Commodities	0.0%	4.4%	0.0%
Risk Parity	8.0%	4.5%	0.4%
Asset Allocation Leverage			
Cash	2.0%	3.7%	0.0%
Asset Allocation Leverage	-6.0%	4.4%	-0.1%
Inflation Expectation			2.3%
Volatility Drag****			-0.9%
Expected Return	100%		8.0%

*Absolute Return includes Credit Sensitive Investments.
**Target allocations are based on the FY2023 policy model.
***Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023)
****The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the pension plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.00%) or 1% point higher (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability	\$ 82,256,479	\$ 55,019,018	\$ 32,371,055

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2024, the District reported a net pension liability of \$55,019,018 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 55,019,018
State's proportionate share that is associated with the District	71,795,513
Total	\$ 126,814,531

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

For the fiscal years ended August 31, 2024 and 2023, the District's proportion of the collective Net Pension Liability was as follows:

<u>2024</u>	<u>2023</u>	
Measurement Year	Measurement Year	
8/31/2023	8/31/2022	Increase/(Decrease)
0.0800971571%	0.0746257479%	0.0054714092%

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the Net Pension Liability since the prior measurement period:

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

For the year ended August 31, 2024, the District recognized pension expense of \$21,502,824 and revenue of \$10,840,501 for support provided by the State in the government-wide financial statements.

At August 31, 2024, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,960,346	\$ 666,220
Changes in Actuarial Assumptions	5,203,721	1,273,469
Net Difference Between Projected and Actual Investment Earnings	8,006,603	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	3,982,300	92,791
District Contributions Paid to TRS Subsequent to the Measurement Date	4,379,254	-
Total	\$ 23,532,224	\$ 2,032,480

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

Year Ended June 30:	Pension Expense Amount
2025	\$ 3,779,049
2026	2,570,779
2027	7,553,670
2028	2,718,209
2029	498,782
Thereafter	1
	\$ 17,120,491

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

I. Defined Other Post-Employment Benefit Plan (OPEB)

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 benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2023 are as follows:

Total OPEB Liability	\$ 26,028,070,267
Less: Plan Fiduciary Net Position	(3,889,765,203)
Net OPEB Liability	\$ 22,138,305,064
Net Position as Percentage of Total OPEB Liability	14.94%

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

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

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

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

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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 pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

	Contribution Rates	
	2023	2024
Member	0.65%	0.65%
Non-Employer Contributing Entity (NECE) (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
2024 Employer Contributions		\$ 917,015
2024 Member Contributions		\$ 685,596
2023 NECE On-Behalf Contributions		\$ 1,075,585

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay 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. Updated procedures were used to roll forward the Total OPEB Liability to August 31, 2023. The actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Additional Actuarial Methods and Assumptions:

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

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

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

	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	\$ 26,792,791	\$ 22,748,326	\$ 19,447,947

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2024, the District reported a liability of \$22,748,326 for its proportionate share of the TRS’ 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	\$ 22,748,326
State's proportionate share that is associated with the District	27,449,352
Total	\$ 50,197,678

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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

For the fiscal years ended August 31, 2024 and 2023, the District's proportion of the collective Net OPEB Liability was as follows:

2024	2023	
Measurement Year	Measurement Year	Increase/(Decrease)
8/31/2023	8/31/2022	
0.1027554987%	0.0950445875%	0.0077109112%

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability	\$ 18,732,108	\$ 22,748,326	\$ 27,915,204

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

- The discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- 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 (\$9,014,475).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,029,189	\$ 19,138,407
Changes in Actuarial Assumptions	3,104,981	13,929,403
Net Difference Between Projected and Actual Investment Earnings	9,828	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	7,959,952	-
District Contributions Paid to TRS Subsequent to the Measurement Date	917,015	-
Total	\$ 13,020,965	\$ 33,067,810

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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

Year Ended June 30:	OPEB Expense Amount
2025	\$ (5,039,303)
2026	(3,995,939)
2027	(2,583,408)
2028	(3,279,928)
2029	(2,803,054)
Thereafter	(3,262,228)
	\$ (20,963,860)

For the year ended August 31, 2024, the District recognized OPEB expense of (\$9,014,475) and revenue of (\$5,868,092) for support provided by the State.

J. Medicare Part D – On Behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2024, 2023, and 2022, the subsidy payments received by TRS-Care on-behalf of the District were \$566,045, \$556,525 and \$405,155, respectively. These payments are recorded as equal revenues and expenditures/expenses in the financial statements.

K. Health Care

The District provides medical insurance coverage for its employees through the TRS-Active Care insurance provided by the TRS. This is a premium-based plan: payments are made on a monthly basis for all covered employees. The District contributes \$300 per month for each employee enrolled in the health insurance plan. Employees are able to choose from three types of coverage and are responsible for premiums in excess of the District subsidy, including dependent coverage.

III. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. In addition, the District participated in the following TASB Risk Management Fund (the Fund) programs:

- Auto Liability
- Auto Physical Damage
- Privacy & Information Security
- School Liability

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2024, the Fund anticipates that Dickinson ISD has no additional liability beyond the contractual obligations for payment of contributions.

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

Unemployment Compensation Pool

During the year ended August 31, 2024, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2024, the Fund anticipates that Dickinson ISD has no additional liability beyond the contractual obligation for payment of contribution.

Workers' Compensation

The District participates in the Texas Educational Insurance Association, a public entity risk pool operating as a common risk management and insurance program for member school districts. However, the District is a reimbursing member whereby it does not pay premiums but pays for claims and the cost of handling claims. As such, the District self-insures its worker's compensation claims which are administered by a third party, Claims Administrative Services, Inc., effective September 01, 2022 through August 31, 2027.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$225,000 up to the statutory limits for any given claim.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The following is a summary of the changes in the balances of claims liabilities for workers' compensation for the years ended August 31, 2024 and 2023:

	2024	2023
Liability, beginning of period	\$ 1,244,688	\$ 988,433
Changes in the est. for current & prior period claims	436,133	580,275
Payments on claims	(392,815)	(324,021)
Liability, end of period	\$ 1,288,006	\$ 1,244,688

B. Litigation and Contingencies

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District. Accordingly, no provisions for gains or losses have been recorded in the accompanying government-wide or fund financial statements for contingencies.

The District participates in numerous state and federal grant programs governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. To the extent that the District has not complied with the rules and regulations governing the grants, if any, claims may be disallowed. Any disallowed claims, including amounts already collected, may constitute a liability of the District.

In the opinion of the Administration, no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants exist; therefore, no provision has been recorded in the accompanying government-wide or fund financial statements.

C. Construction and Other Significant Commitments

At August 31, 2024, the District had commitments under construction contracts totaling approximately \$670 thousand.

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

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

D. Shared Service Agreements (SSAs)

An SSA is an agreement between two or more governmental entities to share resources, services, or expertise to achieve a common goal. The purpose is typically to provide services more efficiently or cost-effectively. In school districts, SSAs often involve sharing specialized services such as special education, transportation, or administrative support.

The District is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides educational services for students of member districts. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund No. 447, Shared Services Arrangements – Coastal Alternative Program using Model 3 in SSA section of the FASRG. Each District’s revenue contributions and total expenditures of the SSA are summarized below:

SSA #447 - Coastal Alternative Program	
Revenues:	
Dickinson Independent School District	\$ 153,012
Texas City Independent School District	173,794
Santa Fe Independent School District	128,331
Galveston Independent School District	65,936
Friendswood Independent School District	553
Hitchcock Independent School District	25,365
	<u><u>\$ 546,991</u></u>
Expenditures:	
6100 - Payroll costs	\$ 470,997
6200 - Professional and contracted services	68,202
6300 - Supplies and materials	7,350
6400 - Other operating costs	442
	<u><u>\$ 546,991</u></u>

The District is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides disciplinary alternative education services for students within Galveston County. All services are provided by the fiscal agent. Galveston County provides the funds to the fiscal agent. The District also receives funding from the State of Texas based on student attendance data. The District accounts for the program in Fund No. 448, Shared Services Arrangements – Galveston County Detention Boot C. using Model 3 in SSA section of the FASRG. Each District’s revenue contributions and total expenditures of the SSA are summarized below:

SSA #448 - Coastal Alternative Program	
Revenues:	
Galveston County (mandatory placement by judicial system)	\$ 149,580
Dickinson Independent School District (Per Capita Apportionment)	106,797
	<u><u>\$ 256,377</u></u>
Expenditures:	
6100 - Payroll costs	<u><u>\$ 256,377</u></u>

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The District is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides an educational environment for all students that ensures academic growth, emotional well-being, and positive social behaviors. All services are provided by the fiscal agent. Galveston County provides the funds to the fiscal agent. The District also receives funding from the State of Texas based on student attendance data. The District accounts for the program in Fund No. 449, Shared Services Arrangements – JJAEP Juvenile Justice AEP using Model 3 in SSA section of the FASRG. Each District’s revenue contribution and total expenditures of the SSA are summarized below:

SSA #449 - JJAEP Juvenile Justice AEP	
Revenues:	
Galveston County (mandatory placement by judicial system)	<u>\$ 130,793</u>
Expenditures:	
6100 - Payroll costs	<u>\$ 130,793</u>

E. Related Organizations

The Dickinson ISD Education Foundation (“Foundation”), a non-profit entity which was organized in 2009 to provide funds for District teaching and education programs, is a “related organization” as defined by GASB Statement No. 61. The members of the Board of Directors of the Foundation serve without financial compensation. The operations of the Foundation are not financially significant to the overall operations of the District, and therefore are not reported in the District’s financial statements.

F. Deficit Net Position

At August 31, 2024, the District reported a deficit balance of \$66,674,557 on the statement of net position caused by the implementation of GASB statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

G. Subsequent Events

In January 2023, the District entered into two loan agreements with the State Energy Conservation Office (SECO) for up to \$6 million. Under the agreements, the District must submit reimbursement requests for approved energy conservation expenditures. Projects are required to be completed within 24 months of the agreement date, and loan proceeds are contingent upon SECO's approval of the completed projects. As of August 31, 2024, the District has incurred approximately \$5.7 million in expenditures but has not submitted any reimbursement requests or received any loan proceeds from SECO. Once reimbursements commence, the loan will carry an interest rate of 0.25% and a final payment plan will be established.

In preparing the financial statements, the District has evaluated subsequent events through January 13, 2025 the date the financials were available to be issued. The District is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to or disclosure in, the financial statements.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

January 14, 2026

WE HAVE ACTED as Bond Counsel for the Dickinson Independent School District (the “District”) in connection with an issue of bonds (the “Bonds”) described as follows:

DICKINSON INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2026, dated January 1, 2026, in the aggregate principal amount of \$27,720,000.

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

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the “Refunded Bonds”) with the proceeds of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District and Computershare Trust Company, N.A. (the “Escrow Agent”); the report (the “Report”) of Public Finance Partners LLC, which verifies the sufficiency of the deposits made with the Escrow Agent for the Refunded Bonds for the defeasance of the Refunded Bonds; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely without having undertaken to verify the same by independent investigation; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined executed Bond No. I-1 of this issue.

BASED ON THE FOREGOING and in accordance with customary opinion practice, we are of the opinion that:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof; and the Bonds have been authorized and delivered in accordance with law. The rights of the holders of the Bonds and the enforceability of such rights may be limited or otherwise affected by (a) bankruptcy, insolvency,

reorganization, moratorium and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

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

(3) The deposit with the Escrow Agent for the Refunded Bonds pursuant to the Order and the order authorizing the issuance of the Refunded Bonds (the "Refunded Bond Order") constitutes the discharge and final payment of the Refunded Bonds; in reliance upon the representations contained in the Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes as set forth in the Refunded Bond Order will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held by the Escrow Agent for the Refunded Bonds; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor.

(4) Under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. The opinion in (a) and (b) of the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the "Covenants"). Failure by the District to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

THE OPINIONS SET FORTH ABOVE 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. Our services as bond counsel have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. Our services have not included any financial or other non-legal advice. We express no opinion herein as to the financial resources of the District, its ability to provide for payment of the Bonds or the accuracy or completeness of any information, including the District's Preliminary Official Statement dated _____, 2025, and its Official Statement dated _____, 2025, that may have been relied upon by anyone in making the decision to purchase Bonds. We assume no duty to update or supplement these

January 14, 2026

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opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law or the interpretation thereof that may hereafter occur or become effective.

Very truly yours,

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

assumptions used in the analysis are a projected rate of growth of student enrollment State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

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

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

Annual Distributions to the Available School Fund¹

<u>Fiscal Year Ending</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023²</u>	<u>2024</u>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156
PSF(SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	-	-	-	-	300	600	600 ³	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	432	440	430

¹ In millions of dollars. Source: Annual Report for year ended August 31, 2024.

² Reflects the first fiscal year in which distributions were made by the PSF Corporation.

³ In September 2020, the SBOE approved a special, one-time transfer of \$300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

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

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

<u>State Fiscal Biennium</u>	<u>2010-11</u>	<u>2012-13</u>	<u>2014-15</u>	<u>2016-17</u>	<u>2018-19</u>	<u>2020-21</u>	<u>2022-23</u>	<u>2024-25</u>	<u>2026-27</u>
<u>SBOE Distribution Rate¹</u>	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

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

PSF Corporation Strategic Asset Allocation

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

- 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	-	-
US Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market	-	-	-	-
Debt	-	<u>869.7</u>	-	-
TOTAL FIXED INCOME	13,415.2	8,602.5	4,812.7	55.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,106.0	3,175.8	(69.8)	-2.2%
Real Estate	6,101.0	6,525.2	(424.2)	-6.5%
Private Equity	8,958.8	8,400.7	558.1	6.6%

Emerging Manager Program	-	134.5	-	-
Real Return	-	1,663.7	-	-
Private Credit	2,257.9	-	-	-
Real Assets	<u>4,648.1</u>	<u>4,712.1</u>	<u>(64.0)</u>	<u>-1.4%</u>
TOT ALT INVESTMENTS	25,071.8	24,612.0	459.8	1.9%
UNALLOCATED CASH	<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

Fair Value (in millions) August 31, 2024

Investment Type	As of <u>8-31-24</u>
Investments in Real Assets	
Sovereign Lands	\$ 277.47
Discretionary Internal Investments	457.01
Other Lands	153.15
Minerals ^{(2), (3)}	<u>4,540.61</u> ⁽⁶⁾
Total Investments ⁽⁴⁾	5,428.23
Cash in State Treasury ⁽⁵⁾	0
Total Investments & Cash in State Treasury	\$ 5,428.23

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

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

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

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

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

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

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

The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2025 fiscal year, the ratio is 7.86%. At February 27, 2025, there were 188 active open-enrollment charter schools in the State and there were 1,222 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee

Program, see “Capacity Limits for the Guarantee Program.” The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

The CDBG 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 CDBG 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 CDBG Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making

any material misrepresentations in the charter holder’s application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder’s charter.

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

Capacity Limits for the Guarantee Program

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

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

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

<u>Changes in SBOE-determined multiplier for State Capacity Limit</u>	
<u>Date</u>	<u>Multiplier</u>
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of January 31, 2025 the cost value of the Guarantee Program was \$48,560,433,760 (unaudited), thereby producing an IRS Limit of \$242,802,168,800 in principal amount of guaranteed bonds outstanding.

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

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

contained \$120,355,020, which represented approximately 2.44% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

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

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

Permanent School Fund Guaranteed Bonds

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

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

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

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

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

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

⁽²⁾ At January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues, aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

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

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

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

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

PSF Returns Fiscal Year Ended 8-31-2024¹

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return²</u>
Total PSF(CORP) Portfolio	10.12	9.28
Domestic Large Cap Equities	27.30	27.14
Domestic Small/Mid Cap Equities	18.35	18.37
International Equities	18.82	18.08
Private Credit	1.41	0.93
Core Bonds	7.08	7.30
Absolute Return	11.50	8.87
Real Estate	(6.42)	(7.22)
Private Equity	4.62	4.23
High Yield	12.03	12.53
Natural Resources	12.36	6.42
Infrastructure	4.41	3.63
Bank Loans	3.02	3.23
Short Term Investment Portfolio	2.42	2.28

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

² Benchmarks are as set forth in the Annual Report for year ended August 31, 2024.

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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