

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

**PRELIMINARY OFFICIAL STATEMENT**

**Dated April 23, 2026**

**NEW ISSUE – Book-Entry-Only**

**Rating: S&P: “AAA” / “A+”  
PSF Guaranteed  
(See “OTHER INFORMATION – Rating” and  
“APPENDIX D – THE PERMANENT SCHOOL FUND  
GUARANTEE PROGRAM” herein)**

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



**\$14,645,000\***  
**FERRIS INDEPENDENT SCHOOL DISTRICT**  
*(A Political Subdivision of the State of Texas Located in Ellis and Dallas Counties)*  
**UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

**Dated Date: June 2, 2026**

**Due: February 15, as shown on the inside cover page**

**Interest Accrues from the Date of Initial Delivery (defined below)**

**PAYMENT TERMS . . .** The Ferris Independent School District (the “Issuer” or “District”) is issuing \$14,645,000\* Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”). Interest on the Bonds will accrue from the Date of Initial Delivery to the Underwriter and will be payable initially on February 15, 2027, and each February 15 and August 15 thereafter until stated maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 of principal amount or any integral multiple thereof within a maturity. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The 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. **No physical delivery of the Bonds will be made to the owners thereof** (see “THE BONDS – Book-Entry-Only System”). The initial Paying Agent/Registrar is UMB Bank, Dallas, Texas (see “THE BONDS – Paying Agent/Registrar”).

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued by the District pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Trustees (the “Board”) of the District on February 17, 2026. As permitted by Chapter 1207, the Board, in the Bond Order, authorized certain designated officers of the District to execute a pricing certificate (the “Pricing Certificate”) establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing of the Bonds. The Bond Order and the Pricing Certificate are collectively referred to herein as the “Order.” See “THE BONDS – Authority for Issuance” herein. **The District has applied for and received conditional approval from the Texas Education Agency for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program, which will automatically become effective when the Attorney General of Texas approves the Bonds** (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used (i) to refund certain outstanding debt of the District as disclosed in SCHEDULE I hereto (the “Refunded Bonds”) to achieve debt service savings, and (ii) to pay the costs of issuing the Bonds. See “THE BONDS – Purpose” and “THE BONDS – Sources and Uses of Proceeds” herein.

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**CUSIP PREFIX: 315387**  
**SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, REDEMPTION PROVISIONS, AND CUSIP NUMBERS**

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**LEGALITY . . .** The Bonds are offered for delivery when, as and if issued, and accepted by the initial purchaser thereof named below (the “Underwriter”), subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION”). Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead PC, San Antonio, Texas.

**DELIVERY . . .** It is expected that the Bonds will be available for delivery through DTC on June 2, 2026 (the “Date of Initial Delivery”).

**UMB BANK, N. A.**

\*Preliminary, subject to change.

**\$14,645,000\***  
**FERRIS INDEPENDENT SCHOOL DISTRICT**  
*(A Political Subdivision of the State of Texas Located in Ellis and Dallas Counties)*  
**UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

**CUSIP PREFIX<sup>(1)</sup>: 315387**

**MATURITY SCHEDULE\***

Maturity (August 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
2027	\$ 1,780,000			
2028	2,030,000			
2029	2,040,000			
2030	2,000,000			
2031	1,675,000			
2032	1,695,000			
2033	1,780,000			
2034	1,645,000			

**(Interest Accrues from the Date of Initial Delivery)**

\*Preliminary, subject to change.

<sup>(1)</sup> CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the District, the Financial Advisor, or the Underwriter take any responsibility for the accuracy of CUSIP numbers.

**REDEMPTION PROVISIONS . . .** The Bonds will be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as one or more “Term Bonds.” (see “THE BONDS – Redemption”)

*[The remainder of this page left blank intentionally.]*

**DISTRICT OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

Name	Board Member Since	Term Expires (May)	Occupation
Mr. Richard Sasser President	2019	2027	Logistics Manager
Ms. Nancy Salmon Vice President	2018	2028	Retired Teacher
Ms. Hershana Rouwtt Secretary	2024	2027	Court Clerk
Vacant Trustee	_____	_____	_____
Mr. Nick Hamm Trustee	2015	2028	Retired Postal Worker
Ms. Billinda Longino Trustee	2026	2026	Retired Business Owner
Ms. Maria Elena Ramirez Trustee	2024	2026	Business Owner

**SELECTED ADMINISTRATIVE STAFF**

Name	Position	Years of Service with the District	Years of Service in Present Position
Mr. Hector Madrigal	Superintendent	6	6
Ms. Bettinae Kaiser <sup>(1)</sup>	Chief Financial Officer	3 months	3 months

<sup>(1)</sup>Ms. Kaiser has served as a consultant for the District over the past two (2) years and brings over 25 years of experience in school finance.

**CONSULTANTS AND ADVISORS**

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.  
Austin, Texas

Auditors ..... Snow Garrett Williams  
Weatherford, Texas

Financial Advisor ..... Specialized Public Finance Inc.  
San Antonio, Texas

For additional information regarding the District, please contact:

Mr. Hector Madrigal  
Superintendent  
**Ferris Independent School District**  
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Ferris, Texas 75125  
Phone: (972) 544-2784  
[hmadrigal@ferrisisd.org](mailto:hmadrigal@ferrisisd.org)

or

Mr. Victor Quiroga, Jr.  
Managing Director  
**Specialized Public Finance Inc.**  
17721 Rogers Ranch Parkway, Suite 140  
San Antonio, Texas 78258  
Phone: (210) 239-0204  
[victor@spfmuni.com](mailto:victor@spfmuni.com)

**USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT**

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), this document constitutes an "official statement" of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of the information permitted by the Rule.*

*No dealer, broker, salesman or other person has been authorized by the District, the Financial Advisor, or the Underwriter to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Financial Advisor or the Underwriter. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.*

*Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Financial Advisor or the Underwriter. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.*

*See "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.*

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

**NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE AFFAIRS OF THE TEA DESCRIBED UNDER "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," AS SUCH INFORMATION IS PROVIDED BY DTC AND THE TEA, RESPECTIVELY.**

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES 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.**

*The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriter does 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 purchasers of the Bonds. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.*

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## PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

<b>THE DISTRICT</b> .....	The Ferris Independent School District (the “District”) is a political subdivision located in Ellis and Dallas Counties, Texas. The District is governed by a seven-member Board of Trustees (the “Board”). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the Chief administrative officer of the District. Support services are supplied by consultants and advisors (see “APPENDIX B – General Information Regarding the District”).
<b>THE BONDS</b> .....	The Bonds are being issued as \$14,645,000* Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”) and will be dated June 2, 2026. The Bonds will be issued as serial bonds maturing August 15 in the years 2027 through 2034*, unless the Underwriter elects to aggregate two or more consecutive maturities as one or more “Term Bonds.”
<b>PAYMENT OF INTEREST</b> .....	Interest on the Bonds will accrue from the Date of Initial Delivery (as defined below) and will be payable initially on February 15, 2027, and each February 15 and August 15 thereafter until stated maturity or prior redemption (see “THE BONDS – Description of the Bonds”).
<b>AUTHORITY FOR ISSUANCE</b> .....	The Bonds are being issued by the District pursuant to the Constitution and general laws of the State of Texas, including, Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board on February 17, 2026. As permitted by Chapter 1207, the Board, in the Bond Order, authorized certain designated officers of the District to execute a pricing certificate (the “Pricing Certificate”) establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to herein as the “Order”) (see “THE BONDS – Authority for Issuance”).
<b>PAYING AGENT/REGISTRAR</b> .....	The initial Paying Agent/Registrar is UMB Bank, Dallas, Texas.
<b>SECURITY FOR THE BONDS</b> .....	The Bonds constitute direct obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property located within the District (see “THE BONDS – Security and Source of Payment”).
<b>PERMANENT SCHOOL FUND GUARANTEE</b> .....	The District has applied for and received conditional approval from the Texas Education Agency (the “TEA”) for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein).
<b>REDEMPTION PROVISIONS</b> .....	The Bonds will be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as one or more “Term Bonds.”
<b>TAX EXEMPTION</b> .....	In the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations (see “TAX MATTERS” and “APPENDIX C – FORM OF BOND COUNSEL’S OPINION” herein).
<b>USE OF PROCEEDS</b> .....	Proceeds from the sale of the Bonds will be used (i) to refund certain outstanding debt of the District as disclosed in SCHEDULE I hereto (the “Refunded Bonds”) to achieve debt service savings, and (ii) to pay the costs of issuing the Bonds. See “PLAN OF FINANCING – Refunded Bonds,” and “THE BONDS – Purpose and – Sources and Uses of Proceeds” herein.

\*Preliminary, subject to change.

**RATING** ..... The Bonds have been rated “AAA” by S&P Global Ratings (“S&P”) by virtue of the guarantee of the Permanent School Guarantee Program. The Bonds, together with the District’s tax supported indebtedness, is rated “A+” by S&P without regard to credit enhancement (see “OTHER INFORMATION – Rating”).

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

**PAYMENT RECORD** ..... The District has never defaulted in payment of its tax supported debt.

**LEGALITY** ..... Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel.

**DATE OF INITIAL DELIVERY**..... When issued, anticipated on June 2, 2026 (the “Date of Initial Delivery”).

*[The remainder of this page left blank intentionally.]*

**PRELIMINARY OFFICIAL STATEMENT  
RELATING TO  
\$14,645,000\*  
FERRIS INDEPENDENT SCHOOL DISTRICT  
UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by the Ferris Independent School District (the “District” or “Issuer”) of its Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”). The District is a corporate and a political subdivision of the State of Texas (the “State”) duly organized and existing under the laws of the State.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the District’s Financial Advisor, Specialized Public Finance Inc., San Antonio, Texas by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

**DESCRIPTION OF THE DISTRICT.** . . . The Ferris Independent School District (the “District”) is a political subdivision located in Ellis and Dallas Counties, Texas. The District is governed by a seven-member Board of Trustees (the “Board”). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the Chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 80 square miles in Ellis and Dallas Counties (see “APPENDIX B – General Information Regarding the District”).

**PLAN OF FINANCING**

**REFUNDED BONDS** . . . The Refunded Bonds (defined herein), and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with UMB Bank, Dallas, Texas (the “Escrow Agent”) pursuant to an Escrow Agreement dated as of February 17, 2026 (the “Escrow Agreement”) between the District and the Escrow Agent.

The Bond Order provides that the District will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the District (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds shall be held by the Escrow Agent in an escrow fund (the “Escrow Fund”) irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. Amounts on deposit in the Escrow Fund will be held uninvested in cash and/or used to purchase a portfolio of securities authorized by Section 1207.062, as amended, Texas Government Code, which authorization includes certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that are, rated as to investment quality by a nationally recognized rating firm of not less than “AAA” or its equivalent (the “Escrowed Securities”).

Prior to, or simultaneously with, the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money and investments held under the Escrow Agreement.

Public Finance Partners LLC (the “Verification Agent”) will verify in its verification report (the “Report”) that as of June 2, 2026 (the “Date of Initial Delivery”), the mathematical accuracy of the schedules that demonstrate the Escrowed Securities, if any, 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 (see “OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations” herein).

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds pursuant to the terms of the District orders authorizing their issuance. It is the opinion of Bond Counsel, in reliance upon the Report, that as a result of such defeasance the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt. Therefore, the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrowed Securities.

Upon defeasance of the Refunded Bonds, the Permanent School Fund guarantee with respect thereto will terminate.

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\*Preliminary, subject to change.

## THE BONDS

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued by the District pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of the District on February 17, 2026. As permitted by Chapter 1207, the Board, in the Bond Order, authorized certain designated officers of the District to execute a pricing certificate (the “Pricing Certificate”) establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing of the Bonds (the Pricing Certificate and the Bond Order are collectively referred to herein as the “Order”). **The District has applied for and received conditional approval from the Texas Education Agency for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program, which will automatically become effective when the Attorney General of Texas approves the Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).**

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used (i) to refund certain outstanding debt of the District as disclosed in SCHEDULE I hereto (the “Refunded Bonds”) to achieve debt service savings, and (ii) to pay the costs of issuing the Bonds. See “PLAN OF FINANCING – Refunded Bonds,” and “THE BONDS – Sources and Uses of Proceeds” herein.

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated June 2, 2026, and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the Date of Initial Delivery and will be initially payable on February 15, 2027, and each February 15 and August 15 thereafter until the stated maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in denominations of \$5,000 of principal amount or any integral multiple thereof within a maturity.

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds are payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds. The District has applied for and received conditional approval for the Bonds to be guaranteed by the Permanent School Fund, which guarantee will automatically become effective when the Attorney General of Texas approves the issuance of the Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

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

**TAX RATE LIMITATION . . .** There is not a tax rate limitation on unlimited tax debt; however, the District must demonstrate to the Attorney General of Texas at the time of issuance that it has the ability to pay all debt service on its outstanding unlimited tax debt with a debt service tax not to exceed \$0.50 per \$100 assessed valuation. After the Bonds are issued, the District is required to establish a tax rate, without limitation, sufficient to pay debt service on all of its outstanding unlimited tax debt (see “TAX RATE LIMITATIONS” herein).

**REDEMPTION . . .** The Bonds will be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as one or more “Term Bonds.”

**AMENDMENTS . . .** The District may, from time to time, amend each of the Orders without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of principal of, premium, if any, or any installment of interest on any Bond, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or rescission.

**DEFEASANCE . . .** The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Obligations sufficient to make such payment. The sufficiency of deposits hereinbefore described shall be certified by an independent certified accountant, the District’s Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that “Government Obligations” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are

unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. District officials may restrict such eligible securities as deemed appropriate in connection with the sale of the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds (“Defeasance Proceeds”), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, which defeasance securities may not be of the same investment quality as those currently identified Texas law as permissible defeasance securities. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein).

**BOOK-ENTRY-ONLY SYSTEM . . .** This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, interest, and redemption payments on the Bonds are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Bonds are registered in its nominee’s 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 Underwriter believe the source of such information reliable but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered Bonds 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 Bond certificate will be issued for each maturity of the 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 S&P Global Ratings Inc. rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, or the Underwriter take any responsibility for the accuracy thereof.

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

**EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . .** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bond certificates 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 "THE BONDS - Transfer, Exchange and Registration" below.

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

**TRANSFER, EXCHANGE, AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, the Bonds will be printed and delivered to the Beneficial Owners thereof, and thereafter 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 and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the corporate trust office of the Paying Agent/Registrar (as defined in the Order), 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 for any one maturity and for a like aggregate principal amount, as the Bonds surrendered for exchange or transfer. See “THE BONDS – Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

**LIMITATION ON TRANSFER OF BONDS . . .** The Paying Agent/Registrar shall not be required to make any transfer or exchange with respect to Bonds during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date (“Record Date”) for determining the party to whom the interest on a Bond is payable on any interest payment date means the close of business on the last business day of the preceding month.

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

**BONDHOLDERS’ REMEDIES . . .** The Order specifies events of default as the failure of the District to make payment of the principal or interest on any of the Bonds when the same becomes due and payable or if the State fails to honor the Permanent School Fund Guarantee as herein after discussed or default in the performance or observance of any other covenant, agreement or obligation of the District, which failure materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District. Upon an event of default, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas Legislature has effectively waived the District’s sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make

a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, and by general principles of equity which permit the exercise of judicial discretion.

**SOURCES AND USED OF PROCEEDS**

The proceeds from the sale of the Bonds, together with other lawfully available funds of the District, if any, will be applied approximately as follows:

<b>SOURCES OF FUNDS:</b>	
Par Amount	\$
[Net] Reoffering Premium	
Transfer from Debt Service Fund	_____
Total Sources of Funds	\$
 <b>SOURCES OF FUNDS:</b>	
Escrow Fund Deposit	\$
Underwriter’s Discount	
Cost of Issuance	
Debt Service Fund Deposit	_____
Total Uses of Funds	\$

**TAX RATE LIMITATIONS**

**M&O TAX RATE LIMITATIONS . . .** The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on November 22, 1969, in accordance with the provisions of Chapter 20, Texas Education Code (now codified as Chapter 45, Texas Education Code).

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

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

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, “exempt bonds”), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the “50-cent Test”). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district’s local share of debt service and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district’s I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued as refunding bonds under Chapter 1207 and are therefore not subject to the \$0.50 threshold tax test; however,

taxes levied to pay new debt service on the Bonds are included in the calculation of the \$0.50 tax rate test as applied to subsequent issues of "new debt." The District has not used projected property values or State assistance (other than EDA or IFA allotment funding) to satisfy this threshold test.

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

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

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

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

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

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

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

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## AD VALOREM TAX PROCEDURES

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

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

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

Through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5.32 million dollars (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 owner of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

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

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

**LOCAL OPTION HOMESTEAD EXEMPTIONS . . .** The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

**STATE MANDATED FREEZE ON SCHOOL DISTRICT TAXES . . .** Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled. See "APPENDIX A – Table 1 Assessed Valuation for the reduction in taxable valuation attributable to the freeze or taxes for the elderly and disabled.

**PERSONAL PROPERTY . . .** Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of \$125,000 of

the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See “APPENDIX A – Financial Information of the Issuer – Assessed Valuation” for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

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

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

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

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

**TAX LIMITATION AGREEMENTS . . .** The Texas Economic Development Act (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, a school district could only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purpose 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.

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

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 “AD VALOREM TAX PROCEDURES – District Application of Property Tax Code” herein.

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$62,883,169 for the 2026 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, reappraisals which are higher than renditions, and reappraisals 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, split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster” for further information related to a discussion of the applicability of this section of the Property Tax Code.

**DISTRICT’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalties, 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 action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**DISTRICT APPLICATION OF TAX CODE . . .** The District grants a State mandated \$140,000 general residence homestead exemption. The District grants a State mandated \$60,000 residence homestead exemption for taxpayers who are at least 65 years of age or disabled. A taxpayer who qualifies for both the age 65 or older exemption and the disabled exemption must choose one of the options to claim.

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

The District does not tax personal property not used in the production of income, such as personal automobiles.

The District's taxes are collected by the Ellis and Dallas County Tax Collector (the "Tax Assessor/Collector").

The Tax Assessor/Collector does collect an additional 20% of delinquent tax, penalty, and interest collected as a penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code after July 1.

The Tax Assessor/Collector does not allow for early payment discounts.

The Tax Assessor/Collector does not allow split payments of taxes.

The District does not grant tax abatements.

The District does not grant a goods-in-transit exemption.

The District does not grant a freeport exemption.

### **THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM**

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

### **STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS**

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

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

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

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

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District’s financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds—specifically, the District’s obligation to levy an unlimited debt service tax 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 Finance System. 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. Voter approval of constitutional amendments submitted to the voters at an election held on November 4, 2025 are noted below. See “– 2025 Legislative Session,” below. 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 school district funding is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations (“M&O”) tax to pay current expenses and an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax at a rate intended to create a surplus in M&O tax revenues to pay the district’s debt service. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize, on a per-student basis, local funding generated by a school district’s M&O tax rate.

**2025 LEGISLATIVE SESSION . . .** The regular session of the 89th Texas Legislature (the “Legislature”) commenced on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). 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 called a special session which began on July 21, 2025 and ended on August 15, 2025. The Governor called a special second session, which began on August 15, 2025 and ended on September 4, 2025.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Pursuant to a Statewide election held on November 4, 2025, and legislation passed by both houses of the Legislature there is an increase in: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, (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, and (3) the exemption for tangible personal property used in the production of income from the current \$2,500 to \$125,000. Additionally, the Legislature passed legislation that authorizes roughly \$8.5 billion in funding for public schools and provides districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as providing districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation becomes effective September 1, 2025, when the state fiscal biennium begins, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2025-2027 biennium may not exceed \$1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District’s attendance-based funding.

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

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

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

**Maximum Compressed Tax Rate . . .** The Maximum Compressed Tax Rate (the “MCR”) is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district’s current year SCP multiplied by \$1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then the MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than 90% of any other school district’s MCR for the current year, then the school district’s MCR is instead equal to the school district’s prior year MCR, until TEA determines that the difference between the school district’s MCR and any other school district’s MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. 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 shall calculate and make available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Pursuant to voter approval at a Statewide election held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution 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. The constitutional amendment takes effect for the tax year beginning January 1, 2025.

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate”; however, to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district’s MCR.

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

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

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

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

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

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

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

Since future-year IFA awards were not funded by the State Legislature for the 2026-2027 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2026-2027 State fiscal biennium on new bonds issued by school districts in the 2026-2027 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent 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 " State Funding For School Districts – Tax Rate and Funding Equity” below.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Commissioner. In the 89th Regular Session, the Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

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

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

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

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

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

## CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 school year, the District was not designated as an “excess local revenue” school district under Chapter 49 by TEA. 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 “excess local revenues” must be tested for each future school year and, if it exceeds the maximum permitted level, the District must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District’s wealth per student should exceed the maximum permitted value in future school years, it will be required to exercise one or more of the permitted wealth equalization options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district’s combined property tax base, and the District’s ration 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.

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

### INVESTMENTS

**INVESTMENTS . . .** The District invests its funds in investments authorized by State law in accordance with investment policies approved by the Board of the District. Both State law and the District’s investment policies are subject to change.

**LEGAL INVESTMENTS . . .** Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAA-m”-rated investment pools that invest solely in investments described above; (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act.

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

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

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

State law requires the District’s investments be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers. No person may invest District funds without express written authority from the Board.

**CURRENT INVESTMENTS (UNAUDITED)**

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As of March 1, 2026, the District’s investable funds were invested in the following:

<u>Type of Investment</u>	<u>Amount</u>
Lone Star	\$ 13,466,536
TexPool	433,760
LOGIC	<u>42,803,411</u>
Total	\$ 56,703,707

**EMPLOYEES’ RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS**

The District’s employees participate in a retirement plan (the “Plan”) with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas (“TRS”). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District’s contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended June 30, 2025, the District made a contribution to TRS on a portion of their employee’s salaries that exceeded the statutory minimum. For a discussion of the TRS retirement plan, see “Note I.” in the audited financial statements of the District that are attached hereto as APPENDIX E (the “Financial Statements”).

In addition to its participation in TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the “TRS-Care Retired Plan”), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For additional information regarding the TRS-Care Retired Plan, see “Note J.” in the audited Financial Statements attached hereto as APPENDIX E.

During the year ended June 30, 2025, employees of the District were covered by a fully-insured health insurance plan (the “Health Care Plan”). The District contributed \$250 per month per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. For additional information regarding the Health Care Plan, see “Note K.” in the audited Financial Statements attached hereto as APPENDIX E. Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by State law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

**TAX MATTERS**

**OPINION . . .** On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (i) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See “APPENDIX C – Form of Bond Counsel’s Opinion.”

In rendering its opinion, Bond Counsel will rely upon (a) the District’s federal tax certificate and the Report, (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service (the "IRS") by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the IRS will commence an audit of the Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an IRS audit is commenced, under current procedures the IRS is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

**FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . .** The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

**COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . .** The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

**THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.**

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is

one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

**STATE, LOCAL AND FOREIGN TAXES . . .** Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

**INFORMATION REPORTING AND BACKUP WITHHOLDING . . .** Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

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

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Order, the District has made the following agreements for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the agreements, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. For a description of the continuing disclosure obligations of the TEA, see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.”

**ANNUAL REPORTS . . .** The District will provide this updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in Table 1 of this Official Statement and in Tables 1 through 6 in APPENDIX A. The District will update and provide this information within twelve months after the end of each fiscal year, commencing in 2026. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”). The District will provide audited financial statements within twelve months after the end of each fiscal year, commencing in 2026, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements of the type described above by the required time and will provide audited financial statements when and if such audited financial statements become available. Any financial statements will be prepared in accordance with the accounting principles described in APPENDIX E or such other accounting principles as the District may be required to employ from time to time pursuant to Texas law or regulation. The District’s current fiscal year end is June 30. Accordingly, it must make available updated financial and operating data and financial statements June 30 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. The District will provide the updated information to the MSRB in an electronic format, which will be available to the general public without charge via the MSRB’s EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

**NOTICE OF CERTAIN EVENTS . . .** The District also will 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 (10) 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 or 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrars or change of name of the paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In the Order, the District adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely

notice of any failure by the District to provide annual financial information in accordance with their agreements described above under “Annual Reports.” Neither the Bonds nor the Order make any provision for liquidity enhancement, credit enhancement (except for the Permanent School Fund Guarantee) or debt service reserves.

For these purposes, (a) any event described in clause (12) of 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 the state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

**NOTICE OF FAILURE TO TIMELY FILE . . .** The District also will notify the MSRB through EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the provisions described above.

**AVAILABILITY OF INFORMATION . . .** The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of the Bonds free of charge through the MSRB’s EMMA system.

**LIMITATIONS AND AMENDMENTS . . .** The District has agreed to update information and to provide notices of 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 has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners of the Bonds. The District may also amend or repeal the provisions of its 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 so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

*[The remainder of this page left blank intentionally.]*

## LEGAL MATTERS

**LEGAL OPINION AND NO-LITIGATION CERTIFICATE . . .** The District will furnish the Underwriter with a complete transcript of proceedings incident to the authorization and issuance of the Bonds being purchased, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that such Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District, and the legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, a copy of the proposed form of which is attached as APPENDIX C. Though it represents investment banking firms such as the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under federal securities laws, but this firm has not passed upon any TEA disclosures contained in the Official Statement. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information (other than any financial, technical, or statistical data therein) in this Official Statement appearing under the captions and subcaptions “PLAN OF FINANCING – Refunded Bonds,” “THE BONDS” (excluding the information under the subcaption “Permanent School Fund Guarantee,” “DTC Redemption Provisions,” “Book-Entry-Only-System,” and “Bondholders’ Remedies” as to which no opinion is expressed), “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM,” “TAX MATTERS” “THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT,” “TAX RATE LIMITATIONS” (first paragraph only), “CONTINUING DISCLOSURE OF INFORMATION” (except under the subcaption “Compliance with Prior Undertakings,” as to which no opinion is expressed), “OTHER INFORMATION – Registration and Qualification of Bonds for Sale,” “LEGAL MATTERS - Legal Investments and Eligibility to Secure Public Funds in Texas,” and “LEGAL MATTERS – Legal Opinion and No-Litigation Certificate” (excluding the last sentence of the first paragraph, as to which no opinion is expressed) and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Order. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead PC, San Antonio, Texas, whose legal fees are contingent upon the delivery of the Bonds.

The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinion 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.

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

*[The remainder of this page left blank intentionally.]*

## OTHER INFORMATION

**RATING . . .** The Bonds have been rated “AAA” by S&P Global Ratings (“S&P”) by virtue of the guarantee of the Permanent School Fund Guarantee. The Bonds and the outstanding debt of the District is rated “A+” by S&P without regard to credit enhancement. See “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.” The ratings reflect only the view of such organization at the time the ratings are given, 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 the company, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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

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

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

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

It is the obligation of the Underwriter 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 Underwriter’s written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

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

**VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS . . .** The Verification Agent will deliver to the District, on or before the Date of Initial Delivery of the Bonds, the Report indicating that it has verified the mathematical accuracy of (i) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, if any, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, and (ii) the mathematical computations of yields used by Bond Counsel to support its opinion that the interest on the Bonds will be excluded from gross income for federal income tax purposes.

The Verification Agent will rely upon the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, the Verification Agent will rely on any information provided to it by the District’s retained advisors, consultants or legal counsel.

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

The Financial Advisor 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.

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

**UNDERWRITING . . .** The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District, at a price equal to the initial offering prices to the public, as shown on page 2 of this Official Statement, less an underwriting discount of \$ \_\_\_\_\_, and no accrued interest. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

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

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

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

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

In the Order, the Board authorized (i) the District representative in the Pricing Certificate to approve, for and on behalf of the District, the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) its further use in the public offering and sale of the Bonds by the Underwriter.

/s/ \_\_\_\_\_  
Pricing Officer  
Ferris Independent School District

**SCHEDULE I**

**TABLE OF REFUNDED BONDS\***

**Unlimited Tax School Building and  
Refunding Bonds, Series 2018  
Dated Date: 6/1/2018**

Maturity Date	Principal Amount	Interest Rate
8/15/2027	\$ 1,255,000	5.000%
8/15/2028	1,320,000	5.000%
8/15/2029	1,380,000	5.000%
8/15/2030	1,455,000	5.000%
8/15/2031	1,530,000	4.000%
8/15/2032	1,580,000	4.000%
8/15/2033	1,650,000	4.000%
8/15/2034	1,720,000	4.000%
	<u>\$ 11,890,000</u>	

Redemption Date: 8/15/2026

Redemption Price: 100%

**Unlimited Tax School Building and  
Refunding Bonds, Series 2015  
Dated Date: 2/15/2015**

Maturity Date	Principal Amount	Interest Rate
8/15/2027	\$ 140,000	-
8/15/2028	145,000	-
8/15/2029	155,000	-
8/15/2030	180,000	-
8/15/2031	245,000	-
8/15/2032	250,000	-
8/15/2033	245,000	-
8/15/2034	15,000	-
	<u>\$ 1,375,000</u>	

Redemption Date: 8/15/2026

Redemption Price: Accreted value on date  
fixed for redemption.

**Unlimited Tax Refunding  
Bonds, Series 2013  
Dated Date: 8/1/2013**

Maturity Date	Principal Amount	Interest Rate
8/15/2027	\$ 720,000	3.500%
8/15/2028	745,000	4.000%
8/15/2029	680,000	4.000%
8/15/2030	535,000	4.000%
8/15/2031	65,000	4.000%
	<u>\$ 2,745,000</u>	

Redemption Date: 8/15/2026

Redemption Price: 100%

*\*Preliminary, subject to change.*

**APPENDIX A**

**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

<b>2025 Total Appraised Value</b>	\$	2,193,418,407
Less:		
Homestead Exemption Loss		337,388,015
Over 65/Surviving Spouse Homestead Exemption		33,695,830
Disabled/Surviving Spouse		3,773,370
Disabled Veterans/Surviving Spouse Exemption		585,781
Disabled Veterans/Surviving Spouse Homestead Exemption		15,836,883
Pollution Control Exemption Loss		7,517,543
Disaster Damage Exemption		-
EN		-
Totally Exempt		111,736,535
Solar Wind		733,407
Miscellaneous		88,563,995
Productivity Loss		348,871,161
10% Residential Cap		147,523,176
<b>2025 Net Taxable Assessed Valuation</b>	<b>\$</b>	<b>1,097,192,711</b>

*Note: The above figures were taken from the Ellis and Dallas County Appraisal Districts which are compiled during the initial phase of the tax year and are subject to change.*

**GENERAL OBLIGATION BONDED DEBT**

*As of March 31, 2026*

**General Obligation Debt Outstanding:**

Unlimited Tax Debt:

Unlimited Tax Refunding Bonds, Series 2013	\$	695,000	(1)(2)
Unlimited Tax School Building & Refunding Bonds, Series 2015		-	(1)(2)
Unlimited Tax Refunding Bonds, Series 2017		940,000	
Unlimited Tax School Building & Refunding Bonds, Series 2018		495,000	(1)(2)
Unlimited Tax Refunding Bonds, Series 2020		1,695,000	
Unlimited Tax School Building Bonds, Series 2025		52,040,000	
The Bonds		<u>14,645,000</u>	(2)
Total Unlimited Tax Debt	\$	70,510,000	(1)(2)

General Obligation Interest and Sinking Fund Balance as of February 28, 2026 \$ 5,420,289 (3)

2025 Net Taxable Assessed Valuation \$ 1,097,192,711

Ratio of Total General Obligation Debt to 2025 Net Taxable Assessed Valuation 6.43%

Area of District:	80	Square Miles
Estimated Population:	14,035	in Year 2026
Per Capita 2026 Net Taxable Assessed Valuation:	\$ 78,175	
Per Capita General Obligation Debt:	\$ 5,024	(1)(2)

(1) Excludes the Refunded Bonds.

(2) Preliminary, subject to change.

(3) Unaudited.

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Calendar Year Ending	Current Total Debt Service <sup>(1)</sup>	The Bonds <sup>(2)</sup>			Combined Debt Service
		Principal	Interest	Total	
2026	\$ 5,682,431	\$ -	\$ -	\$ -	\$ 5,682,431
2027	3,081,825	1,780,000	880,734	2,660,734	5,742,559
2028	3,076,500	2,030,000	643,250	2,673,250	5,749,750
2029	3,169,050	2,040,000	541,750	2,581,750	5,750,800
2030	3,310,800	2,000,000	439,750	2,439,750	5,750,550
2031	3,734,100	1,675,000	339,750	2,014,750	5,748,850
2032	3,783,775	1,695,000	256,000	1,951,000	5,734,775
2033	3,784,250	1,780,000	171,250	1,951,250	5,735,500
2034	3,786,450	1,645,000	82,250	1,727,250	5,513,700
2035	3,550,125	-	-	-	3,550,125
2036	3,549,750	-	-	-	3,549,750
2037	3,551,000	-	-	-	3,551,000
2038	3,548,750	-	-	-	3,548,750
2039	3,547,875	-	-	-	3,547,875
2040	3,548,125	-	-	-	3,548,125
2041	3,549,250	-	-	-	3,549,250
2042	3,546,125	-	-	-	3,546,125
2043	3,548,500	-	-	-	3,548,500
2044	3,546,125	-	-	-	3,546,125
2045	3,548,750	-	-	-	3,548,750
2046	3,546,125	-	-	-	3,546,125
2047	3,548,000	-	-	-	3,548,000
2048	3,549,000	-	-	-	3,549,000
2049	3,548,875	-	-	-	3,548,875
2050	3,547,375	-	-	-	3,547,375
2051	3,549,125	-	-	-	3,549,125
2052	3,548,750	-	-	-	3,548,750
2053	3,546,000	-	-	-	3,546,000
2054	3,550,375	-	-	-	3,550,375
2055	3,546,500	-	-	-	3,546,500
	<u>\$ 107,923,681</u>	<u>\$ 14,645,000</u>	<u>\$ 3,354,734</u>	<u>\$ 17,999,734</u>	<u>\$ 125,923,415</u>

<sup>(1)</sup> Excludes the Refunded Bonds and includes a \$319,000 Transfer from Debt Service Funds. Preliminary, subject to change.

<sup>(2)</sup> Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

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**TAX ADEQUACY**

2025 Net Taxable Assessed Valuation	\$ 1,097,192,711
Estimated Maximum Annual Debt Service Requirements for Fiscal Year Ending: 12/31/2029	\$ 5,750,800 <sup>(1)</sup>
Less: Existing Debt Allotment	-
Less: Instructional Facilities Allotment	-
Net Debt Service Requirement	<u>\$ 5,750,800 <sup>(1)</sup></u>
Indicated Interest and Sinking Fund Tax Rate	\$ 0.5349
Indicated Interest and Sinking Fund Tax Levy at the following Collections:	98% \$ 5,751,506

<sup>(1)</sup> Excludes the Refunded Bonds and includes the Bonds. Preliminary, subject to change.

**INTEREST AND SINKING FUND MANAGEMENT INDEX**

General Obligation Interest and Sinking Fund Balance as of June 30, 2025	\$ 3,886,821
2025 Interest and Sinking Fund Tax Levy at 98% Collections Produce	5,376,244
Plus: Existing Debt Allotment	-
Plus: Instructional Facilities Allotment	-
Plus: Additional State Aid for Homestead Exemption	795,923
Total Available for Debt Service	<u>\$ 10,058,988</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending June 30, 2026	<u>4,694,675 <sup>(1)</sup></u>
Estimated Balance at Fiscal Year Ended June 30, 2026	\$ 5,364,313

<sup>(1)</sup> Includes a \$319,000 Transfer from Debt Service Funds. Preliminary, subject to change.

**PRINCIPAL TAXPAYERS**

**TABLE 2**

Name	2025 Net Taxable Assessed Valuation	% of Total 2025 Assessed Valuation
Port 45 LLC	\$ 23,278,540	2.12%
Oncor Electric Delivery Co LLC	22,249,700	2.03%
Waste Management of Texas Inc.	15,458,380	1.41%
Trinity Vly Rclmntn Inc	13,417,750	1.22%
DB Data Center Red Oak LLC	13,352,725	1.22%
ATCO Products Inc.	9,786,057	0.89%
Park Environmental Equipment: LTD	8,630,820	0.79%
D R Horton - Texas LTD	7,532,200	0.69%
CISCO South LP	6,798,790	0.62%
Xtreme Race Holdings LLC	5,260,000	0.48%
Total (11.46% of 2025 Net Taxable Assessed Valuation)	<u>\$ 125,764,962</u>	<u>11.46%</u>

*Note: The above information was taken from the Ellis and Dallas County Appraisal Districts.*

*As shown in the table above, the total combined top ten taxpayers in the District currently account for over 11% of the District's tax base, thereby creating a concentration risk for the District. Any adverse development related to these businesses may affect their ability to continue to conduct business at their respective locations within the District's boundaries and may result in significantly less local tax revenue, which may affect the District's finances and its ability to repay its outstanding indebtedness.*

**TAX DATA****TABLE 3**

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 15% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
2021	\$ 645,565,595	\$ 1.2743	\$ 8,080,423	96.77	99.11	8/31/2022
2022	835,832,188	1.2385	9,849,906	95.16	97.27	6/30/2023
2023	972,188,304	1.1431	10,325,724	94.35	96.24	6/30/2024
2024	1,091,945,525	1.1408	11,598,580	95.79	98.66	6/30/2025
2025	1,097,192,711	1.2308	13,504,248	(In Process of Collection)		6/30/2026

Note: The above figures were taken from the District's 2025 Annual Financial Report, the Ellis and Dallas County Appraisal Districts and information provided by the District.

**TAX RATE DISTRIBUTION****TABLE 4**

Tax Year	2025	2024	2023	2022	2021
General Fund	\$ 0.7308	\$ 0.7508	\$ 0.7531	\$ 0.9385	\$ 0.9559
I & S Fund	0.5000	0.3900	0.3900	0.3000	0.3184
Total Tax Rate	\$ 1.2308	\$ 1.1408	\$ 1.1431	\$ 1.2385	\$ 1.2743

Note: The above figures were taken from the Municipal Advisory Council of Texas, the District's 2025 Annual Financial Report and the Ellis and Dallas County Appraisal Districts.

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GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND ANALYSIS OF  
CHANGES IN FUND BALANCES

TABLE 5

	Fiscal Year Ended				
	6/30/2025	6/30/2024	6/30/2023 <sup>(1)</sup>	8/31/2022	8/31/2021
<b>Revenues:</b>					
Total Local and Intermediate Sources	\$ 8,486,266	\$ 7,496,887	\$ 7,982,505	\$ 6,418,118	\$ 5,934,687
State Program Revenues	29,673,194	28,584,488	21,494,919	22,573,611	21,832,349
Federal Program Revenues	175,161	191,739	497,299	459,140	428,705
Total Revenues	\$ 38,334,621	\$ 36,273,114	\$ 29,974,723	\$ 29,450,869	\$ 28,195,741
<b>Expenditures:</b>					
Instruction	\$ 21,636,501	\$ 20,641,283	\$ 15,501,187	\$ 17,054,710	\$ 16,071,730
Instruction Resources & Media Services	309,792	299,863	273,046	300,025	337,843
Curriculum & Instructional Staff Development	1,292,142	1,680,249	1,424,761	1,122,036	1,175,206
Instructional Leadership	812,387	740,150	627,684	771,147	603,883
School Leadership	1,899,102	1,772,725	1,593,682	1,866,601	1,654,859
Guidance, Counseling & Evaluation Services	1,890,166	1,586,874	909,840	1,346,214	1,280,848
Social Work Services	-	-	-	-	-
Health Services	375,349	379,873	362,664	426,828	338,337
Student (Pupil) Transportation	1,061,982	886,653	1,136,367	1,126,572	625,288
Food Service	-	-	-	-	144
Extracurricular Activities	1,449,739	1,453,112	1,085,638	1,327,422	1,156,932
General Administration	1,326,251	1,307,231	1,195,535	1,164,032	1,137,914
Facilities Maintenance and Operations	6,033,771	3,531,468	4,677,103	2,917,738	2,718,756
Security & Monitoring Service	1,406,920	892,560	559,300	481,458	490,355
Data Processing Services	1,008,782	664,000	522,404	518,728	563,042
Community Services	90,954	46,179	24,711	56,111	346
Debt Service-Principal on Long Term Debt	249,679	282,665	219,932	246,028	59,000
Debt Service-Interest on Long Term Debt	18,231	27,719	20,997	8,371	-
Facilities Acquisition and Construction	-	-	-	-	-
Bond Issuance Costs and Fees	-	-	9,530	11,259	11,455
Capital Outlay	-	-	-	-	-
Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-	-
Payments to Juvenile Justice Alternative Ed. Prg.	-	5,405	-	6,450	-
Other Intergovernmental Charges	102,815	88,705	59,515	60,558	51,995
Total Expenditures	\$ 40,964,563	\$ 36,286,714	\$ 30,203,896	\$ 30,812,288	\$ 28,277,933
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$ (2,629,942)	\$ (13,600)	\$ (229,173)	\$ (1,361,419)	\$ (82,192)
Other Financing Sources (Uses):					
Other Financing Sources (Uses):	\$ 48,047	\$ -	\$ -	\$ -	\$ 88,798
Transfer In	-	-	-	-	-
Transfers Out (Note IV. E)	-	-	-	(864,326)	-
Total Other Financing Sources and (Uses):	\$ 48,047	\$ -	\$ -	\$ (864,326)	\$ 88,798
Special Items:					
Special Item - Insurance Settlement	\$ -	\$ -	\$ -	\$ -	\$ 28,283
<b>Net Change in Fund Balance</b>	\$ (2,581,895)	\$ (13,600)	\$ (229,173)	\$ (864,326)	\$ 34,889
<b>Fund Balance - (Beginning)</b>	12,322,001	12,335,601	12,564,774	13,429,100	13,394,211
<b>Fund Balance - (Ending)</b>	\$ 9,740,106 <sup>(2)</sup>	\$ 12,322,001	\$ 12,335,601	\$ 12,564,774	\$ 13,429,100

Note: The above information was taken from the District's Annual Financial Reports dated 2021-2025.

<sup>(1)</sup> Fiscal Year 2023 represents ten months from 9/1/22-6/30/23.

<sup>(2)</sup> The deficit in Fiscal Year 2025 was primarily due to approximately \$2.2 million of expenditures recognized in the General Fund related to bond-eligible capital projects. These expenditures are to be reimbursed to the General Fund from the bond proceeds in Fiscal Year 2026.

COMBINED GENERAL FUND BALANCE SHEET

TABLE 6

	Fiscal Year Ended				
	6/30/2025	6/30/2024	6/30/2023*	8/31/2022	8/31/2021
<b>Assets</b>					
Cash and Temporary Investments	\$ 7,531,246	\$ 3,114,854	\$ 11,492,829	\$ 10,821,416	\$ 13,575,283
Receivables:					
Property Taxes	585,595	590,374	495,305	328,248	338,507
Due from state agencies	-	-	-	-	-
Due from federal agencies	-	-	-	-	-
Due from other governments	5,996,626	6,249,998	3,410,517	1,693,297	-
Other Receivables	985	31,106	1,390	3,240	3,477
Due from other funds	329,252	6,169,478	610,885	2,512,968	2,515,118
Due from other	-	-	-	-	-
Allowance for uncollectible taxes	(134,428)	-	-	-	-
Accrued Interest	-	-	-	-	-
Other Current Assets	-	-	-	-	-
Sundry Receivables	-	-	-	-	-
Inventories at Cost	12,384	37,708	49,037	81,000	85,291
Deferred Expenditures	-	-	-	-	-
Total Assets	\$ 14,321,660	\$ 16,193,518	\$ 16,059,963	\$ 15,440,169	\$ 16,517,676
<b>Liabilities and Fund Equity:</b>					
Liabilities:					
Accounts Payable	\$ 902,614	\$ 38,763	\$ 133,049	\$ 45,842	\$ 98,975
Payroll Deductions and Withholdings	185,636	104,834	224,728	866	95,813
Accrued Wages Payable	2,847,298	2,837,696	2,628,114	2,291,752	1,814,207
Due to Other Funds	2,322	299,850	243,166	208,687	145,636
Due to Other Governments	-	-	-	-	591,404
Accrued Expenses	192,517	-	-	-	-
Due to Fiduciary Funds	-	-	-	-	4,034
Deferred revenue	-	-	-	-	-
Total Liabilities	\$ 4,130,387	\$ 3,281,143	\$ 3,229,057	\$ 2,547,147	\$ 2,750,069
<b>Deferred Inflows of Resources:</b>					
Deferred Revenue - Unavailable Revenue - Property Taxes	\$ 451,167	\$ 590,374	\$ 495,305	\$ 328,248	\$ 276,582
<b>Fund Equity:</b>					
Reserved Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Invested Reserves:					
Inventories	\$ 12,384	\$ 37,708	\$ 49,037	\$ 81,000	\$ 85,291
Capital Expenditures - Equipment	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Reserve for Self-funded Insurance	-	-	-	-	-
Outstanding Encumbrances	-	-	-	-	-
Retirement of lease Obligation	-	-	-	-	-
Other Invested Reserves	-	-	-	-	-
Designated Fund Balances:				498,000	4,980,000
Designated for Equipment	-	-	-	-	-
Designated for Construction	2,601,000	2,601,000	2,601,000	-	-
Capital Replacement	-	-	-	-	-
Other Designated Fund Balance	-	-	-	-	-
Undesignated Fund Balance	\$ 7,126,722	\$ 9,683,293	\$ 9,685,564	\$ 7,503,774	\$ 8,336,452
<b>Total Fund Equity</b>	<b>9,740,106</b>	<b>12,322,001</b>	<b>12,335,601</b>	<b>12,564,774</b>	<b>13,401,743</b>
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 14,321,660</b>	<b>\$ 16,193,518</b>	<b>\$ 16,059,963</b>	<b>\$ 15,440,169</b>	<b>\$ 16,428,394</b>

Note: The above information was taken from the District's Annual Financial Reports dated 2021-2025.

(\*) Fiscal Year 2023 represents ten months from 9/1/22-6/30/23.

**OVERLAPPING DEBT DATA AND INFORMATION**

(As of February 28, 2026)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures.

The following statements of direct and estimated overlapping ad valorem bonds were developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete.

Furthermore, certain of the entities below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

<b>Taxing Body</b>	<b>Gross Debt</b>	<b>% Overlapping</b>	<b>Amount Overlapping</b>
Dallas County	\$ 179,530,000	0.01%	\$ 17,953
Dallas County Hospital District	511,285,000	0.01%	51,129
Dallas College	217,720,000	0.01%	21,772
Ellis County	18,535,000	3.29%	609,802
Ellis County MUD # 1B	4,700,000	100.00%	4,700,000
Ferris, City of	10,885,000	100.00%	10,885,000
Lancaster, City of	91,932,401	0.02%	18,386
Red Oak, City of	79,865,000	1.64%	1,309,786
Waxahachie, City of	250,780,000	0.02%	50,156
Wilmer, City of	32,028,000	0.67%	214,588
Total Gross Overlapping Debt			\$ 17,878,571
Ferris Independent School District	\$ 70,510,000 <sup>(1)</sup>	100.00%	70,510,000 <sup>(1)</sup>
Total Direct and Overlapping Debt			\$ 88,388,571 <sup>(1)</sup>
Ratio of Direct and Overlapping Debt to the 2025 Assessed Valuation			8.06% <sup>(1)</sup>
Per Capita Direct and Overlapping Debt			\$ 6,298 <sup>(1)</sup>

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

<sup>(1)</sup> Excludes the Refunded Bonds and includes the Bonds. Preliminary, subject to change.

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

<b>Purpose</b>	<b>Date of Authorization</b>	<b>Amount Authorized</b>	<b>Previously Issued</b>	<b>Amount Issued</b>	<b>Amount Unissued</b>
School Building	5/3/2025	\$ 134,740,000	\$ 53,000,000	\$ -	\$ 81,740,000
		\$ 134,740,000	\$ 53,000,000	\$ -	\$ 81,740,000

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE DISTRICT**

**GENERAL INFORMATION REGARDING THE DISTRICT**

**The District:**

The Ferris Independent School District (the “District”) is an agricultural and oil producing area. It is located northern of Ellis County and south of Dallas County and extends into Kaufman County to the north. Included in the District is the City of Ferris, a farm market center located 20 miles south of Dallas on Interstate 45. The District’s 2026 estimated population is 14,891.

**The Schools:**

**Historical Enrollment for the District**

School Year	Enrollment
2021-22	2,630
2022-23	2,716
2023-24	2,877
2024-25	3,010
2025-26	3,044

**Enrollment and School Facilities**

School	Grades	2025-2026 Enrollment
Ferris High School	9-12	920
Ferris Junior High School	6-8	690
Lee Longino Elementary School	4-5	475
Lucy Mae McDonald Elementary School	1-3	638
Hazel Ingram Elementary School	Pre-K	321

**Educational status of the teachers is as follows:**

Educational Status of the Teachers	Count
Doctorates’ degree	3
Masters’ degree	83
Bachelor’s degree	262
Average years of classroom experience per teacher	9

**Personnel distribution is as follows:**

Personnel Distribution	Count
District Level Administrators	6.5
Building Level Administrators	14.1
Instructional Staff	226.9
Professional Support Staff (Counselors, Librarians, Nurses, Social Workers, etc.)	25.9
General Personnel (Secretaries, Aides, Clerks, Bus Drivers, Food Service, Maintenance, etc.)	<u>212.4</u>
<b>TOTAL</b>	<b>485.8</b>

Teacher salaries are competitive with surrounding districts. Teacher salaries range from \$61,162 for beginning teachers to a maximum of \$87,296.

## THE CITY OF FERRIS AND ELLIS AND DALLAS COUNTIES, TEXAS

### Ferris, Texas

The City of Ferris is in Ellis and Dallas Counties. It is 20 miles (32 Km) South of Downtown Dallas on Interstate 45. The City's estimated 2025 population is 14,087.

### Ellis County, Texas

Ellis County is located in the U.S State of Texas. The County seat is Waxahachie, and it has a total area of 952 square miles (2,470 KM), of which 935 square miles (2,420 Km) are land and 16 square miles (41 Km) are covered by water. As of 2024, its population was estimated to be 232,387.

Economic Base: Mineral: Oil, gas, and clay.  
Industry: agribusiness.  
Agricultural: watermelons, vegetables, sorghums, small grains, poultry, peanuts, hogs, fruits, dairy, corn and cattle.

### Dallas County, Texas

Dallas County is in the U.S State of Texas. The County seat is Dallas, and it has a total area of 908.644 square miles (2,353.38 Km) of which 873.160 square miles (2,261.47 Km) are land and 35.484 square miles (91.90 Km) are covered by water. It is the 177th largest county in Texas by total area. 3,519 acres of the county is contained within 21 county-owned nature preserves, which were acquired through the county's Open Space Program. As of 2024, its population was estimated to be 2,656,028 making it the second most populous county in Texas and the eighth most populous county in the United States.

*Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas and DemographicsUSA County Edition. Any data on population, value added by manufacturing or production of minerals or agricultural products are from the US Census or other official sources.*

### Labor Force Statistics

	<u>Ellis County</u>		<u>Dallas County</u>	
	December 2025	December 2024	December 2025	December 2024
Total Civilian Labor Force	124,178	123,238	1,453,088	1,446,010
Total Unemployment	4,481	4,092	54,598	52,970
Percent Unemployed	3.6	3.3	3.8	3.7
Total Employment	119,697	119,146	1,398,490	1,393,040

*Source: Texas Labor Market Information.*

**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

June \_\_, 2026

**FERRIS INDEPENDENT SCHOOL DISTRICT  
UNLIMITED TAX REFUNDING BONDS, SERIES 2026  
DATED AS OF JUNE 2, 2026  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

**AS BOND COUNSEL FOR THE FERRIS INDEPENDENT SCHOOL DISTRICT** (the *District*) in connection with the issuance of the bonds described above (the *Bonds*), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity at the rates and are payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the order authorizing the issuance of the Bonds (the *Order*), (ii) the Escrow and Trust Agreement, dated as of February 17, 2026, between the District and UMB Bank, N.A., Dallas, Texas, as Escrow Agent (the *Escrow Agreement*), (iii) the verification report of Public Finance Partners LLC, with respect to the adequacy of certain escrowed funds and securities to accomplish the refunding purposes of the Bonds (the *Verification Report*), (iv) the executed Initial Bond numbered T-1, and (v) the District's Federal Tax Certificate of even date herewith.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that the Bonds have been authorized, issued, and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the District in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally; that the District has the legal authority to issue the Bonds and to repay the Bonds; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged for such payment, without limit as to rate or amount.

**IT IS FURTHER OUR OPINION** that the Escrow Agreement has been duly authorized, executed and delivered by the District and constitutes a binding and enforceable agreement in accordance with its terms and that the "Refunded Bonds" (as defined in the Order) being refunded by the Bonds are outstanding under the order authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments, including the income therefrom, held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the Verification Report concerning the sufficiency of the cash and investments deposited pursuant to the Escrow Agreement for the purpose of paying the principal of, redemption premium, if any, and interest on the Refunded Bonds.



**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not “specified private activity bonds” and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the *Code*). In expressing the aforementioned opinions, we have relied on the Verification Report, and we have further relied on, and assumed compliance by the District with, certain representations contained in the Federal Tax Certificate of the District and covenants set forth in the order adopted by the District to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that failure by the District to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation’s adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the *Service*); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the district has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.



**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds and the defeasance of the Refunded Bonds under the Constitution and general laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

**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](http://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](http://www.sec.gov/edgar). A list of the Fund’s equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation’s web site and filed with the MSRB. Such list excludes holdings in the Fund’s securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

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

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

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

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

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

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

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

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

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

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

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

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

**ANNUAL DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND<sup>(1)</sup>**

<b>Fiscal Year Ending</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023<sup>(2)</sup></b>	<b>2024</b>
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 <sup>(3)</sup>	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	332	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 Rate</u> <sup>(1)</sup>	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 ALLOCATIONS . . .** 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):

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

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

**COMPARATIVE INVESTMENT SCHEDULE – PSF(CORP)**

Fair Value (in millions) August 31, 2024 and 2023				
<u>ASSET CLASS</u>	<u>August 31, 2024</u>	<u>August 31, 2023</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
<b>EQUITY</b>				
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>
<b>TOTAL EQUITY</b>	<b>15,867.0</b>	<b>18,817.1</b>	<b>(2,950.1)</b>	<b>-15.7%</b>
<b>FIXED INCOME</b>				
Domestic Fixed Income	-	5,563.7	-	-
U.S. Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market Debt	-	<u>869.7</u>	-	-
<b>TOTAL FIXED INCOME</b>	<b>13,415.2</b>	<b>8,602.5</b>	<b>4,812.7</b>	<b>55.9%</b>
<b>ALTERNATIVE INVESTMENTS</b>				
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>
<b>TOT ALT INVESTMENTS</b>	<b>25,071.8</b>	<b>24,612.0</b>	<b>459.8</b>	<b>1.9%</b>
UNALLOCATED CASH	<u>2,583.2</u>	<u>348.2</u>	<u>2,235</u>	<u>641.9%</u>
<b>TOTAL PSF(CORP) INVESTMENTS</b>	<b>\$ 56,937.2</b>	<b>\$ 52,379.8</b>	<b>\$ 4,557.4</b>	<b>8.7%</b>

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)<sup>(1)</sup>**

Fair Value (in millions) August 31, 2024

	<u>As of 8-31-24</u>
Investment Type Investments in Real Assets	
Sovereign Lands	\$ 277.47
Discretionary Internal Investments	457.01
Other Lands	153.15
Minerals <sup>(2)(3)</sup>	<u>4,540.61<sup>(6)</sup></u>
Total Investments <sup>(4)</sup>	5,428.23
Cash in State Treasury <sup>(5)</sup>	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 in 19 TAC section 33.7 and are available at <https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>.

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

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

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

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

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

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

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

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

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

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

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

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

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

**2017 LEGISLATIVE CHANGES TO THE CHARTER DISTRICT BOND GUARANTEE PROGRAM . . .** The 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 CDBG Capacity, SB 1480 provided that the Education Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Education Commissioner may decline to approve the application if the Education Commissioner determines that sufficient security is not provided. The Act and the CDBG Rules also require the Education Commissioner to make an investigation of the accreditation status and financial status for a charter district applying for a bond guarantee.

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

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

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

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

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

**RATINGS OF BONDS GUARANTEED UNDER THE GUARANTEE PROGRAM . . .** Moody's Investors Service, Inc., S&P Global Ratings, 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 Ending 8/31	Book Value <sup>(1)</sup>	Market Value <sup>(1)</sup>
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 <sup>(2)</sup>	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 <sup>(1)</sup>
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 <sup>(2)</sup>

- (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<sup>(1)</sup>**

FYE 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 <sup>(2)</sup>	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603

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

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

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

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

**PSF Returns Fiscal Year Ended 8-31-2024<sup>(1)</sup>**

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return<sup>(2)</sup></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](https://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](http://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 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](http://www.emma.msrb.org).

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

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

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

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

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

## **APPENDIX E**

### **EXCERPTS FROM THE FERRIS INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2025**

The information contained in this APPENDIX consists of excerpts from the Ferris Independent School District Annual Financial Report for the Year Ended June 30, 2025, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.



**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

To the Board of Trustees  
Ferris Independent School District  
PO Box 459  
Ferris, Texas 75125

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ferris Independent School District ("the District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Ferris Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ferris Independent School District as of June 30, 2025, 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 Ferris Independent School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter***

As described in Note A to the financial statements, in Fiscal Year 2025, Ferris Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

***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 Ferris Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's 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 a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of the District's pension contributions, schedule of the District's proportionate share of the net OPEB liability, and schedule of the District's OPEB contributions 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 Ferris Independent School District's basic financial statements. The accompanying financial information listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles; and Audit Requirements for Federal Awards* and is also 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 other supplementary information 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 Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2026, on our consideration of Ferris Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ferris Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ferris Independent School District's internal control over financial reporting and compliance.

*Snow Garrett Williams*

Snow Garrett Williams  
January 19, 2026

## Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

### Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent period by \$24,815,376 (*net position*). Of this amount, a negative \$7,411,739 is unrestricted net position.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,912,131. Approximately 51% of this total amount, \$7,126,722, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,126,722, or 17% of the total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements 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 other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no component units for which it is financially accountable. The government-wide financial statements can be found on pages 15-16 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 17-20 of this report.
- **Proprietary funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District accounts for its food and beverage service programs in an enterprise fund which operates similarly to a private business. The second type of proprietary fund is the internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the internal service fund to report activities for its workers' compensation insurance program. The basic proprietary fund financial statements can be found on pages 21-23 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position that can be found on pages 24-25.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-52 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 54-59 of this report.

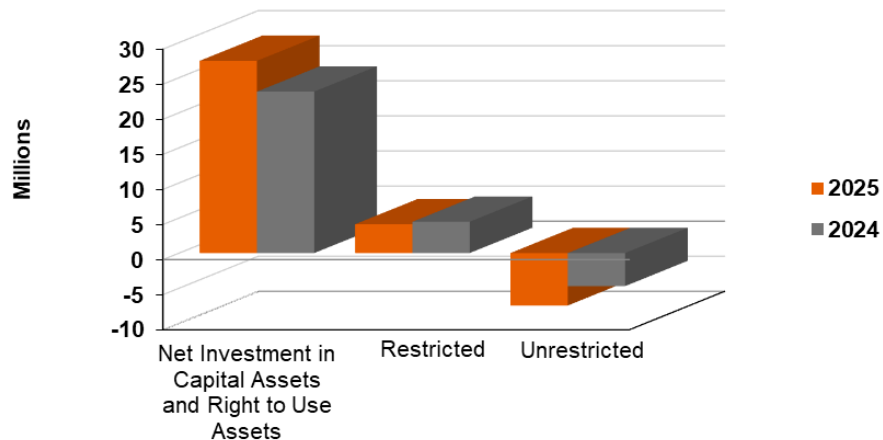
## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets and deferred outflows exceeded liabilities and deferred inflows by \$24,011,973 as of June 30, 2025.

### The District's Net Position-Governmental Activities

	June 30, 2025	June 30, 2024
Current assets	\$ 19,040,626	\$ 21,377,494
Capital assets	52,676,670	51,995,012
Total assets	<u>71,717,296</u>	<u>73,372,506</u>
Deferred outflows of resources		
Deferred outflows related to pensions	4,294,146	6,203,141
Deferred outflows related to OPEB	5,249,661	3,604,439
Total deferred outflows of resources	<u>9,543,807</u>	<u>9,807,580</u>
Current liabilities	4,802,299	3,840,608
Long-term liabilities outstanding	44,925,951	46,992,963
Total liabilities	<u>49,728,250</u>	<u>50,833,571</u>
Deferred inflows of resources		
Deferred gain on refunding	493,714	722,685
Deferred inflows related to pensions	178,903	520,318
Deferred inflows related to OPEB	6,848,263	8,352,942
Total deferred inflows of resources	<u>7,520,880</u>	<u>9,595,945</u>
Net position:		
Net investment in capital assets	27,385,373	23,004,174
Restricted	4,103,686	4,454,953
Unrestricted	(7,477,086)	(4,708,557)
Total net position	<u>\$ 24,011,973</u>	<u>\$ 22,750,570</u>

### Net Position - Governmental Activities as of 6/30/2025



Net investment in capital assets (e.g., land, buildings, furniture and equipment, and right to use assets) is \$27,385,373. 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. An additional portion of the District's net position (\$4,103,686) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a negative \$7,477,086. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are in excess of currently available resources.

**The District's Net Position - Business-Type Activities**

	June 30, 2025	June 30, 2024
Current assets	\$ 921,917	\$ 1,304,448
Capital assets	500,126	67,569
Total assets	1,422,043	1,372,017
Deferred outflows of resources		
Deferred outflows related to pensions	91,567	168,234
Deferred outflows related to OPEB	140,492	98,727
Total deferred outflows of resources	232,059	266,961
Current liabilities	106,763	99,956
Long-term liabilities outstanding	513,359	475,024
Total liabilities	620,122	574,980
Deferred inflows of resources		
Deferred inflows related to pensions	34,868	48,580
Deferred inflows related to OPEB	195,709	233,906
Total deferred inflows of resources	230,577	282,486
Net position		
Net investment in capital assets	500,126	67,569
Restricted	237,930	648,596
Unrestricted	65,347	65,347
Total net position	\$ 803,403	\$ 781,512

The above surplus in business-type activities unrestricted net position is not an indication the District has significant assets that are available to meet financial obligations next year, but rather the result of having currently available resources that exceed commitments

**Governmental activities.** The District's total governmental activities net position increased \$1,462,753 during the current year. The total cost of all *governmental activities* this year was \$42,533,609. The amount that our taxpayers paid for these activities through property taxes was \$11,728,917 or 28%. During the year, the District determined that a prior year debt defeasance was not properly recorded. As a result, beginning net position of governmental activities decreased by \$201,350. Additional details are provided in Note N on page 52 of this report.

**Changes in the District's Net Position - Governmental Activities**

	<u>Fiscal Year June 30, 2025</u>	<u>Fiscal Year June 30, 2024</u>
Revenues:		
Program revenues		
Charges for services	\$ 346,145	\$ 265,073
Operating grants and contributions	3,256,642	6,240,516
General revenues		
Property taxes	11,728,917	10,375,727
State grants	27,739,111	26,262,069
Other	925,547	1,007,571
Total revenues	<u>43,996,362</u>	<u>44,150,956</u>
Expenses:		
Instruction	23,397,499	24,097,547
Instructional resources and media services	318,576	315,040
Curriculum and staff development	1,861,400	2,717,645
Instructional leadership	877,014	918,534
School leadership	1,940,891	1,891,195
Guidance, counseling & evaluation services	1,969,075	1,783,276
Health services	411,325	397,716
Student transportation	1,116,947	941,278
Food service	2,952	-
Cocurricular/extracurricular activities	1,827,112	1,606,452
General administration	1,650,742	1,436,194
Facilities maintenance and operations	3,801,595	3,533,601
Security and monitoring services	1,377,115	934,374
Data processing	1,039,001	693,914
Community services	95,596	52,297
Interest on long-term debt	727,485	821,885
Bond issuance costs and fees	13,694	2,680
Capital outlay	2,775	-
Payments to juvenile justice alternative ed. programs	-	5,405
Other intergovernmental charges	102,815	88,705
Total expenses	<u>42,533,609</u>	<u>42,237,738</u>
Increase (decrease) in net position	1,462,753	1,913,218
Beginning net position	22,750,570	20,837,352
Prior period adjustment	(201,350)	-
Beginning net position, as restated	<u>22,549,220</u>	<u>20,837,352</u>
Ending net position	<u>\$ 24,011,973</u>	<u>\$ 22,750,570</u>

**Business-type activities.** The District's total business-type activities' net position increased \$21,891 during the current year. The total cost of all business-type activities this year was \$2,667,034.

**Changes in the District's Net Position - Business-Type Activities**

	<u>Fiscal Year</u> <u>June 30, 2025</u>	<u>Fiscal Year</u> <u>June 30, 2024</u>
Revenues:		
Program revenues		
Charges for services	\$ 140,682	\$ 146,411
Operating grants and contributions	2,530,902	2,493,261
General revenues		
Other	<u>17,341</u>	<u>37,625</u>
Total revenues	<u>2,688,925</u>	<u>2,677,297</u>
Expenses:		
Food services	2,667,034	2,612,680
Enterprising activities	<u>-</u>	<u>1,820</u>
Total expenses	<u>2,667,034</u>	<u>2,614,500</u>
 Increase (decrease) in net position	21,891	62,797
Beginning net position	<u>781,512</u>	<u>718,715</u>
Ending net position	<u>\$ 803,403</u>	<u>\$ 781,512</u>

**Financial Analysis of the District's Funds**

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

**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 the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,912,131 a decrease of \$2,316,817. Approximately 51% of this total amount, or \$7,126,722, constitutes *unassigned fund balance*. Nonspendable fund balance exists for inventories (\$12,384). The remainder of the fund balance is *restricted or assigned* to indicate that it is not available for new spending and has already been *restricted* to pay (1) for retirement of long-term debt (\$3,886,821) and (2) capital acquisitions and contractual obligations (\$56,544) and *assigned* for (1) improvements (\$2,601,000) and for (2) campus activity (\$228,660).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,126,722, out of a total fund balance of \$9,740,106. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 17% of the total general fund expenditures. Total general fund balance represents 24% of the total general fund expenditures.

The debt service fund has a total fund balance of \$3,886,821, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$327,097. Additionally, the District identified a prior year defeasance that was not properly recorded which resulted in a decrease of \$550,234 to beginning fund balance. Additional information on this adjustment can be found in Note N on page 52 of this report.

**Proprietary Funds.** As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**Food Service Programs.** Net position for the enterprise funds at June 30, 2025 amounted to \$803,403, an increase of \$21,891 from the prior year. The enterprise funds consist of the National Breakfast/Lunch Program and Beverage Services.

**Internal Service Funds.** Total net position for the internal service funds at June 30, 2025 amounted to \$1,370, a decrease of \$233,151 over the prior year. The internal service funds consist of the workers' compensation insurance program.

### General Fund Budgetary Highlights

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were higher than budgeted by \$1,290,586, primarily related to an increase in state program revenues; and
- Actual expenditures were lower than budgeted by \$2,791,898, primarily due to decreases within the instruction, long-term debt principal, and student transportation expenditure categories.

### Capital Asset and Debt Administration

**Capital Assets.** The District's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$53,176,796 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, and right to use assets.

Major capital asset events during the year included HVAC improvements, security upgrades and the purchase of chromebooks and two Tahoes.

#### District's Capital Assets (Net of Depreciation/Amortization)

	June 30, 2025	June 30, 2024
Land	\$ 618,939	\$ 618,939
Construction in progress	2,237,101	-
Buildings and improvements	47,420,628	49,071,822
Furniture and equipment	2,852,988	2,268,459
Right to use assets	47,140	103,361
Total at historical cost	\$ 53,176,796	\$ 52,062,581

Additional information on the District's capital assets can be found in Note D on pages 35 - 36 of this report.

**Long-term Debt.** As of June 30, 2025, the District’s governmental activities had total long-term debt outstanding of \$44.9 million. This is a decrease of \$1.7 million (3.7%) from the prior year, primarily due to scheduled principal payments offset by an increase in net OPEB liability. Long-term debt for the District’s business-type activities totaled \$513,359 an increase of \$38,335 (8.1%) from the prior year, due to changes in the District’s net pension and OPEB liabilities.

	June 30 2025	June 30 2024	Change
<b>Governmental Activities:</b>			
General Obligation Bonds	\$ 21,367,628	\$ 24,732,628	\$ (3,365,000)
Notes	403,000	466,000	(63,000)
Notes from Direct Borrowings	103,334	202,592	(99,258)
Premium on Bonds	928,953	1,038,924	(109,971)
Accum Accretion on CABs	1,120,527	1,080,343	40,184
Net Pension Liability	12,399,007	12,966,733	(567,726)
Net OPEB Liability	7,812,209	5,403,938	2,408,271
Lease Liability	-	64,243	(64,243)
SBITA Liability	44,245	19,376	24,869
Compensated Absences	747,046	669,300	77,746
Total governmental activities	<u>\$ 44,925,949</u>	<u>\$ 46,644,077</u>	<u>\$ (1,718,128)</u>
<b>Business-type Activities:</b>			
Net Pension Liability	\$ 304,938	\$ 327,738	\$ (22,800)
Net OPEB Liability	208,421	147,286	61,135
Total business-type activities	<u>\$ 513,359</u>	<u>\$ 475,024</u>	<u>\$ 38,335</u>

Additional information on the District’s long-term debt can be found in Note F on pages 37 - 38 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

- The District’s 2025-2026 M&O tax rate is \$0.7308, which is a decrease from prior year. The District’s I&S rate is \$0.5000, which is also a decrease from the prior year.
- The District has appropriated revenues and expenditures in the 2025-2026 budgets of \$47,017,259 and \$47,017,259, respectively in its general fund.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Ferris ISD Business Office at 301 East 5th Street, Ferris, Texas 75125.



## Basic Financial Statements

**FERRIS INDEPENDENT SCHOOL DISTRICT**

**Exhibit A-1**

STATEMENT OF NET POSITION

JUNE 30, 2025

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
1110	\$ 1,253,373	\$ 66,477	\$ 1,319,850
1120	10,779,785	821,997	11,601,782
1225	668,032	-	668,032
1240	6,325,878	7,064	6,332,942
1290	1,174	-	1,174
1300	12,384	26,379	38,763
Capital Assets:			
1510	618,939	-	618,939
1520	47,420,628	-	47,420,628
1530	2,352,862	500,126	2,852,988
1550	47,140	-	47,140
1580	2,237,101	-	2,237,101
1000	<u>71,717,296</u>	<u>1,422,043</u>	<u>73,139,339</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
	4,294,146	91,567	4,385,713
	5,249,661	140,492	5,390,153
1700	<u>9,543,807</u>	<u>232,059</u>	<u>9,775,866</u>
<b>LIABILITIES:</b>			
2110	1,161,395	-	1,161,395
2140	343,206	-	343,206
2165	3,032,934	89,768	3,122,702
2200	192,517	16,995	209,512
2300	72,247	-	72,247
Noncurrent Liabilities			
2501	2,408,870	-	2,408,870
2502	22,305,865	-	22,305,865
2540	12,399,007	304,938	12,703,945
2545	7,812,209	208,421	8,020,630
2000	<u>49,728,250</u>	<u>620,122</u>	<u>50,348,372</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
	493,714	-	493,714
	178,903	34,868	213,771
	6,848,263	195,709	7,043,972
2600	<u>7,520,880</u>	<u>230,577</u>	<u>7,751,457</u>
<b>NET POSITION</b>			
3200	27,385,373	500,126	27,885,499
Restricted For:			
3820	-	237,930	237,930
3850	4,103,686	-	4,103,686
3900	(7,477,086)	65,347	(7,411,739)
3000	<u>\$ 24,011,973</u>	<u>\$ 803,403</u>	<u>\$ 24,815,376</u>

**FERRIS INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2025

Exhibit B-1

Data Control Codes	Functions/Programs	1	3	4	6	7	8	
		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
	Governmental Activities:							
11	Instruction	\$ 23,397,499	\$ 38,518	\$ 1,551,109	\$ (21,807,872)		\$ (21,807,872)	
12	Instructional Resources and Media Services	318,576	2,027	2,451	(314,098)		(314,098)	
13	Curriculum and Staff Development	1,861,400	1,833	527,301	(1,332,266)		(1,332,266)	
21	Instructional Leadership	877,014	1,152	34,637	(841,225)		(841,225)	
23	School Leadership	1,940,891	2,693	15,384	(1,922,814)		(1,922,814)	
31	Guidance, Counseling, and Evaluation Services	1,969,075	2,681	61,856	(1,904,538)		(1,904,538)	
33	Health Services	411,325	532	29,833	(380,960)		(380,960)	
34	Student Transportation	1,116,947	1,506	43,911	(1,071,530)		(1,071,530)	
35	Food Service	2,952	-	4,080	1,128		1,128	
36	Cocurricular/Extracurricular Activities	1,827,112	281,752	37,862	(1,507,498)		(1,507,498)	
41	General Administration	1,650,742	1,881	73,576	(1,575,285)		(1,575,285)	
51	Facilities Maintenance and Operations	3,801,595	8,558	203,025	(3,590,012)		(3,590,012)	
52	Security and Monitoring Services	1,377,115	1,072	145,688	(1,230,355)		(1,230,355)	
53	Data Processing Services	1,039,001	1,431	19,531	(1,018,039)		(1,018,039)	
61	Community Services	95,596	129	8,042	(87,425)		(87,425)	
72	Interest on Long-term Debt	727,485	380	498,356	(228,749)		(228,749)	
73	Bond Issuance Costs and Fees	13,694	-	-	(13,694)		(13,694)	
81	Capital Outlay	2,775	-	-	(2,775)		(2,775)	
99	Other Intergovernmental Charges	102,815	-	-	(102,815)		(102,815)	
TG	Total Governmental Activities	<u>42,533,609</u>	<u>346,145</u>	<u>3,256,642</u>	<u>(38,930,822)</u>		<u>(38,930,822)</u>	
	Business-type Activities:							
05	National School Breakfast/Lunch Program	2,667,034	140,682	2,530,902	-	\$ 4,550	4,550	
01	Beverage Services	-	-	-	-	-	-	
TB	Total Business-type Activities	<u>2,667,034</u>	<u>140,682</u>	<u>2,530,902</u>	<u>-</u>	<u>4,550</u>	<u>4,550</u>	
TP	Total Primary Government	<u>\$ 45,200,643</u>	<u>\$ 486,827</u>	<u>\$ 5,787,544</u>	<u>(38,930,822)</u>	<u>4,550</u>	<u>(38,926,272)</u>	
	General Revenues:							
MT	Property Taxes, Levied for General Purposes				7,713,212	-	7,713,212	
DT	Property Taxes, Levied for Debt Service				4,015,705	-	4,015,705	
IE	Investment Earnings				564,868	6,461	571,329	
SF	State Aid-Formula Grants				27,739,111	-	27,739,111	
MI	Miscellaneous				360,679	10,880	371,559	
TR	Total General Revenues				<u>40,393,575</u>	<u>17,341</u>	<u>40,410,916</u>	
CN	Change in Net Position				1,462,753	21,891	1,484,644	
NB	Net Position - Beginning				22,750,570	781,512	23,532,082	
	Prior Period Adjustment				(201,350)	-	(201,350)	
	Net Position - Beginning, as Restated				<u>22,549,220</u>	<u>781,512</u>	<u>23,330,732</u>	
NE	Net Position - Ending				<u>\$ 24,011,973</u>	<u>\$ 803,403</u>	<u>\$ 24,815,376</u>	

**FERRIS INDEPENDENT SCHOOL DISTRICT**

**Exhibit C-1**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ 690,322	\$ 17,884	\$ 285,015	\$ 993,221
1120 Current Investments	6,840,924	3,886,356	52,506	10,779,786
1225 Taxes Receivable	585,595	268,063	-	853,658
1230 Allowance for Uncollectible Taxes (Credit)	(134,428)	(51,198)	-	(185,626)
1240 Due from Other Governments	5,996,626	-	329,252	6,325,878
1260 Due from Other Funds	329,252	2,322	-	331,574
1290 Other Receivables	985	-	189	1,174
1300 Inventories	12,384	-	-	12,384
1000 Total Assets	<u>\$ 14,321,660</u>	<u>\$ 4,123,427</u>	<u>\$ 666,962</u>	<u>\$ 19,112,049</u>
<b>LIABILITIES:</b>				
2110 Accounts Payable	\$ 902,614	\$ -	\$ -	\$ 902,614
2150 Payroll Deductions and Withholdings	185,636	-	-	185,636
2160 Accrued Wages Payable	2,847,298	-	-	2,847,298
2170 Due to Other Funds	2,322	-	329,252	331,574
2200 Accrued Expenditures	192,517	-	-	192,517
2300 Unearned Revenues	-	19,741	52,506	72,247
2000 Total Liabilities	<u>4,130,387</u>	<u>19,741</u>	<u>381,758</u>	<u>4,531,886</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Property Taxes	451,167	216,865	-	668,032
2600 Total Deferred Inflows of Resources	<u>451,167</u>	<u>216,865</u>	<u>-</u>	<u>668,032</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
3410 Inventories	12,384	-	-	12,384
Restricted:				
3470 Capital Acquisitions & Contractual Obligations	-	-	56,544	56,544
3480 Retirement of Long-Term Debt	-	3,886,821	-	3,886,821
Committed:				
3545 Other - Campus Activity	-	-	228,660	228,660
Assigned:				
3590 Other - Improvements	2,601,000	-	-	2,601,000
3600 Unassigned	7,126,722	-	-	7,126,722
3000 Total Fund Balances	<u>9,740,106</u>	<u>3,886,821</u>	<u>285,204</u>	<u>13,912,131</u>
4000 Total Liabilities and Fund Balances	<u>\$ 14,321,660</u>	<u>\$ 4,123,427</u>	<u>\$ 666,962</u>	<u>\$ 19,112,049</u>

**FERRIS INDEPENDENT SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2025

**Exhibit C-1R**

Total fund balances - governmental funds balance sheet	\$ 13,912,131
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	668,032
Capital assets used in governmental activities are not reported in the funds.	52,676,670
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,370
Deferred resource outflows related to the pension plan are not reported in the funds.	4,294,146
Deferred resource outflows related to the OPEB plan are not reported in the funds.	5,249,661
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(12,399,007)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(7,812,209)
Deferred resource inflows related to the pension plan are not reported in the funds.	(178,903)
Deferred resource inflows related to the OPEB plan are not reported in the funds.	(6,848,263)
Payables for bond principal which are not due in the current period are not reported in the funds.	(21,367,629)
Payables for financed purchases which are not due in the current period are not reported in the funds.	(103,334)
Payables for SBITAs which are not due in the current period are not reported in the funds.	(44,245)
Payables for notes which are not due in the current period are not reported in the funds.	(403,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(343,206)
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(1,120,528)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(928,953)
Deferred gain on refunding bonds is not reported in the funds.	(493,714)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(747,046)
Net position of governmental activities - Statement of Net Position	<u>\$ 24,011,973</u>

**FERRIS INDEPENDENT SCHOOL DISTRICT**  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit C-2

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 8,486,266	\$ 4,200,284	\$ 308,708	\$ 12,995,258
5800 State Program Revenues	29,673,194	485,475	373,737	30,532,406
5900 Federal Program Revenues	175,161	-	1,690,548	1,865,709
5020 Total Revenues	<u>38,334,621</u>	<u>4,685,759</u>	<u>2,372,993</u>	<u>45,393,373</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	21,636,501	-	1,286,790	22,923,291
0012 Instructional Resources and Media Services	309,792	-	1,913	311,705
0013 Curriculum and Staff Development	1,292,142	-	510,856	1,802,998
0021 Instructional Leadership	812,387	-	37,528	849,915
0023 School Leadership	1,899,102	-	-	1,899,102
0031 Guidance, Counseling, and Evaluation Services	1,890,166	-	11,410	1,901,576
0033 Health Services	375,349	-	25,676	401,025
0034 Student Transportation	1,061,982	-	18,947	1,080,929
0036 Cocurricular/Extracurricular Activities	1,449,739	-	337,011	1,786,750
0041 General Administration	1,326,251	-	50,245	1,376,496
0051 Facilities Maintenance and Operations	6,033,771	-	-	6,033,771
0052 Security and Monitoring Services	1,406,920	-	150,000	1,556,920
0053 Data Processing Services	1,008,782	-	-	1,008,782
0061 Community Services	90,954	-	1,861	92,815
Debt Service Fund Service:				
0071 Principal on Long-term Debt	249,679	3,365,000	-	3,614,679
0072 Interest on Long-term Debt	18,231	979,968	-	998,199
0073 Bond Issuance Costs and Fees	-	13,694	-	13,694
0081 Facilities Acquisition and Construction	-	-	2,775	2,775
Intergovernmental:				
0099 Other Intergovernmental Charges	102,815	-	-	102,815
6030 Total Expenditures	<u>40,964,563</u>	<u>4,358,662</u>	<u>2,435,012</u>	<u>47,758,237</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(2,629,942)</u>	<u>327,097</u>	<u>(62,019)</u>	<u>(2,364,864)</u>
Other Financing Sources and (Uses):				
7949 Issuance of Right-to-Use SBITAs	48,047	-	-	48,047
7080 Total Other Financing Sources and (Uses)	<u>48,047</u>	<u>-</u>	<u>-</u>	<u>48,047</u>
1200 Net Change in Fund Balances	<u>(2,581,895)</u>	<u>327,097</u>	<u>(62,019)</u>	<u>(2,316,817)</u>
0100 Fund Balances - Beginning	12,322,001	4,109,958	347,223	16,779,182
1300 Prior Period Adjustment	-	(550,234)	-	(550,234)
0100 Fund Balances - Beginning, as restated	12,322,001	3,559,724	347,223	16,228,948
3000 Fund Balances - Ending	<u>\$ 9,740,106</u>	<u>\$ 3,886,821</u>	<u>\$ 285,204</u>	<u>\$ 13,912,131</u>

**FERRIS INDEPENDENT SCHOOL DISTRICT****Exhibit C-3**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025

Net change in fund balances - total governmental funds	\$ (2,316,817)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(170,311)
Capital outlays are not reported as expenses in the SOA.	2,926,439
The depreciation / amortization of capital assets used in governmental activities is not reported in the funds.	(2,244,781)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These pension contributions made after the measurement date of the plan increased ending net position.	946,652
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to net pension liability.	(943,229)
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is a decrease in net position.	(1,003,277)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These OPEB contributions made after the measurement date of the plan increased net position.	194,660
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.	(193,004)
Changes in the net OPEB liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is an increase in net position.	739,973
The net revenue (expense) of internal service funds is reported with governmental activities.	(233,151)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,365,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	63,000
Repayment of lease principal is an expenditure in the funds but is not an expense in the SOA.	64,243
Repayment of financed purchase is an expenditure in the funds but is not an expense in the SOA.	99,258
Repayment of SBITA principal is an expenditure in the funds but is not an expense in the SOA.	23,178
Changes in accrued interest on bonds from beginning of period to end of period.	(28,045)
Premiums on bonds are amortized in the SOA but not in the funds.	109,971
Deferred gain on refunding bonds is amortized in the SOA but not in the funds.	228,971
The accretion of interest on capital appreciation bonds is not reported in the funds.	(40,184)
Proceeds of SBITAs do not provide revenue in the SOA, but are reported as other financing sources in the funds.	(48,047)
Changes in compensated absence liabilities are reported in the SOA but not in the funds.	(77,746)
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,462,753</u>

**FERRIS INDEPENDENT SCHOOL DISTRICT**

Exhibit D-1

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2025

Data Control Codes		Enterprise Fund	Nonmajor Enterprise Fund	Total	Nonmajor Internal Service Fund
		National Breakfast/Lunch Program	Beverage Services	Enterprise Funds	Workers Compensation
<b>ASSETS:</b>					
Current Assets:					
1100	Cash and Cash Equivalents	\$ 1,130	\$ 65,347	\$ 66,477	\$ 260,151
1120	Investments	821,997	-	821,997	-
1240	Due from Other Governments	7,064	-	7,064	-
1310	Inventories, at Cost	26,379	-	26,379	-
	Total Current Assets	<u>856,570</u>	<u>65,347</u>	<u>921,917</u>	<u>260,151</u>
Capital Assets:					
1530	Furniture and Equipment	780,403	-	780,403	-
1570	Accumulated Depreciation	(280,277)	-	(280,277)	-
1000	Total Assets	<u>1,356,696</u>	<u>65,347</u>	<u>1,422,043</u>	<u>260,151</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	Deferred Outflow Related to Pensions	91,567	-	91,567	-
	Deferred Outflow Related to OPEB	140,492	-	140,492	-
1700	Total Deferred Outflows of Resources	<u>232,059</u>	<u>-</u>	<u>232,059</u>	<u>-</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	-	-	-	258,781
2160	Accrued Wages Payable	89,768	-	89,768	-
2200	Accrued Expenditures	16,995	-	16,995	-
	Total Current Liabilities	<u>106,763</u>	<u>-</u>	<u>106,763</u>	<u>258,781</u>
Noncurrent Liabilities:					
2540	Net Pension Liability	304,938	-	304,938	-
2545	Net OPEB Liability	208,421	-	208,421	-
2000	Total Liabilities	<u>620,122</u>	<u>-</u>	<u>620,122</u>	<u>258,781</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	Deferred Inflow Related to Pensions	34,868	-	34,868	-
	Deferred Inflow Related to OPEB	195,709	-	195,709	-
2600	Total Deferred Inflows of Resources	<u>230,577</u>	<u>-</u>	<u>230,577</u>	<u>-</u>
<b>NET POSITION:</b>					
3200	Net Investment in Capital Assets	500,126	-	500,126	-
3800	Restricted for State and Federal Programs	237,930	-	237,930	-
3900	Unrestricted	-	65,347	65,347	1,370
3000	Total Net Position	<u>\$ 738,056</u>	<u>\$ 65,347</u>	<u>\$ 803,403</u>	<u>\$ 1,370</u>

**FERRIS INDEPENDENT SCHOOL DISTRICT**  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit D-2

Data Control Codes		Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Nonmajor Internal Service Fund
		National Breakfast/Lunch Program	Beverage Services		Workers Compensation
<b>OPERATING REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 158,023	\$ -	\$ 158,023	\$ 503
5800	State Program Revenues	9,411	-	9,411	-
5900	Federal Program Revenues	114,333	-	114,333	-
5020	Total Revenues	<u>281,767</u>	<u>-</u>	<u>281,767</u>	<u>503</u>
<b>OPERATING EXPENSES:</b>					
6100	Payroll Costs	1,039,866	-	1,039,866	233,654
6200	Professional and Contracted Services	78,791	-	78,791	-
6300	Supplies and Materials	1,498,595	-	1,498,595	-
6400	Other Operating Costs	49,782	-	49,782	-
6030	Total Expenses	<u>2,667,034</u>	<u>-</u>	<u>2,667,034</u>	<u>233,654</u>
	Operating Income (Loss)	(2,385,267)	-	(2,385,267)	(233,151)
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
7952	National School Breakfast Program	554,676	-	554,676	-
7953	National School Lunch Program	1,697,075	-	1,697,075	-
7954	USDA Donated Commodities	155,407	-	155,407	-
8030	Total Non-operating Revenues (Expenses)	<u>2,407,158</u>	<u>-</u>	<u>2,407,158</u>	<u>-</u>
1300	Change in Net Position	21,891	-	21,891	(233,151)
0100	Total Net Position - Beginning	716,165	65,347	781,512	234,521
3300	Total Net Position - Ending	<u>\$ 738,056</u>	<u>\$ 65,347</u>	<u>\$ 803,403</u>	<u>\$ 1,370</u>

**FERRIS INDEPENDENT SCHOOL DISTRICT**

**Exhibit D-3**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2025

	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Nonmajor Internal Service Fund
	National Breakfast/Lunch Program	Beverage Services		Workers Compensation
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 167,432	\$ -	\$ 167,432	\$ 83,669
Cash Received from federal programs	114,335	-	114,335	
Cash Receipts (Payments) from Quasi-external	-	-	-	-
Cash Payments to Employees for Services	(1,033,059)	-	(1,033,059)	(250,063)
Cash Payments to Other Suppliers for Goods and Services	(1,591,069)	-	(1,591,069)	-
Net Cash Provided (Used) by Operating Activities	<u>(2,342,361)</u>	<u>-</u>	<u>(2,342,361)</u>	<u>(166,394)</u>
<b>Cash Flows from Non-capital Financing Activities</b>				
Cash Received from Grants	2,418,685	-	2,418,685	-
Increase (Decrease) in Amounts Due to Other Funds	(2,062,010)	-	(2,062,010)	-
Increase (Decrease) in Pension and OPEB Obligations	21,328	-	21,328	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>378,003</u>	<u>-</u>	<u>21,328</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Investment (Purchases) Sales	2,432,221	-	2,432,221	-
Net Cash (Provided) Used by Investing Activities	<u>2,432,221</u>	<u>-</u>	<u>2,432,221</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Fixed Assets	(467,863)	-	(467,863)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(467,863)</u>	<u>-</u>	<u>(467,863)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-	(166,394)
Cash and Cash Equivalents at Beginning of Year	1,130	65,347	66,477	426,545
Cash and Cash Equivalents at End of Year	<u>\$ 1,130</u>	<u>\$ 65,347</u>	<u>\$ 66,477</u>	<u>\$ 260,151</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	\$ (2,385,267)	\$ -	\$ (2,385,267)	\$ (233,151)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	35,306	-	35,306	-
Change in Assets and Liabilities:				
Decrease in Interfund Receivables	-	-	-	83,166
Decrease in Inventory	793	-	793	-
Decrease in Wages Payable	6,807	-	6,807	-
Decrease In Payables	-	-	-	(16,409)
Total Adjustments	<u>42,906</u>	<u>-</u>	<u>42,906</u>	<u>66,757</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,342,361)</u>	<u>\$ -</u>	<u>\$ (2,342,361)</u>	<u>\$ (166,394)</u>

**FERRIS INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2025

Exhibit E-1

Data Control Codes		Custodial Fund
	<b>ASSETS:</b>	
1110	Cash and Cash Equivalents	\$ 69,263
1000	Total Assets	69,263
	<b>LIABILITIES:</b>	
2000	Total Liabilities	-
	<b>NET POSITION:</b>	
3800	Restricted for Student Activities	69,263
3000	Total Net Position	\$ 69,263

**FERRIS INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2025

Exhibit E-2

	Custodial Fund
<b>ADDITIONS:</b>	
Revenues from Student Activities	<u>\$ 116,717</u>
Total Additions	<u>116,717</u>
<b>DEDUCTIONS:</b>	
Payments for Student Activities	<u>140,698</u>
Total Deductions	<u>140,698</u>
Change in Fiduciary Net Position	(23,981)
Net Position-Beginning of the Year	<u>93,244</u>
Net Position-End of the Year	<u><u>\$ 69,263</u></u>

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### A. Summary of Significant Accounting Policies

The basic financial statements of Ferris Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### 1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and 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 State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account for and report financial resources restricted, committed, or assigned to expenditure for principal and interest.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

The District reports the following major enterprise fund

National Breakfast/Lunch Program: This program accounts for all revenues and expenses associated with food service.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of the fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee capacity, and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease contracts are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### 3. Financial Statement Amounts

#### a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

#### b. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

#### c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets and donated works of art and similar items are recorded at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Significant accounting policies for right-to-use assets are located at Note G for Subscription-Based IT Arrangements (SBITAS).

Capital assets are being depreciated / amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Building improvements	20 years
Furniture and equipment	5-7 years
Right-to-use assets - SBITA	2-5 years

#### e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary statements of net position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense / expenditure) until then.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA, in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees, which is a Board resolution. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The Board shall maintain the authority to assign fund balance. At June 30, 2025, the District had other assigned fund balance of \$2,601,000 in the General Fund for improvements.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. 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.

5. Other Post-Employment Benefits

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

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### 6. Implementation of New Standards

In the current fiscal year, the district implemented the following new standard. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

#### GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - should not be recognized until the leave commences. A liability for other specific types of compensated absences should not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

### 7. Compensated Absences

The District recognizes a liability for compensated absences for leave based on the following criteria:

- a. Leave that has been earned for services previously rendered by employees,
- b. Leave that accumulates and is allowed to be carried over to subsequent years, and
- c. Leave that is more likely than not to be used as time off or settled by cash or other means during or upon separation from employment

The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

On retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump sum payment to such employee or his/her estate. Individuals employed less than 15 years are not eligible to receive lump sum payments.

## B. Deposits and Investments

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

### 1. Cash Deposits:

At June 30, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,389,113 and the bank balance was \$1,866,412. The District's cash deposits at June 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District's investments at June 30, 2025 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Value</u>
Lone Star	Wtd Avg Maturity = 28 days	\$ 7,577,662
TexPool	Wtd Avg Maturity = 42 days	420,981
Texas Range	Wtd Avg Maturity = 39 days	1,152,584
LOGIC	Wtd Avg Maturity = 42 days	<u>2,450,555</u>
Total Investments		<u>\$ 11,601,782</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At June 30, 2025, the District's investments are rated as to credit quality as follows:

Lone Star LGIP	AAAm
TexPool LGIP	AAAm
Texas Range LGIP	AAAmmf
LOGIC LGIP	AAAm

b. 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 financial 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.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

### Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District reports its local government investment pools (Pools) at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, the Pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The Pools do not impose any liquidity fees or redemption gates.

### Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

### Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star has three different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. The Government Overnight and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents. Lone Star is marked to market daily to maintain an accurate net asset value.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### LOGIC

Local Government Investment Cooperative (LOGIC) (the "Pool") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants.

The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represents the Co-Administrators of the Pool. The portfolio assets are marked to market daily using the fair value method. Due to the fact that amortized cost, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value, portfolio assets are valued on the basis of the amortized cost valuation technique.

### TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool uses amortized cost to value portfolio assets and follows the criteria established by GASB 79. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Treasury Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

### Texas Range

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. Texas Range is administered by PFM Asset Management LLC, which also serves as the investment advisor. The reported value of the pool is the same as the fair value of the pool shares. Investment options include TexasDAILY, a short-term government securities investment portfolio, which is rated AAAmmf by Fitch Ratings, TexasDAILY Select, a short-term governmental securities and other high-quality money market instruments portfolio, TexasTERM, a fixed-rate, fixed term investment option allowing investors to invest in short-term governmental securities and money market instruments with maturities of 60 days to one year, and TexasTERM CD Purchase Program, a fixed rate, fixed-term investment option enabling investors to invest in FDIC insured CD's from banks throughout the United States.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### D. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated / amortized:				
Land	\$ 618,939	\$ -	\$ -	\$ 618,939
Construction in progress	-	2,237,101	-	2,237,101
Total capital assets not being depreciated / amortized	<u>618,939</u>	<u>2,237,101</u>	<u>-</u>	<u>2,856,040</u>
Capital assets being depreciated / amortized:				
Buildings and improvements	78,820,929	-	-	78,820,929
Furniture and equipment	7,562,909	641,290	-	8,204,199
Right-to-use assets - leased equipment	293,305	-	-	293,305
Right-to-use assets - SBITAs	194,405	48,048	-	242,453
Total capital assets being depreciated / amortized	<u>86,871,548</u>	<u>689,338</u>	<u>-</u>	<u>87,560,886</u>
Less accumulated depreciation / amortization for:				
Buildings and improvements	(29,749,107)	(1,651,194)	-	(31,400,301)
Furniture and equipment	(5,362,019)	(489,318)	-	(5,851,337)
Right-to-use assets - leased equipment	(232,056)	(61,249)	-	(293,305)
Right-to-use assets - SBITAs	(152,293)	(43,020)	-	(195,313)
Total accumulated depreciation / amortization	<u>(35,495,475)</u>	<u>(2,244,781)</u>	<u>-</u>	<u>(37,740,256)</u>
Total capital assets being depreciated / amortized, net	<u>51,376,073</u>	<u>(1,555,443)</u>	<u>-</u>	<u>49,820,630</u>
Governmental activities capital assets, net	<u>\$ 51,995,012</u>	<u>\$ 681,658</u>	<u>\$ -</u>	<u>\$ 52,676,670</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets being depreciated:				
Furniture and equipment	\$ 312,540	\$ 467,863	\$ -	\$ 780,403
Total capital assets being depreciated	<u>312,540</u>	<u>467,863</u>	<u>-</u>	<u>780,403</u>
Less accumulated depreciation for:				
Furniture and equipment	(244,971)	(35,306)	-	(280,277)
Total accumulated depreciation	<u>(244,971)</u>	<u>(35,306)</u>	<u>-</u>	<u>(280,277)</u>
Total capital assets being depreciated, net	<u>67,569</u>	<u>432,557</u>	<u>-</u>	<u>500,126</u>
Business-type activities capital assets, net	<u>\$ 67,569</u>	<u>\$ 432,557</u>	<u>\$ -</u>	<u>\$ 500,126</u>

**FERRIS INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

Governmental activities depreciation / amortization was charged to functions as follows:

Instruction	\$ 1,270,500
Instructional resources and media services	15,875
Curriculum and staff development	91,457
Instructional leadership	43,277
School leadership	96,728
Guidance, counseling, and evaluation services	96,757
Health services	20,351
Student transportation	54,901
Cocurricular/extracurricular activities	90,586
General administration	69,852
Facilities maintenance and operations	260,286
Security and monitoring services	78,300
Data processing services	51,184
Community services	4,727
	\$ 2,244,781

Business-type activities depreciation / amortization was charged to function as follows:

Food service	\$ 35,306
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E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2025, consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 329,252
Debt Service Fund	General Fund	2,322
	Total	\$ 331,574

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenditures occur or deposits of revenue are received, the dates the transactions are recorded in the accounting system, and the date the interfund payments are settled. All interfund receivables and payables will be liquidated within the next fiscal year.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### F. Long-Term Obligations

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

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2025, are as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 24,732,629	\$ -	\$ 3,365,000	\$ 21,367,629	\$ 2,175,000
Notes from Direct Borrowings	466,000	-	63,000	403,000	64,500
Financed Purchases	202,592	-	99,258	103,334	103,334
Premium on Bonds	1,038,924	-	109,971	928,953	-
Accumulated Accretion on CABs	1,080,344	40,184	-	1,120,528	-
Net Pension Liability*	12,966,733	-	567,726	12,399,007	-
Net OPEB Liability*	5,403,938	2,408,271	-	7,812,209	-
Lease Liability	64,243	-	64,243	-	-
SBITA Liability	19,376	48,047	23,178	44,245	9,273
Compensated Absences	669,300	77,746	-	747,046	56,763
Total governmental activities	<u>\$ 46,644,079</u>	<u>\$ 2,574,248</u>	<u>\$ 4,292,376</u>	<u>\$ 44,925,951</u>	<u>\$ 2,408,870</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type Activities:</u>					
Net Pension Liability*	\$ 327,738	\$ -	\$ 22,800	\$ 304,938	\$ -
Net OPEB Liability*	147,286	61,135	-	208,421	-
Total business-type activities	<u>\$ 475,024</u>	<u>\$ 61,135</u>	<u>\$ 22,800</u>	<u>\$ 513,359</u>	<u>\$ -</u>

#### \* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability	Governmental	General
Net OPEB Liability	Governmental	General
Net Pension Liability	Business-type	National School Breakfast and Lunch Program
Net OPEB Liability	Business-type	National School Breakfast and Lunch Program

Beginning balances for General obligation bonds and accumulated accretion on CABs as of July 1, 2024, were restated due to prior period adjustments. See Note N for additional information.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### 2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2025, are as follows:

Year Ending June 30	Governmental Activities				Total
	Bonds		Notes from Direct Borrowings		
	Principal	Interest	Principal	Interest	
2026	\$ 2,175,000	\$ 880,713	\$ 64,500	\$ 6,521	\$ 3,126,734
2027	2,270,000	797,338	65,500	5,477	3,138,315
2028	2,159,341	792,634	66,500	4,417	3,022,892
2029	2,285,332	664,568	67,500	3,341	3,020,741
2030	2,327,295	570,505	69,000	2,249	2,969,049
2031-2035	10,150,661	1,474,490	70,000	1,133	11,696,284
Totals	<u>\$ 21,367,629</u>	<u>\$ 5,180,248</u>	<u>\$ 403,000</u>	<u>\$ 23,138</u>	<u>\$ 26,974,015</u>

Year Ending June 30	Financed Purchases		Total
	Principal	Interest	
2026	\$ 103,334	\$ 4,243	\$ 107,577
Totals	<u>\$ 103,334</u>	<u>\$ 4,243</u>	<u>\$ 107,577</u>

The interest rate on the Schoolhouse Refunding Bonds, Series 2013 Bonds ranges from 2.00% to 4.50% and mature on August 15, 2031.

The interest rate on the Unlimited Tax Building and Refunding Bonds, Series 2015 Bonds is 2.00% and mature on August 15, 2034.

The interest rate on the Schoolhouse Refunding Bonds, Series 2017 ranges from 2.50% to 4.50% and mature on August 15, 2027.

The interest rate on the Schoolhouse Unlimited Building and Refunding Bonds, Series 2018 ranges from 2.00% to 4.125% and mature on August 15, 2034.

The interest rate on the Schoolhouse Refunding Bonds, Series 2020 ranges from 3.00% to 4.00% and mature on August 15, 2034.

The interest rate on the Taxable QCEB Notes, Series 2016 is 1.618% and mature on August 15, 2034.

The interest rate on the 2022 Bus note is 2.5% and matures in fiscal year 2026.

The District did not have any unused lines of credit, assets pledged as collateral for debt, or terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of June 30, 2025.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### G. Subscription Based IT Arrangements

The District is a contractee for noncancelable Subscriptions Based IT Arrangements (SBITAs). The District recognizes a SBITA liability, reported with long-term debt, and a right-to-use SBITA asset, reported with other capital assets, in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a SBITA, the District measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments. The SBITA asset is initially measured at the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the commencement of the SBITA term, plus capitalizable initial implementation costs as described in GASB 96 paragraph 29b. Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of the SBITA term or its useful life.

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

- The District uses its estimated incremental borrowing rate as the discount rate for SBITA.
- The SBITA term includes the noncancelable SBITA period of the SBITA.

SBITA payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, payments for penalties of terminating the SBITA, SBITA incentives receivable from the vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

There were no variable payments or residual value guarantees or penalties not included in the measurement of the SBITAs. The District did not have any commitments under SBITAs not yet commenced at year-end, or components of losses associated with asset impairments, or sublease transactions for the ten-months ended June 30, 2024.

The District entered into a new SBITA with Imagenet Consulting during the year, matures on February 1, 2030 and is for print management software totaling \$48,047 payable in monthly installments of \$847 at an interest rate of 2.23%.

Future SBITA payment maturity schedule is as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 9,273	\$ 892	\$ 10,165
2027	9,481	683	10,164
2028	9,694	470	10,164
2029	9,913	251	10,164
2030	5,884	44	5,928
Totals	\$ 44,245	\$ 2,340	\$ 46,585

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, Ferris Independent School District carried insurance through various plans described below. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

#### Property and Liability

During the year ended June 30, 2025, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Property, Cyber Liability & Security, and 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.

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 June 30, 2025, the Fund anticipates that Ferris 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 year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

#### Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association (the Association). The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers' compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third-party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$127,209 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred but not reported at June 30, 2025, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claim liabilities during the past year are as follows:

	Year ended 6/30/2025	Year ended 6/30/2024
Unpaid claims, beginning of year	\$ 275,190	\$ 222,573
Incurred claims	130,580	124,433
Claim payments	(146,989)	(71,816)
Unpaid claims, end of year	<u>\$ 258,781</u>	<u>\$ 275,190</u>

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### Unemployment Compensation

During the year ended June 30, 2025, Ferris ISD 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 June 30, 2025, the Fund anticipates that Ferris ISD has no additional liability beyond the contractual obligation for payment of contribution.

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

### I. Pension Plan

#### 1. Plan Description

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

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

#### 2. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov>; by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

#### 3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### One-Time Stipends

Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

### Cost-of-Living Adjustment

A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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

#### 4. Contributions

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

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

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
District's 2025 Employer Contributions		\$ 1,239,489
District's 2025 Member Contributions		\$ 2,264,845
2024 NECE On-Behalf Contributions (State)		\$ 1,422,723

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

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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 colleges, 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.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.9% of the member's salary beginning in fiscal year 2024, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

### 5. Actuarial Assumptions

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

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Rate	7.00%
Municipal Bond Rate as of August 2024	3.87% *
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

\* The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions, please see the actuarial valuation report dated November 21, 2023.

### 6. Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term expected rate of return on pension plan investments is 7.00%. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
<b>Stable Value</b>			
Government Bonds	16.00%	1.90%	0.40%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Absolute Return*	0.00%	4.00%	0.00%
<b>Real Return</b>			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources and Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
<b>Risk Parity</b>	8.00%	4.00%	0.40%
<b>Asset Allocation Leverage</b>			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
<b>Inflation Expectation</b>			2.40%
<b>Volatility Drag ****</b>			-0.70%
<b>Expected Return</b>	<b>100.00%</b>		<b>7.90%</b>

\* Absolute Return includes Credit Sensitive Investments.  
 \*\* Target allocations are based on the FY2024 policy model.  
 \*\*\* Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023).  
 \*\*\*\* The volatility drag results from the conversion between arithmetic and geometric mean returns.

**FERRIS INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00%) in measuring the net pension liability.

	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:	\$ 20,291,419	\$ 12,703,945	\$ 6,417,183

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

At June 30, 2025, the District reported a liability of \$12,703,945 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	\$ 12,703,945
State's proportionate share that is associated with District	15,421,545
Total	\$ 28,125,490

The net pension liability was measured as of August 31, 2023, and rolled forward to August 31, 2024, 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, 2023 through August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.0207974%, which was an increase of 0.0014432% from its proportion measured as of August 31, 2023.

9. Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

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

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the fiscal year ended June 30, 2025, the District recognized pension expense of \$3,867,811 and revenue of \$1,843,132 for support provided by the State.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

At June 30, 2025, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Actuarial Experience	\$ 700,224	\$ 99,186
Changes in Actuarial Assumptions	655,932	87,938
Difference Between Projected and Actual Investment Earnings	77,222	-
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	1,967,665	26,647
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability	984,670	-
<b>Total</b>	<b><u>\$ 4,385,713</u></b>	<b><u>\$ 213,771</u></b>

The District recognized \$984,670 as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The other amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Pension Expense Amount</u>
2026	\$ 601,884
2027	1,903,382
2028	583,253
2029	(30,083)
2030	128,837
Thereafter	(1)

### J. Defined Other Post-Employment Benefit Plans

#### 1. Plan Description

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

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

#### 2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS 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>; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

**FERRIS INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

3. Benefits Provided

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

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

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

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

4. Contributions

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

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	2024	2025
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
District's 2025 Employer Contributions		\$ 246,344
District's 2025 Member Contributions		\$ 178,444
2024 NECE On-Behalf Contributions (State)		\$ 300,764

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

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### 5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024.

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, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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.

#### Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Ad hoc post-employment benefit changes	None

### 6. Discount Rate

A single discount rate of 3.87% was used to measure the Total OPEB Liability. This was a decrease of .26% in the discount rate since the previous year.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is e Bond Buyer's "20-Bond GO Index" as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% lower than and 1% higher than the discount rate that was used (3.87%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate <u>(2.87%)</u>	Discount Rate <u>(3.87%)</u>	1% Increase in Discount Rate <u>(4.87%)</u>
District's proportionate share of the net OPEB liability:	\$ <u>9,528,883</u>	\$ <u>8,020,630</u>	\$ <u>6,801,939</u>

### 8. Healthcare Trend Rate Sensitivity Analysis

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 the Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in the Healthcare Trend Rate
District's proportionate share of the net OPEB liability:	\$ <u>6,531,613</u>	\$ <u>8,020,630</u>	\$ <u>9,960,969</u>

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

At June 30, 2025, the District reported a liability of \$8,020,630 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB Liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 8,020,630
State's proportionate share that is associated with District	<u>10,049,741</u>
Total	<u>\$ 18,070,371</u>

The net OPEB liability was measured as of August 31, 2023 and rolled forward to August 31, 2024; 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 OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024 the District's proportion of the collective net OPEB liability was 0.026426%, which was an increase of 0.001351% from its proportion measured as of August 31, 2023.

### 10. Changes Since the Prior Actuarial Valuation

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

- The single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

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

**FERRIS INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

The amount of OPEB expense recognized by the District in the reporting period was (\$1,867,136) and revenue of (\$1,306,281) for support provided by the State.

At June 30, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 1,537,286	\$ 4,002,729
Changes in Actuarial Assumptions	1,026,546	2,617,039
Difference Between Projected and Actual Investment Earnings	-	22,460
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	2,626,719	401,744
Contributions paid to TRS subsequent to the measurement date of the Net OPEB Liability	199,602	-
<b>Total</b>	<b>\$ 5,390,153</b>	<b>\$ 7,043,972</b>

The District recognized \$199,602 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30	OPEB Expense Amount
2026	\$ (721,656)
2027	(358,391)
2028	(681,514)
2029	(431,169)
2030	(169,145)
Thereafter	508,454

11. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare 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 year ended June 30, 2025, the subsidy payment received by TRS-Care on behalf of the District was \$190,510.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### K. Employee Health Care Coverage

During the year ended June 30, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Plan are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

### L. Commitments and Contingencies

#### 1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

#### 2. Litigation

No reportable litigation was pending against the District at June 30, 2025.

### M. Shared Services Arrangements

#### Shared Services Arrangement - Membership

The District participates in a shared services arrangement ('SSA) for Title I, Title II, Eisenhower Math and Science Act, Title VI Block Grant and Title IV Safe and Drug Free School with the following school districts:

#### Member Districts

46 Other Districts

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Region 10, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

# FERRIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### N. Error Correction

During fiscal year 2025, the District identified errors in its previously issued fiscal year 2024 financial statements that required correction in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. The errors related to the accounting for bonded debt, including a bond defeasance transaction completed in June 2024 that was not recorded in the proper fiscal year, misstatements in reported bond principal balances, and errors in the calculation of accumulated accretion on the District's capital appreciation bonds. The accumulated accretion errors included both accretion that should not have been recognized on defeased bonds and an independent calculation error unrelated to the defeasance.

The errors described above have been corrected by restating the financial statements retroactively in accordance with GASB Statement No. 100. The corrections resulted in adjustments to bond principal balances, accumulated accretion on capital appreciation bonds, and beginning net position and fund balances as of July 1, 2024.

The following table summarizes the adjustments to beginning net position/fund balance:

	Governmental Activities	Debt Service Fund
Beginning net position/fund balance, as previously reported	\$ 22,750,570	\$ 4,109,958
Adjustment related to 2024 bond defeasance not previously recognized	(174,804)	(550,234)
Adjustment to accumulated accretion on CABs due to calculation error	(36,346)	
Adjustment to bond principal balances unrelated to defeasance	9,800	-
Total Prior-Period Adjustments	(201,350)	(550,234)
Beginning net position/fund balance, as Restated	\$ 22,549,220	\$ 3,559,724

### O. Subsequent Events

The District evaluated subsequent events through January 19, 2026, the date the financial statements were available to be issued and noted the following:

In August 2025, the District issued building bonds in the aggregate principal amount of \$52,155,000, the proceeds of which are restricted for the financing of capital projects. The District intends to use bond proceeds to reimburse itself for certain capital-related expenditures incurred prior to the issuance of the bonds. At June 30, 2025, approximately \$2.2 million of expenditures recognized in the General Fund were related to bond-eligible capital projects. These expenditures are expected to be reimbursed to the General Fund from the bond proceeds in fiscal year 2026.