(See "Continuing Disclosure Information" herein)

REVISED
PRELIMINARY OFFICIAL STATEMENT

Dated June 9, 2025

Ratings:
Moody's: "Aaa" / "Aaa"
S&P: "AAA" / "AA+"
PSF Guarantee: "Approval Received"
(See "OTHER INFORMATION - Ratings" and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

NEW ISSUE - Book-Entry-Only

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

$25,000,000*
RICHARDSON INDEPENDENT SCHOOL DISTRICT
(Dallas County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

Dated Date: July 1, 2025 — **Due: As shown on Page 2**
Interest Accrual Date: Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the $25,000,000* Richardson Independent School District Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") will accrue from the date of their delivery to the Initial Purchaser (the "Delivery Date") Interest on the Bonds will be payable August 15 and February 15 of each year commencing on August 15, 2025, until stated maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued as fully registered obligations in denominations of $5,000 of principal amount or any integral multiple thereof for any one stated maturity. 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 authorized denominations thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE BONDS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1371, Texas Government Code, as amended, Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, an election held in the Richardson Independent School District (the "District") on May 1, 2021 (the "Election") and an order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District in which the Board delegated to the District's Assistant Superintendent of Finance and Support Services or the Superintendent (each an "Authorized Officer") the authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the "Pricing Certificate" and the Bond Order are herein referred to together, as the "Order"). The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS – Authority for Issuance"). **The District has received conditional approval for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas (see "Appendix D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the following purposes: (1) acquiring, constructing, renovating and equipping school facilities; the purchase of sites for school facilities and the purchase of school buses; the retrofitting of school buses with emergency, safety or security equipment and for the retrofitting of vehicles to be used for emergency, safety or security purposes, and (2) to pay the costs associated with the issuance of the Bonds (see "THE BONDS – Purpose").

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Dallas, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July 15, 2025*.

MATURITY SCHEDULE
See Schedule on Page 2

BIDS DUE TUESDAY, JUNE 17, 2025 AT 10:00 AM, CENTRAL TIME

* Preliminary, subject to change. See "The Sale - Place and Time of Bid Opening" and "The Bonds - Adjustment of Principal Amounts and/or Types of Bids" in the Notice of Sale and Bidding Instructions.

MATURITY SCHEDULE* **CUSIP(1) Prefix: 763262**

Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP(1) Suffix
2026	$ 21,415,000			
2027	1,585,000			
2028	1,000,000			
2029	1,000,000			

(Interest to accrue from the Delivery Date)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright © 2025 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the District or the Financial Advisory assume responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

NO REDEMPTION. . . The Bonds will not be subject to redemption prior to maturity.

For purposes of compliance with Rule 15c2-12 of the 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 no more than the information permitted by the Rule.

No dealer, broker, salesman or other person has been authorized by the District 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. 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 offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are considered 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. 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 INFORMATION" for a description of the undertakings of the Texas Education Agency (the "TEA") and the District, respectively, to provide certain information on a continuing basis.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

NONE OF THE DISTRICT OR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM OR THE AFFAIRS OF THE TEA DESCRIBED UNDER "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY AND THE TEA, RESPECTIVELY.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES, IF ANY, IN WHICH THE BONDS MAY HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. ***Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements****.*

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.

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.

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APPENDICES

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

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.

THE DISTRICT .... The District is a political subdivision located in Dallas County, Texas. The District is approximately 38.5 square miles in area (see "INTRODUCTION - Description of the District").

THE BONDS .... The $25,000,000* Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") are issued **only** as serial bonds maturing on February 15 in the years 2026 through 2029 (see "THE BONDS – Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of their delivery (the "Delivery Date") to the Initial Purchaser and will be due semiannually on August 15 and February 15 of each year commencing on August 15, 2025, until stated maturity (see "THE BONDS – Description of the Bonds").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1371, Texas Government Code, and Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, an election held in the District on May 1, 2021 (the "Election") and an order (the "Bond Order") passed by the Board. In the Bond Order, the Board delegated to the District's Assistant Superintendent of Finance and Support Services or the Superintendent (each a "Pricing Officer), the authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate" which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are herein referred to together as the "Order").

SECURITY FOR THE BONDS .... The Bonds constitute direct and voted 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 within the District. Additionally, the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas (see "THE BONDS - Security and Source of Payment").

PERMANENT SCHOOL FUND GUARANTEE .... The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "Appendix D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

NO REDEMPTION .... The Bonds will not be subject to redemption prior to maturity.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS .... The Bonds will not be designated as "Qualified Tax-Exempt Obligations" for financial institutions.

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

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the following purposes: (1) acquiring, constructing, renovating and equipping school facilities; the purchase of sites for school facilities and the purchase of school buses; the retrofitting of school buses with emergency, safety or security equipment and for the retrofitting of vehicles to be used for emergency, safety or security purposes, and (2) to pay the costs associated with the issuance of the Bonds (see "THE BONDS – Purpose").

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* Preliminary, subject to change. See "The Sale - Place and Time of Bid Opening" and "The Bonds - Adjustment of Principal Amounts and/or Types of Bids" in the Notice of Sale and Bidding Instructions.

RATINGS .... The Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds and the presently outstanding tax supported debt of the District are rated "Aaa" by Moody's and "AA+" by S&P without regard to credit enhancement. The District also has issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "OTHER INFORMATION - Ratings" and "Appendix D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended (1)	Estimated District Population (2)	Taxable Assessed Valuation (3)(4)	Per Capita Taxable Assessed Valuation	Tax Supported Debt at Year End	Per Capita Tax Supported Debt	Ratio Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2021	243,531	$ 27,910,135,984	$ 114,606	$ 689,695,000	$ 2,832	2.47%	99.06%
2022	232,547	28,782,294,314	123,770	816,810,000	3,512	2.84%	98.89%
2023	227,902	31,682,283,991	139,017	1,046,850,000	4,593	3.30%	98.66%
2024	227,170	32,558,708,273	143,323	1,000,015,000	4,402	3.07%	98.28%
2025	225,733	35,489,155,350	157,217	956,280,000 (5)	4,236 (5)	2.69% (5)	97.91% (6)

(1) The District's fiscal year end is June 30. Due to the timing of tax collection receipts, the District budgets for debt payments on a calendar year basis.
(2) Source: Municipal Advisory Council of Texas.
(3) Valuations are as reported by the District based on information from the Appraisal District (defined herein). Valuations shown do not exclude the values on which property taxes are frozen for the age 65 and over and disabled taxpayer exemptions.
(4) Does not exclude incremental taxable assessed value of real property located within the TIF (defined herein).
(5) Projected, includes the Bonds. Preliminary, subject to change.
(6) Unaudited collections as of April 30, 2025.

For additional information regarding the District, please contact:

David Pate, Assistant Superintendent of
Finance & Support Services
Richardson Independent School District
400 S. Greenville Avenue
Richardson, Texas 75081-4198

or

Jeff Robert, Managing Director
Hilltop Securities Inc.
717 N. Harwood, Ste. 3400
Dallas, Texas 75201
(214) 953-8744

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Length of Service	Term Expires	Occupation
Christopher Poteet President, At-Large Place 7	4 Years	2027	Civil Engineer, Freese and Nichols
Eric Eager Vice President, At-Large Place 6	5 Years	2026	CEO and Co-Founder, 4impactdata
Rachel McGowan Secretary, Single-Member District 5	3 Years	2028	Business Development
Regina Harris Member, Single-Member District 4	6 Years	2028	Program Director
Vanessa Pacheco Member, Single-Member District 2	3 Years	2025(1)	Vice President, Ohana Cottonwood, LLC
Debbie Renteria Member, Single-Member District 3	5 Years	2026	Educational Consultant
Megan Timme Member, Single-Member District 1	4 Years	2027	Director of Supervision and Leadership Development, Region 10

(1) A runoff election for District 2 will be held on June 7, 2025.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of RISD Service	Total School District Service
Tabitha Branum	Superintendent	11 Years	28 Years
David Pate	Asst. Superintendent of Finance & Support Services	8 Years	27 Years
Dorcas Mejia	Director of Taxation	4 Years	5 Years

CONSULTANTS AND ADVISORS

Auditors .... Weaver and Tidwell, L.L.P.
Dallas, Texas

Bond Counsel .... Bracewell LLP
Dallas, Texas

Financial Advisor........ Hilltop Securities Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO

$25,000,000*
RICHARDSON INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $25,000,000* Richardson Independent School District Unlimited Tax School Building Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (hereinafter defined) authorizing the issuance and sale of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Richardson Independent School District (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 from the District's Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

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

DESCRIPTION OF THE DISTRICT . . . The Richardson Independent School District (the "District") is a political subdivision located in Dallas County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates the administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For additional information regarding the District, see "APPENDIX A – General Information Regarding the District."

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated July 1, 2025 and mature on the dates and in the amounts shown on page 2 of this Official Statement. Interest will accrue from the date of their delivery to the Initial Purchaser (the "Delivery Date") and will be computed on the basis of a 360-day year of twelve 30-day months. Such interest will be payable on August 15 and February 15 of each year, commencing on August 15, 2025, until stated maturity. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1371, Texas Government Code, and Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, the Election and an order (the "Bond Order") passed by the Board. In the Bond Order, the Board delegated to the District's Assistant Superintendent of Finance and Support Services or to the Superintendent, the authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate" which will complete the sale of the Bonds (the Bond Order and Pricing Certificate are referred to herein together as the "Order").

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds. Additionally, the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas.

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* Preliminary, subject to change. See "The Sale - Place and Time of Bid Opening" and "The Bonds - Adjustment of Principal Amounts and/or Types of Bids" in the Notice of Sale and Bidding Instructions.

PERMANENT SCHOOL FUND GUARANTEE . . . In connection with the sale of the Bonds, the District has submitted an application to the Texas Education Agency and has 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 in "Appendix D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, 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 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.

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the following purposes: (1) acquiring, constructing, renovating and equipping school facilities; the purchase of sites for school facilities and the purchase of school buses; the retrofitting of school buses with emergency, safety or security equipment and for the retrofitting of vehicles to be used for emergency, safety or security purposes, and (2) to pay the costs associated with the issuance of the Bonds.

NO REDEMPTION . . . The Bonds will not be subject to redemption prior to maturity.

DEFEASANCE . . . The Order provides that the District may discharge its obligations to the registered owners of any or all of the Bonds to pay principal and interest thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment of the Bonds; provided that such deposits may be invested and reinvested in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United State of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds to refund the obligations, that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or of the Bonds. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid.

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

Upon defeasance, such defeased Bonds shall no longer be regarded to be Outstanding or unpaid and the Bonds will no longer be guaranteed by the Texas Permanent School Fund. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes. 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 take any other action amending the terms of the Bonds are extinguished.

AMENDMENTS . . . The District may amend the Order without the consent of or notice to any registered owners of the Bonds in any manner not detrimental to the interest 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 holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without 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 the principal of and interest on the Bonds, 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 or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by holders for consent to any such amendment, addition, or rescission.

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered 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 stated maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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 detail 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 on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believe to be reliable, but the District does not take any responsibility for the accuracy thereof.

Effect of Termination of Book-Entry-Only System… In the event that the Book-Entry-Only System is discontinued, printed 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.

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 Direct or Indirect 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.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., 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 bank or trust company, financial institution, 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.

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to registered owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal amount 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. The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange of 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 that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds 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 (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the 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 establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, 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 registered owners 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. In connection with the issuance of the Bonds, the District has not waived sovereign immunity, and therefore, 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 U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of 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 another federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity which permit the exercise of judicial discretion and by governmental immunity. 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.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

<u>Sources of Funds</u>	
Par Amount of the Bonds	$ -
Reoffering Premium	-
Total Sources of Funds	$ -
<u>Uses of Funds</u>	
Deposit to the Construction Fund	$ -
Underwriters' Discount and Costs of Issuance	-
Total Uses of Funds	$ -

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

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

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

OVERVIEW

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

Local funding for school districts is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: (i) a maintenance and operations ("M&O") tax to pay current expenses and (ii) an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts are prohibited form levying an M&O tax rate for the purpose of creating a surplus in M&O tax revenues for the purpose of paying the school 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 local funding generated by a school district's M&O tax rate.

2025 TEXAS LEGISLATIVE SESSION

The Regular Session of the 89th Texas Legislature convened on January 14, 2025 and is scheduled to conclude on June 2, 2025. 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. Both houses of the Legislature passed legislation that would authorize roughly $8.5 billion in funding for public schools and would provide districts with a $55 per student increase to their base funding, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. In addition, 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 schools. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding. The Governor may veto any bill passed by the 89th Legislature on or before June 22, 2025. The District is currently evaluating the impact of legislation passed in the 89th Legislative Session affecting District finances and operations and can make no representations as to the fiscal impact of such legislation. Further, the District cannot make any representations to the scope of legislation that may be considered in any special session or impact of such legislation.

2023 REGULAR AND SPECIAL LEGISLATIVE SESSIONS

The regular session of the 88th Texas Legislature began on January 10, 2023 and adjourned on May 29, 2023 (the "88th Regular Session"). The Governor called and the Legislature concluded four special sessions during the 88th Texas Legislature (such special sessions, together with the 88th Regular Session, the "2023 Legislative Sessions").

During the 88th Regular Session, legislation enacted by the Legislature fully-funded the Foundation School Program for the 2023-2024 State fiscal biennium and increased the state guaranteed yield on the first $0.08 cents of tax effort beyond a school district's Maximum Compressed Tax Rate (as defined herein) to $126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from $98.56 in 2023) and $129.52 per penny of tax effort per student in WADA in 2025. See "– State Funding for School Districts – Tier Two." The Legislature also provided for an increase in funding for the school safety allotment to $10.00 (from $9.72 in the prior year) per ADA (as defined herein) and $15,000 per campus. The Legislature set aside approximately $4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions. However, the Legislature did not take action on such funding during the 2023 Legislative Sessions.

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

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" 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 State Compression Percentage 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 State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2025, the State Compression Percentage is set at 68.85%.

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year's MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2024-2025 school year, the Legislature reduced the maximum MCR, establishing $0.6855 as the maximum rate and $0.6169 as the floor.

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR for the given year. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two").

STATE FUNDING FOR SCHOOL DISTRICTS

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

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

The current Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2024-2025 State fiscal biennium, the State Legislature appropriated funds in the amount of $1,072,511,740 for the EDA, IFA, and NIFA

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

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

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

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

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of $126.21 per student in WADA in 2024 and $129.52 per student in WADA in 2025 for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2024-25 State fiscal biennium, school districts are guaranteed a yield of $49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the 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. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025 State fiscal biennium, the 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 2024-2025 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2024-2025 State fiscal biennium on new bonds issued by school districts in the 2024-2025 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption from $40,000 to $100,000. See "— 2023 Regular and Special Legislative Sessions." Hold-harmless applies only to bonds authorized by voters prior to September 1, 2023.

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

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

Furthermore, "property-wealthy" school districts that received additional State funds under the Finance System prior to the enactment of the 2019 Legislation were entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant was phased out through the 2023-2024 school year as follows. Additionally, school districts (through the fiscal year ending in 2025) and open-enrollment charter schools (through the fiscal year ending in 2024) may be entitled to receive an allotment in the form of a formula transition grant meant to ensure a smooth transition into the funding formulas enacted by the 86th State Legislature. Furthermore, beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a year school under the formula transition grant exceeds $400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

LOCAL REVENUE LEVEL IN EXCESS OF ENTITLEMENT

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2024-25 fiscal year, the District was designated as an "excess local revenue" district by the TEA. According to currently available information from TEA, the District is subject to recapture and, therefore, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District has notified the TEA that it intends to reduce its wealth per student pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue in Excess of Entitlement" herein).

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

AD VALOREM PROPERTY TAXATION

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

The 89th Texas Legislature adjourned as of June 2, 2025 and the period for the Governor veto any legislation extends to June 22, 2025. The District is currently evaluating legislation approved during the 89th Legislative Session which may impact ad valorem taxation of property within the District.

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") collectively responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Dallas Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District as of January 1 of each year and on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5 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% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026 unless extended by the Legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to taxes levied by each school district in the State for general elementary and secondary public school purposes, (1) a $100,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old.

The 89th Texas Legislature approved Senate Bill 23 which mandates a $40,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. This legislation will become effective September 1, 2025, but is subject the passage of a Constitutional amendment at a State-wide Constitutional election in November 2025. In addition, Senate Bill 4 also approved in the 89th Legislative Session increases the homestead exemption from $100,000 to $140,000, effective September 1, 2025, but is also subject to the passage of a Constitutional amendment of a State-wide Constitutional election in November 2025. In addition, the Governor may veto any legislation passed in the 89th Legislative Session by June 22, 2025. Senate Bill 23 and Senate Bill 4 make provisions for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased over sixty-five exemption and the increased homestead exemption.

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.

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

PERSONAL PROPERTY. . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the "production of income" from the current $2,500 to $250,000. This legislation is effective September 1, 2025 but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election. In addition, may veto any legislation passed in the 89th Legislative Session by June 22, 2025.

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.

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 physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15% to 100% 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. Section 11.35 of the Tax Code further provides that "damage" for purposes of such statute is limited to "physical damages." The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

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

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

TAX LIMITATION AGREEMENTS. . . The Texas Economic Development Act (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 purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district was not 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 take action to extend this program, which expired by its terms effective December 31, 2022.

During the 88th Regular Session, House Bill 5 (codified as Chapter 403, Texas Government Code, Subchapter T. Texas Jobs, Energy, Technology and Innovation Act ("Chapter 403")) was enacted into law. Chapter 403 is intended as a replacement of former Chapter 313, Texas Tax Code, but it contains significantly different provisions than the prior program under Chapter 313, Texas Tax Code. The effective date of Chapter 403 was 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 services taxes securing the Bonds cannot be abated under Chapter 403. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as non-renewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements. The District is currently monitoring the State's implementation of this economic development program 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 PROPERTY TAXATION – District Application of Property Tax Code" herein.

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.

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $61,349,201 for the 2024 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

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

In addition to the State-mandated exemptions of $100,000 for general homestead and an additional $10,000 for persons 65 years of age and older and the disabled, the District grants an additional exemption of 10% to the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

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

The District does not tax nonbusiness personal property; and the District collects its own taxes.

The District does not permit split payments unless a taxpayer has a disability exemption, an over-65 exemption or a disabled veteran's exemption, and discounts are not allowed.

The District does not tax freeport property.

The District began taxing goods in transit on January 1, 2008.

The District has not adopted a tax abatement policy.

On September 11, 2006, the Board approved the District's participation in the Skillman Corridor Tax Increment Financing District (the "TIF") created by the City of Dallas. The Board authorized the District's debt service tax participation in the TIF, beginning with the 2008-09 tax year, up to $10,000,000 (net present value) subject to certain terms and conditions. The District projects the participation limitation of $10,000,000 will be met within the next two years.

The Board has approved a resolution initiating an additional 15% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

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

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Property within the District is assessed as of January 1 of each year (except business inventories which may be assessed as of September 1 and mineral values which are assessed on the basis of a twelve-month average) and taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Split payments of taxes are not permitted.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations. . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on December 15, 1956 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended ("Article 2784e-1").

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

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 – Source and Security 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 school building bonds under Chapter 45, Texas Education Code and are subject to the 50-cent test. The District is not using projected values nor a pledge of State funding to pass the 50-cent Test in connection with the Bonds.

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

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

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

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

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

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

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

Table 1 - Valuation, Exemptions and Tax Supported Debt

2024/25 Market Valuation Established by Dallas Central Appraisal District [1]		$ 47,596,901,210
Less Exemptions/Reductions at 100% Market Value:		
General Homestead Exemptions [2]	$ 5,916,226,970	
State Mandated Over 65 [2]	154,723,150	
Totally Exempt	2,616,631,704	
Disabled Veterans Exemptions	68,044,148	
Disability Exemptions	5,441,819	
Capped Loss	2,841,205,061	
Ag Loss	3,249,449	
Pollution Control Exemptions	2,995,256	
Under $2500 Exemptions	1,755,960	
Mineral Rights Loss	690	
Prorated Totally Exempt	4,601,590	
Freeport Exemptions	492,870,063	(12,107,745,860)
2024/25 Taxable Assessed Valuation [3]		$ 35,489,155,350
Debt Payable from Ad Valorem Taxes estimated as of 7/15/25		
Outstanding Unlimited Tax Bonds [4]	$ 1,000,015,000	
The Bonds [5]	25,000,000	
Total Debt Payable from Ad Valorem Taxes estimated as of 7/15/25		$ 1,025,015,000
Ratio Tax Supported Debt to 2024/25 Taxable Assessed Valuation		2.89%

Current Estimated Population - 225,733
Per Capita 2024/25 Taxable Assessed Valuation - $157,217
Per Capita General Obligation Debt - $4,541

(1) Information provided by the District based on data from the Appraisal District.
(2) See "AD VALOREM PROPERTY TAXATION" for a discussion of recent legislation regarding this exemption.
(3) Does not exclude incremental taxable assessed value of real property located within the TIF. Valuations shown do not exclude the values on which property taxes are frozen for the age 65 and over and disabled taxpayer exemptions.
(4) Does not include loans payable or lease/purchase obligations payable from the District's maintenance & operation tax rate.
(5) Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended June 30,					
	2025		2024		2023	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 26,977,760,180	56.68%	$ 23,825,095,540	55.07%	$ 22,163,391,730	55.70%
Real, Residential, Multi-Family	6,099,038,430	12.81%	5,773,301,770	13.34%	5,044,895,910	12.68%
Real, Vacant Lots/Tracts	346,042,010	0.73%	336,803,440	0.78%	351,231,320	0.88%
Real, Acreage (Land Only)	3,500,920	0.01%	3,485,990	0.01%	3,485,990	0.01%
Real, Commercial and Industrial	9,289,461,870	19.52%	8,724,218,730	20.17%	8,165,108,820	20.52%
Real, Oil, Gas and Other Mineral Reserves	690	0.00%	690	0.00%	690	0.00%
Real & Tangible Personal, Utilities	515,543,680	1.08%	491,448,270	1.14%	469,334,310	1.18%
Personal, Commercial and Industrial	4,271,316,570	8.97%	4,015,482,970	9.28%	3,501,828,290	8.80%
Inventory, Real Property and Special	94,236,860	0.20%	92,766,800	0.21%	89,377,240	0.22%
Total Appraised Value Before Exemptions	$ 47,596,901,210	100.00%	$ 43,262,604,200	100.00%	$ 39,788,654,300	100.00%
Less: Total Exemptions/Reductions (1)	(12,107,745,860)		(10,703,895,927)		(8,106,370,309)	
Taxable Assessed Value	$ 35,489,155,350		$ 32,558,708,273		$ 31,682,283,991	

	Taxable Appraised Value for Fiscal Year Ended June 30,			
	2022		2021	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 18,072,596,590	53.59%	$ 17,544,236,989	53.55%
Real, Residential, Multi-Family	4,152,851,070	12.31%	3,746,878,010	11.44%
Real, Vacant Lots/Tracts	357,153,820	1.06%	327,141,610	1.00%
Real, Acreage (Land Only)	5,000,570	0.01%	5,000,570	0.02%
Real, Commercial and Industrial	7,525,535,190	22.31%	7,481,479,820	22.84%
Real, Oil, Gas and Other Mineral Reserves	690	0.00%	690	0.00%
Real & Tangible Personal, Utilities	436,368,620	1.29%	423,180,800	1.29%
Personal, Commercial and Industrial	3,108,902,720	9.22%	3,162,104,090	9.65%
Inventory, Real Property and Special	68,004,530	0.20%	71,284,340	0.22%
Total Appraised Value Before Exemptions	$ 33,726,413,800	100.00%	$ 32,761,306,919	100.00%
Less: Total Exemptions/Reductions (1)	(4,944,119,486)		(4,851,170,935)	
Taxable Assessed Value	$ 28,782,294,314		$ 27,910,135,984	

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

(1) Does not exclude incremental taxable assessed value of real property within the TIF.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended (1)	Estimated Population(2)	Taxable Assessed Valuation (3)(4)	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Fiscal Year	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2021	243,531	$ 27,910,135,984	$ 114,606	$ 689,695,000	2.47%	$ 2,832
2022	232,547	28,782,294,314	123,770	816,810,000	2.84%	3,512
2023	227,902	31,682,283,991	139,017	1,046,850,000	3.30%	4,593
2024	227,170	32,558,708,273	143,323	1,000,015,000	3.07%	4,402
2025	225,733	35,489,155,350	157,217	956,280,000 (5)	2.69% (5)	4,236 (5)

(1) The District's fiscal year end is June 30th. Due to the timing of tax collection receipts, the District budgets for debt payments on a calendar year basis.
(2) Source: Municipal Advisory Council of Texas.
(3) Valuations are as reported by the District based on information from the Appraisal District (defined herein). Valuations shown do not exclude the values on which property taxes are frozen for the age 65 and over and disabled taxpayer exemptions.
(4) Does not exclude incremental taxable assessed value of real property located within the TIF.
(5) Projected, includes the Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended (1)	TAX RATE BREAKDOWN Maintenance & Operations (2)	Interest & Sinking	Total	Tax Levy	TAX COLLECTIONS % Current Collections	% Total Collections
2021	$ 1.05470	$ 0.35000	$ 1.40470	$ 361,731,974	99.00%	99.06%
2022	1.04090	0.35000	1.39090	372,051,473	98.87%	98.89%
2023	0.96460	0.35000	1.31460	396,514,287	98.41%	98.66%
2024	0.79310	0.35000	1.14310	342,126,110	98.63%	98.28%
2025	0.75520	0.35000	1.10520	354,670,729	98.91% (3)	97.91% (3)

(1) The District's fiscal year end is June 30th. Due to the timing of tax collection receipts, the District budgets for debt payments on a calendar year basis.
(2) The decline in the District's Maintenance and Operations Tax Rate are a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
(3) Unaudited collections as of 4/30/25.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Texas Instruments	Technology	$ 908,139,833	2.56%
LinkedIn Corp.	Office Buildings	409,813,220	1.15%
HCP DR MCD LLC	Hospital	218,000,000	0.61%
Collins Technology Park Partners LLC	Office Buildings	174,885,660	0.49%
MCI Communications Services Inc.	Telephone Utility	129,162,040	0.36%
Oncor Electric Delivery	Electric Utility/Power Plant	126,711,770	0.36%
La Mirada Property	Real Estate	98,000,000	0.28%
7927 Forest Ln. TX Owner LP	Apartments	96,000,000	0.27%
Atmos Energy	Natural Gas Utility	93,687,760	0.26%
Lakeside Campus Partners LP	Office Buildings	93,500,000	0.26%
		$ 2,347,900,283	6.62%

TABLE 6 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total Tax Supported Debt As Of 7/15/2025	Estimated % Applicable	District's Overlapping Tax Supported Debt As Of 7/15/2025
Richardson ISD	$ 1,025,015,000 (1)	100.00%	$ 1,025,015,000 (1)
Dallas County	198,645,000	8.71%	17,301,980
Dallas County Hospital District	527,660,000	8.71%	45,959,186
Dallas College	254,115,000	8.71%	22,133,417
City of Dallas	2,569,118,583	10.01%	257,168,770
Garland, City of	448,270,000	5.09%	22,816,943
Richardson, City of	371,595,000	49.50%	183,939,525
Total Direct and Overlapping Tax Supported Debt			$ 1,574,334,820
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assesse			4.44%
Per Capita Overlapping Tax Supported Debt			$ 6,974

(1) Projected, includes the Bonds. Preliminary, subject to change.

DEBT INFORMATION

TABLE 7 - PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Calendar Year Ending (1)	Outstanding Debt (2) Principal	Outstanding Debt (2) Interest	Outstanding Debt (2) Total	The Bonds (3) Principal	The Bonds (3) Interest	The Bonds (3) Total	Total Debt Service Requirements	% of Principal Retired
2025	$ 68,735,000	$ 43,106,462	$ 111,841,462	$ -	$ 93,750	$ 93,750	$ 111,935,212	6.71%
2026	61,360,000	40,278,609	101,638,609	21,415,000	643,163	22,058,163	123,696,771	14.78%
2027	26,645,000	38,109,909	64,754,909	1,585,000	125,663	1,710,663	66,465,571	17.54%
2028	28,800,000	36,742,834	65,542,834	1,000,000	67,500	1,067,500	66,610,334	20.44%
2029	30,960,000	35,278,259	66,238,259	1,000,000	22,500	1,022,500	67,260,759	23.56%
2030	32,940,000	33,711,904	66,651,904	-	-	-	66,651,904	26.77%
2031	35,240,000	32,121,837	67,361,837	-	-	-	67,361,837	30.21%
2032	37,360,000	30,509,971	67,869,971	-	-	-	67,869,971	33.86%
2033	39,765,000	28,782,631	68,547,631	-	-	-	68,547,631	37.74%
2034	42,160,000	26,930,377	69,090,377	-	-	-	69,090,377	41.85%
2035	44,825,000	24,969,642	69,794,642	-	-	-	69,794,642	46.22%
2036	45,290,000	22,971,564	68,261,564	-	-	-	68,261,564	50.64%
2037	47,925,000	20,973,075	68,898,075	-	-	-	68,898,075	55.32%
2038	50,640,000	18,901,614	69,541,614	-	-	-	69,541,614	60.26%
2039	48,405,000	16,774,340	65,179,340	-	-	-	65,179,340	64.98%
2040	49,260,000	14,625,738	63,885,738	-	-	-	63,885,738	69.79%
2041	45,985,000	12,521,222	58,506,222	-	-	-	58,506,222	74.27%
2042	48,680,000	10,390,191	59,070,191	-	-	-	59,070,191	79.02%
2043	38,845,000	8,439,188	47,284,188	-	-	-	47,284,188	82.81%
2044	40,965,000	6,711,231	47,676,231	-	-	-	47,676,231	86.81%
2045	36,610,000	5,042,138	41,652,138	-	-	-	41,652,138	90.38%
2046	37,410,000	3,464,050	40,874,050	-	-	-	40,874,050	94.03%
2047	31,595,000	1,983,506	33,578,506	-	-	-	33,578,506	97.11%
2048	22,460,000	793,656	23,253,656	-	-	-	23,253,656	99.30%
2049	7,155,000	143,100	7,298,100	-	-	-	7,298,100	100.00%
	$ 1,000,015,000	$ 514,277,045	$ 1,514,292,045	$ 25,000,000	$ 952,575	$ 25,952,575	$ 1,540,244,620	

(1) The District's fiscal year end is June 30. Due to the timing of tax collection receipts, the District budgets for August payments in the previous fiscal year.
(2) Outstanding Debt does not include loans payable or lease/purchase obligations payable from the District's maintenance & operation tax rate.
(3) Interest shown for purposes of illustration only. Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION [(1)]

Tax Supported Debt Service Requirements, Fiscal Year Ending 6/30/25		$ 111,841,462
Interest and Sinking Fund Balance 6/30/24	$ 35,279,086	
Budgeted Interest and Sinking Tax Revenues	103,041,373	
Delinquent Tax Payments	(265,729)	
State Funding	9,066,818	
Penalty & Interest	200,000	
Estimated Investment Income	100,000	
Tax Increment Fund Revenue	3,000,000	
Tax Increment Fund Payment	(3,000,000)	
Debt Service Fees	(20,000)	$ 147,401,548
Estimated Balance, Fiscal Year Ending 6/30/25		$ 35,560,086

(1) The District's fiscal year end is June 30th. Due to the timing of tax collection receipts, the District budgets for debt payments on a calendar year basis.

TABLE 9 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

After the issuance of the Bonds, the District will not have any authorized but unissued unlimited tax bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL UNLIMITED TAX DEBT . . . The District does not have any plans to issue additional unlimited tax debt within the next 12 months.

TABLE 10 - OTHER OBLIGATIONS

Leases

On August 1, 2021, the District entered into a 60-month lease for the use of Canon Copiers. An initial lease liability was recorded in the amount of $2,434,337. As of 06/30/2024, the value of the lease liability is $977,668. The District is required to make annual fixed payments of $494,867. The lease has an interest rate of 0.8216%. The value of the right to use the asset as of 06/30/2024, was $2,434,337 with accumulated amortization of $1,420,030.

On September 1, 2021, the District entered into a 119-month lease for the use of 1500 International Parkway. An initial lease liability was recorded in the amount of $427,415. As of 06/30/2024, the value of the lease liability is $312,912. The District is required to make annual payments of $14 per square foot with 2% annual increase. The payment for the year was $44,525. The lease has an interest rate of 1.3900%. The value of the right to use asset as of 06/30/2024, is $427,415 with accumulated amortization of $121,101. The District has one extension option for 60 months.

The future principal and interest lease payments as of June 30, 2024, were as follows:

FYE	Copiers			Office Space			Total		
June 30,	Principal	Interest	Payments	Principal	Interest	Payments	Principal	Interest	Payments
2025	$ 486,834	$ 8,033	$ 494,867	$ 40,162	$ 4,349	$ 44,511	$ 526,996	$ 12,382	$ 539,378
2026	490,834	4,033	494,867	41,611	3,791	45,402	532,445	7,824	540,269
2027	-	-	-	43,097	3,213	46,310	43,097	3,213	46,310
2028	-	-	-	44,622	2,614	47,236	44,622	2,614	47,236
2029	-	-	-	46,186	1,994	48,180	46,186	1,994	48,180
2030	-	-	-	47,792	1,352	49,144	47,792	1,352	49,144
2031	-	-	-	49,440	687	50,127	49,440	687	50,127
	$ 977,668	$ 12,066	$ 989,734	$ 312,910	$ 18,000	$330,910	$1,290,578	$ 30,066	$1,320,644

Subscription-Based Information Technology Arrangements (SBITA)

The District has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The District is required to make monthly, quarterly, or annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

Liability at Commencement	SBITA Term in Years	Ending Balance
0.285-3.7120%	1-4	$ 1,107,496

The future principal and interest SBITA payments as of fiscal year end are as follows:

FYE	SB ITA		
June 30,	Principal	Interest	Payments
2025	$ 663,643	$ 25,943	$ 689,586
2026	182,158	10,978	193,136
2027	153,299	6,536	159,835
2028	108,396	2,732	111,128
	$ 1,107,496	$ 46,189	$ 1,153,685

Pension Fund . . . Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). The individual employees contribute a fixed amount of their salary to the System, currently 8.25%, and the State of Texas contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by Federally funded programs.

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

Contribution requirements are established or amended pursuant to Article XVI, 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 2020 thru 2025.

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

	FYE 2024 Contributions
Employer (District)	$ 14,628,275
Employee (Member)	$ 27,433,897
Non-Employee Contribution Entity (NECE)	$ 16,399,278

For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the Richardson Independent School District's Annual Financial Report"-Note 13.

Retiree Health Care Plan . . . The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the System. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the System. The System issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 established State, active employee and public school contributions respectively. For more detailed information concerning the TRS-Care Retired Plan retirement plan, see Appendix B, "Excerpts from the Richardson Independent School District's Annual Financial Report"-Note 14.

Other Post Employment Benefits . . . As a result of its participation in the System and TRS-Care and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

Self Insurance . . . .The District provides workers' compensation benefits through a self-insurance plan. For more detailed information concerning the plan, see Appendix B, "Excerpts from the Richardson Independent School District's Annual Financial Report"- Note 12.

Compensated Absences . . . Employees of the District are granted vacation and sick leave annually. Teachers do not receive paid vacations but are paid only for the number of days they are required to work each year. The District's policy permits fulltime classified employees in positions that require 12 months of service to be eligible to accumulate a limited amount of earned but unused salary-related vacation time which will be paid upon termination from District service, subject to specific deductions. The District accrues salary-related payments earned for vacation days in the government wide financial statements. The amount for accumulated compensated absences as of June 30, 2024 is $1,198,753. The amount eligible to be taken within the following year is $308,069. Accumulated sick leave is not paid out upon termination; accordingly, no liability for unused sick leave has been recorded.

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FINANCIAL INFORMATION

TABLE 11 – GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended June 30,				
	2024	2023	2022	2021	2020
Revenues:					
Local and Intermediate Sources	$ 255,001,215	$ 305,794,571	$ 284,552,964	$ 275,874,849	$ 266,852,461
State Sources	149,471,864	72,992,345	85,405,726	102,799,909	108,037,735
Federal Sources	11,278,310	20,250,419	15,681,441	10,424,923	10,114,630
Total Revenues	$ 415,751,389	$ 399,037,335	$ 385,640,131	$ 389,099,681	$ 385,004,826
Expenditures:					
Instruction and Instructional Related Services	$ 253,802,177	$ 245,126,779	$ 243,516,099	$ 244,261,551	$ 229,520,431
Instructional and School Leadership	33,628,690	32,516,868	33,057,502	32,007,235	30,561,103
Support Services - Student (Pupil)	45,111,786	44,985,353	44,794,047	43,315,361	39,259,676
Administrative Support Services	10,510,854	10,560,811	10,892,548	10,361,595	9,316,031
Support Services - Non-Student Based	52,552,058	45,279,777	44,976,543	43,591,623	38,275,473
Ancillary Services	1,632,723	710,729	649,986	858,729	981,854
Debt Service	128,374	134,841	38,379	-	-
Capital Outlay	-	-	37,070	11,428	-
Intergovernmental Charges	5,829,182	6,128,356	3,860,484	2,843,115	2,259,550
Total Expenditures	$ 403,195,844	$ 385,443,514	$ 381,822,658	$ 377,250,637	$ 350,174,118
Excess (Deficiency) of Revenues Over Expenditures	$ 12,555,545	$ 13,593,821	$ 3,817,473	$ 11,849,044	$ 34,830,708
Other Financing Sources:					
Sale of Real or Personal Property	$ 364,617	$ 163,052	$ 295,286	$ 123,859	$ 208,269
Transfers In (Out)	(8,800,000)	(5,391,683)	(1,336,856)	(1,213,159)	(1,030,972)
Leases (as lessee)	-	-	427,415	-	-
Subscription-Based Information Technology Arrangements (SBITAs)	208,497	123,997	-	-	-
Total other financing sources (uses)	$ (8,226,886)	$ (5,104,634)	$ (614,155)	$ (1,089,300)	$ (822,703)
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ 4,328,659	$ 8,489,187	$ 3,203,318	$ 10,759,744	$ 34,008,005
Beginning Fund Balance on July 1	$ 179,185,352	$ 170,696,165	$ 167,492,847	$ 156,733,103	$ 122,725,098
Ending Fund Balance on June 30 (1)	$ 183,514,011	$ 179,185,352	$ 170,696,165	$ 167,492,847	$ 156,733,103

(1) The District’s general fund balance for fiscal year ending June 30, 2025 is estimated to be approximately $167.55 million.

Source: The District’s audited financial statements.

TABLE 11-A – CHANGE IN NET POSITION

	Fiscal Year Ended June 30,				
	2024	2023	2022	2021	2020
REVENUES:					
Program Revenues:					
Charges for Services	$ 11,023,203	$ 10,339,339	$ 7,021,781	$ 5,663,776	$ 8,314,719
Operating Grants and Contributions	125,402,898	117,990,566	70,869,624	91,515,992	93,289,029
General Revenues:					
Property Taxes	336,411,111	393,147,873	368,262,638	358,496,003	342,520,948
State Aid - Formula and Grants/Contributions	131,126,613	62,388,319	74,580,892	90,230,912	95,083,010
Investment Earnings	26,144,474	22,529,534	993,926	364,343	5,734,398
Miscellaneous	4,462,249	4,920,591	3,195,022	6,601,397	4,180,349
Total Revenues	$ 634,570,548	$ 611,316,222	$ 524,923,883	$ 552,872,423	$ 549,122,453
EXPENSES:					
Instruction	$ 335,958,171	$ 334,496,270	$ 305,763,202	$ 362,147,831	$ 310,669,673
Instructional Resources and Media Services	6,759,163	8,719,527	8,038,318	8,608,120	9,110,251
Curriculum Development	17,276,384	15,996,616	16,665,639	16,237,179	17,489,720
Instructional Leadership	8,066,445	7,729,745	7,100,287	8,192,297	8,431,184
School Leadership	28,301,661	27,145,262	24,582,764	28,397,930	31,230,907
Guidance, Counseling and Evaluation Services	23,163,550	21,706,075	20,520,460	23,551,978	23,328,893
Social Work Services	2,309,688	2,054,735	1,983,012	1,799,232	1,594,503
Health Services	6,376,777	6,458,715	5,828,103	6,028,419	5,461,416
Student Transportation	12,507,416	12,042,709	12,538,610	9,917,381	12,171,818
Food Service	18,297,573	17,326,563	15,231,975	13,440,616	17,406,691
Extracurricular Activities	12,824,219	11,930,890	9,884,982	10,516,548	8,651,903
General Administration	12,713,623	13,141,564	13,853,085	17,994,236	11,975,421
Plant Maintenance and Operations	78,212,464	83,190,718	62,850,514	48,671,563	49,935,972
Security and Monitoring Services	12,913,634	5,934,527	3,533,479	3,910,925	3,163,076
Data Processing Services	6,277,972	11,314,010	15,011,492	7,291,481	7,903,772
Community Services	3,450,722	2,092,009	1,692,979	1,913,510	1,756,205
Interest on Long-Term Debt	35,911,076	36,658,788	20,108,058	16,779,679	22,300,611
Bond Issuance Costs and Fees	-	-	2,675,270	3,414,037	432,962
Contracted Instructional Services Between Schools	4,086,026	4,226,286	2,278,124	1,196,543	535,409
Payments Related to Shared Services Arrangements	601,800	721,488	995,729	1,482,518	969,937
Juvenile Justice Alternative Education Program	55,098	61,482	3,000	3,000	3,000
Payments to Tax Increment Fund	2,979,123	2,486,362	1,990,493	1,817,765	1,493,652
Other Governmental Charges	1,324,036	1,363,922	1,170,562	1,174,025	1,167,100
Total Expenses	$ 630,366,621	$ 626,798,263	$ 554,300,137	$ 594,486,813	$ 547,184,076
Increase in Net Position	$ 4,203,927	$ (15,482,041)	$ (29,376,254)	$ (41,614,390)	$ 1,938,377
Special and Extraordinary Items	-	-	5,945,258	-	-
Net Position Beginning	76,254,299	91,736,340	115,167,336	156,748,373	154,809,996
Prior Period Adjustment	-	-	-	33,353	-
Net Position Ending at June 30	$ 80,458,226	$ 76,254,299	$ 91,736,340	$ 115,167,336	$ 156,748,373

Source: The District's audited financial statements.

TABLE 12 – GENERAL OPERATING FUND COMPARATIVE BALANCE SHEET

	Fiscal Year Ended June 30,				
	2024	2023	2022	2021	2020
Assets:					
Cash and Investments	$ 181,452,123	$ 224,940,117	$ 182,860,049	$ 188,921,214	$ 187,492,128
Delinquent Property Taxes Receivable	8,004,115	8,450,975	6,994,216	7,022,822	7,319,773
Allowance for Uncollectible Taxes (Credit)	(925,126)	(945,435)	(889,208)	(1,047,733)	(1,215,881)
Receivables from Other Governments	36,620,479	10,050,578	8,319,590	19,123,186	17,602,077
Accrued Interest	2,964	50,955	185	-	25,940
Due From Other Funds	15,788,935	9,817,999	34,161,293	15,794,679	5,809,279
Other Receivables	10,713	205,480	508,628	23	166,292
Inventories	783,943	1,380,480	1,379,807	1,455,625	785,384
Prepaid Items	1,997	1,997	63,058	34,045	-
TOTAL ASSETS AND OTHER DEBITS	$ 241,740,143	$ 253,953,146	$ 233,397,618	$ 231,303,861	$ 217,984,992
Liabilities:					
Accounts Payable	$ 3,988,934	$ 3,073,826	$ 3,233,888	$ 3,488,776	$ 2,886,342
Other Liabilities	352,719	408,320	150,293	596,238	429,378
Payroll Deductions and Withholdings	2,348,928	2,063,993	2,536,413	2,742,319	2,665,653
Accrued Wages Payable	39,786,538	36,784,508	35,790,255	36,539,098	35,667,110
Due to Other Funds	517,911	3,527,432	376,254	1,604,556	9,312,708
Payable to Other Governments	4,279,713	20,958,043	795	-	399,225
Due to Student Groups	-	-	-	-	425,766
Accrued Expenditures/Expenses	-	1,843,332	1,116,724	-	-
Unearned Revenue	-	-	13,727,133	13,405,494	4,558,036
Total Liabilities	$ 51,274,743	$ 68,659,454	$ 56,931,755	$ 58,376,481	$ 56,344,218
Deferred Inflows of Resources:					
Unavailable Property Tax Revenue	$ 6,947,511	$ 5,926,177	$ 5,285,074	$ 5,434,533	$ 4,907,671
Deferred Lease Inflow	3,878	182,163	484,624	-	-
Total Deferred Inflows of Resources	$ 6,951,389	$ 6,108,340	$ 5,769,698	$ 5,434,533	$ 4,907,671
Fund Balance:					
Nonspendable:					
Inventories	$ 783,943	$ 1,380,480	$ 1,379,807	$ 1,455,625	$ 785,384
Prepaid Items	1,997	1,997	63,058	34,045	-
Assigned To:					
Construction	20,000,000	20,000,000	18,000,000	25,000,000	18,000,000
Claims and Judgments	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Insurance Deductible	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Instructional Projects	3,000,000	3,000,000	3,000,000	-	-
Compensated Absences	1,198,753	1,003,175	1,021,893	1,004,617	998,259
Extraordinary Repair and Replacement	12,158,207	24,812,801	15,627,240	22,732,091	22,646,974
Other Assigned Fund Balance	27,228,705	14,848,654	25,948,533	12,916,080	16,758,956
Unassigned:	109,142,406	104,138,245	95,655,634	94,350,389	87,543,530
Total Fund Balances	$ 183,514,011	$ 179,185,352	$ 170,696,165	$ 167,492,847	$ 156,733,103
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 241,740,143	$ 253,953,146	$ 233,397,618	$ 231,303,861	$ 217,984,992

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

FINANCIAL POLICIES

Summary of Significant Accounting Policies . . . The District is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of the Texas Education Agency's Financial Accountability System Resource Guide, issued by the Texas Education Agency, and the requirements of contracts and grants of agencies from which it receives funds.

The District has implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB Statement No. 34), GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments-Omnibus which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, Certain Financial Statement Note Disclosures which note disclosure requirements for governmental entities. The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow the users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

Basis of Presentation . . . *Government-wide financial statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service fund activity is eliminated to avoid overstatement of revenues and expenses. The statements distinguish between governmental and business-type activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major governmental aid fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting . . . Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the susceptible to accrual concept. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. For state entitlements, the District has adopted a budgetary basis of accounting for Foundation School Program revenues. Such entitlements are recorded as received.

Interest revenue and building rentals are recorded when earned since they are measurable and available. Other revenues such as fees, tuition, local food service revenue, and miscellaneous revenues are accounted for on the cash basis.

Expenditures are recognized in the accounting period in which the fund liability is incurred when measurable, except expenditures for debt service including unmatured interest on long-term debt. Expenditures for principal and interest on long-term debt are recognized when due.

Budgetary Data . . . The District is required by state law to adopt annual budgets for the General Fund, Debt Service Fund and the Food Service Special Revenue Fund, which is included within the Special Revenue Funds. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets that do not correspond to the District's fiscal year. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principals ("GAAP"). The budget is prepared and controlled at the function level.

The official school budget is prepared for adoption for required governmental funds prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The Board formally adopts the budget at a public meeting held at least ten days after public notice has been given. Once adopted, the budget can be amended by subsequent Board action.

INVESTMENTS

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

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

The District is also authorized to purchase, sell, and invest its funds in corporate bonds, but only if the District has formally amended its investment policy to authorize such investments. "Corporate bond" is defined as a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm (does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years from the date the corporate bonds were purchased. The District may not (1) invest more than 15 percent of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service), in corporate bonds; or (2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The District must sell corporate bonds if they are rated "AA-" or its equivalent and are either downgraded or placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. The District has not taken the required steps to authorize the investment of District funds in corporate bonds.

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

An eligible political subdivision such as the District may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations. The political subdivision's cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition costs, a project cost, or a construction expense.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

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

TABLE 13 - CURRENT GENERAL FUND INVESTMENTS

As of April 30, 2025, the District's investable funds were invested in the following categories:

Description of Investment (1)	Book Value	Percent of Book Value	Market Value	Percent of Market Value
Money Market	$ 3,006,904	0.561%	$ 3,006,904	0.561%
Lone Star Investment Pool	28,810,839	5.373%	28,810,839	5.371%
TexPool Investment Pool	235,924,882	43.994%	235,924,882	43.985%
TexSTAR Investment Pool	39,652,345	7.394%	39,652,345	7.393%
U.S. Government Securities	143,506,797	26.760%	143,610,219	26.774%
Commercial Paper	64,355,250	12.00%	64,365,256	12.00%
Agency Callable	10,000,000	1.86%	9,999,370	1.86%
Agency Bullet	11,007,121	2.053%	11,004,521	2.052%
	$ 536,264,137	100.000%	$ 536,374,335	100.000%

(1) TexPool, TexSTAR and Lone Star Investment Pool are local governmental investment pools that operate as money market equivalents. Each of such pools currently maintains an "AAA" rating from Standard & Poor's or Fitch Ratings and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds are allowed by the participants. TexSTAR is co-administered by Hilltop Securities Asset Management, the investment affiliate of Hilltop Securities Inc., the District's Financial Advisor.

No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

TAX MATTERS

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

TAX EXEMPTION

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

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Order that it will comply with these requirements.

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

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

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

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

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

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS . . . If the issue price of a maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – TAX EXEMPTION" and "TAX MATTERS - ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS – COLLATERAL TAX CONSEQUENCES" and " – TAX LEGISLATIVE CHANGES" generally apply, and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on page 2 of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

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

CONTINUING DISCLOSURE INFORMATION

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

ANNUAL REPORTS . . . The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District ending in and after 2025, financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 13 and (2) if not provided as part such financial information and operating data, audited financial statements of the District, when and if available but in any case, within 12 months after the end of each fiscal year of the District ending in and after 2025. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix B hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in the official statement, and (ii) audited, if the District commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The District's current fiscal year end is June 30. Accordingly, the District must provide updated information included in the above-referenced tables by the last day of December in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

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

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

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

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

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

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

OTHER INFORMATION

RATINGS

The Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds and the presently outstanding tax supported debt of the District are rated "Aaa" by Moody's and "AA+" by S&P without regard to credit enhancement. The District also has issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price or marketability of the Bonds.

LITIGATION

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

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

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 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.

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 of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Bonds must be rated not less than "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to be authorized to invest in the Bonds, except for purchases for interest and sinking funds of such entities. See "OTHER INFORMATION – Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. 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.

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

LEGAL MATTERS

The District will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Bonds will also be furnished. Though it represents the Financial Advisor and purchasers of debt from governmental issuers 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. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and 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 describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion 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.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that 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.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, 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.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the District accepted the bid of ______________________ (the "Purchaser" or "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of par plus a cash premium of $______ (____% of par). The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the District will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District.

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 orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such statutes, documents and orders for further information. Reference is made to original documents in all respects.

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.

The Bond Ordinance delegated to the Authorized Officer the authority to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Initial Purchaser. The Official Statement will be approved by the Authorized Officer for distribution in accordance with the provisions of Rule 15c2-12.

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APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT . . . The District encompasses an area of approximately 38.5 square miles in the north central portion of Dallas County. The District encompasses most of the City of Richardson, as well as portions of the cities of Dallas and Garland.

The economy of the District is diverse due to the numerous and varied manufacturers and service providers located in the District. Primary manufacturers produce electronic computing equipment, supercomputers, digital communication systems, processed food, oil field equipment, automotive parts, electronic assemblies, aerospace equipment and photo emitters. The District also houses three institutions of higher learning: Richland Junior College, University of Texas at Dallas and Texas A&M Engineering Extension Service. Texas Instruments, with a 2024-25 taxable value of $908,139,833, was the District's principal taxpayer. The District's 2024-25 budget planning has been based in part on demographic study projections of a moderate projected enrollment decline over the next decade and includes the closure of four elementary schools during the 2024-2025 school year and a pre-kindergarten school during the 2025-2026 school year in order to achieve reductions and efficiencies. Some of these facilities will be repurposed by the District.

STUDENT ENROLLMENT BY GRADES

Grade	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Early Education	310	327	303	208	189	229	244	266
Pre-K	1,100	1,103	1,338	1,284	1,472	1,570	1,666	1,834
K	3,120	3,145	3,159	2,835	2,801	2,798	2,633	2,672
1	3,092	3,131	3,127	2,961	2,911	2,793	2,821	2,682
2	3,157	3,052	3,101	2,924	2,912	2,834	2,786	2,792
3	3,203	3,056	3,012	2,864	2,904	2,813	2,808	2,768
4	3,113	3,198	3,046	2,779	2,826	2,798	2,800	2,786
5	3,105	3,004	3,164	2,876	2,731	2,714	2,791	2,753
6	2,948	3,034	2,991	2,970	2,763	2,698	2,709	2,750
7	2,785	2,888	2,973	2,801	2,875	2,700	2,620	2,645
8	2,742	2,764	2,939	2,871	2,751	2,791	2,661	2,620
9	3,155	2,939	3,061	2,937	3,040	3,002	3,005	2,890
10	2,804	2,784	2,693	2,722	2,702	2,790	2,679	2,691
11	2,437	2,478	2,407	2,436	2,445	2,487	2,510	2,465
12	2,243	2,205	2,309	2,319	2,311	2,288	2,352	2,357
TOTAL	39,314	39,108	39,623	37,787	37,633	37,305	37,085	36,971

Source: The District.

AVERAGE DAILY ATTENDANCE INCREASE/(DECREASE) OVER PRIOR YEARS

School	Average	Increase/(Decrease) Over Prior Years	
Year	Daily Attendance	Actual	Percent
2008/09	32,103	307	0.97%
2009/10	32,463	360	1.12%
2010/11	33,668	1,205	3.71%
2011/12	34,744	1,076	3.20%
2012/13	35,463	719	2.07%
2013/14	35,762	299	0.84%
2014/15	36,049	287	0.80%
2015/16	36,183	134	0.37%
2016/17	36,588	405	1.12%
2017/18	36,522	(66)	-0.18%
2018/19	36,358	(164)	-0.45%
2019/20	35,628	(730)	-2.01%
2020/21	34,813	(815)	-2.29%
2021/22	33,766	(1047)	-3.01%
2022/23	34,955	1189	3.52%
2023/24	34,897	(58)	-0.17%
2024/25[(1)]	33,234	(1663)	-4.77%

(1) Estimated as of 5/5/25.
Source: The District.

PLANT FACILITIES . . . School plant facilities include 41 elementary schools for grades Pre-K through sixth, one early education elementary school (ages 3 to 4), 8 junior high schools for grades seventh and eighth, 4 high schools for grades ninth through twelfth, one alternative education school- CMLC (K-12), and one alternative high school- MPA. Additional district facilities include two natatoriums, five athletic stadiums, one environmental studies center encompassing 23 acres, three general administration/ instructional buildings, one operations center/warehouse, one transportation annex, and one Newcomer Center. For the 2024-2025 school year, the District will close four elementary schools as part of its budget objective to realize efficiencies and declining enrollment. For the 2025-2026 school year, the District will close Dobie Pre-Kindergarten School. Some of these facilities will be repurposed by the District.

LABOR FORCE ESTIMATES

	Annual Averages				
	2024	2023	2022	2021	2020
Dallas-Fort Worth Metro					
Civilian Labor Force	4,488,902	4,376,741	4,255,179	4,095,480	3,985,114
Total Employment	4,313,800	4,214,999	4,105,694	3,888,279	3,703,369
Unemployment	175,102	161,742	149,485	207,201	281,745
Percent Unemployment	3.9%	3.7%	3.5%	5.1%	7.1%
State of Texas					
Civilian Labor Force	15,608,932	15,067,153	14,662,558	14,220,446	13,983,319
Total Employment	14,971,373	14,472,524	14,092,833	13,413,036	12,915,337
Unemployment	637,559	594,629	569,725	807,410	1,067,982
Percent Unemployment	4.1%	3.9%	3.9%	5.7%	7.6%

Source: Texas Workforce Commission.

APPENDIX B

EXCERPTS FROM THE

RICHARDSON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2024

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

Independent Auditor's Report

To the Board of Trustees
Richardson Independent School District
Richardson, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970

To the Board of Trustees
Richardson Independent School District

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Nonmajor Fund Financial Statements, Budgetary Comparison Schedule- Debt Service Fund, required Texas Education Agency schedules, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Nonmajor Fund Financial Statements, Budgetary Comparison Schedule- Debt Service Fund, required Texas Education Agency schedules, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Nonmajor Fund Financial Statements, Budgetary Comparison Schedule- Debt Service Fund, required Texas Education Agency schedules, and 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 Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the Introductory Section and Statistical Section but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 5, 2024

As management of the Richardson Independent School District (the "District"), we offer the readers of these financial statements this narrative overview and analysis of the District's financial performance for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages v-ix of this report, as well as the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at the end of the fiscal year by $80,458,226 (net position). The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of $47,407,309. The District is required to recognize liabilities associated with its employees' pension and post-employment benefits. As of June 30, 2024, these liabilities totaled $254.8 million, which contributed to the deficit balance in unrestricted net position.
- The net investment in capital assets portion of net position decreased by $1,984,781. This decrease represents a 2% change in the balance.
- At the close of the fiscal year, governmental funds reported a combined fund balance of $367,426,687, a decrease of $146,158,600 in comparison with the prior year. This decrease was primarily due to the increased spending in capital projects as part of the 2021 Bond Authorization.
- The District ended the year with an unassigned fund balance of $109,142,406. Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was $182,728,071 or approximately 45% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The financial statements include two kinds of statements that present different views of the District. The *government-wide financial statements* provide both long-term and short-term information about the District's overall financial status. The remaining *fund financial statements* focus on individual parts of the District, reporting each of its major operations in more detail than the government-wide statements.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's government it covers and the types of information it contains. The remainder of this overview section explains the structure and contents of each of the statements.

(Continued)

Figure A-1. Major Features of the District's Government-Wide and Fund Financial Statements

Type of Statement	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	All activities of the District (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary	Activities of the District that operate similarly to a private business	Activities for which the District is the trustee or custodian for another entity's resources
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of period-end information reported	All assets, liabilities, and deferred inflows/outflows, both financial and capital, short-term and long-term	Only assets, liabilities, and deferred inflows/outflows expected to be used or due during the year or soon thereafter; no capital or long-term items included	All assets, liabilities, and deferred inflows/outflows, both financial and capital, short-term and long-term	All assets, liabilities, and deferred inflows/outflows, both financial and capital, short-term and long-term; the Custodian's funds do not currently contain capital assets, although they can
Type of activities reported	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to private-sector business. All of the District's services are reported in the government-wide financial statements, including but not limited to instruction, student support services, student transportation, general administration, school leadership, facilities acquisition and construction, food services, and capital and debt financing. Property taxes and state and federal aid finance most of these activities.

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the net of these amounts reported as net position. Net position serves as an indicator of the District's overall financial position.

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

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

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 uses fund accounting to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants while others are established by the Board of Trustees for various purposes. The fund financial statements provide more detailed information about the District's most significant funds rather than the District as a whole.

All of the District's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 statements, governmental fund financial statements focus on (1) the flow of cash and other current financial assets and (2) the balance of spendable resources available at the end of the fiscal year. Such information provides a detailed, short-term view of the current financial resources available to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. We provide reconciliations of the fund financial statements to the government-wide financial statements in Exhibits C-1R and C-2R to facilitate the comparison between *governmental funds* and *governmental activities*.

The District maintains six governmental funds. Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the Child Nutrition Fund, the ESSER III Fund, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. The remaining funds are aggregated into the Non-major governmental funds.

The District adopts annual appropriated budgets for the General Fund, Child Nutrition Fund and Debt Service Fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

The governmental fund financial statements can be found on pages 17 and 19 of this report.

Proprietary Funds are used to account for operations that are financed similarly to those found in the private sector. These funds provide both long- and short-term financial information. The District maintains one type of proprietary fund, *internal service funds.* These funds are used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to report activities that provide services within the District, such as workers' compensation, print shop, and discretionary renovations. Because these services predominately benefit governmental functions, they have been included as *governmental activities* within the government-wide financial statements.

The proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. The District acts in a trustee capacity and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. However, these funds are not reported in the government-wide financial statements because their resources are not available to support the District's operations.

The District maintains one type of fiduciary fund, *custodial funds.* The funds report resources, not in a trust, that are held on-behalf of the District's student clubs.

The fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-58 of this report.

Other Information

In addition to the financial statements and accompanying notes, this report also presents required supplementary information reporting budget versus actual comparisons for the General Fund and Child Nutrition Fund, and the District's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 59-71 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's overall financial position. At June 30, 2024, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $80.5 million.

Table A-2
The District's Net Position

	June 30, 2024	June 30, 2023	Increase/ (Decrease)
Assets			
Current and Other Assets	$ 472,423,335	$ 635,622,592	$ (163,199,257)
Capital Assets	954,571,735	891,997,084	62,574,651
Total Assets	**1,426,995,070**	**1,527,619,676**	**(100,624,606)**
Total Deferred Outflows of Resources	**104,449,836**	**112,216,756**	**(7,766,920)**
Liabilities			
Long-Term Liabilities Outstanding	1,219,663,904	1,285,397,969	(65,734,065)
Other Liabilities	107,086,101	136,314,166	(29,228,065)
Total Liabilities	**1,326,750,005**	**1,421,712,135**	**(94,962,130)**
Total Deferred Inflows of Resources	**124,236,675**	**141,869,998**	**(17,633,323)**
Net Position			
Net Investment in Capital Assets	95,099,895	97,084,676	(1,984,781)
Restricted	32,765,640	36,881,985	(4,116,345)
Unrestricted	(47,407,309)	(57,712,362)	10,305,053
Total Net Position	**$ 80,458,226**	**$ 76,254,299**	**$ 4,203,927**

Current and other assets decreased in governmental activities by $163.2 million from the prior year. The District is completing capital projects related to the 2021 Bond Authorization therefore there is decrease in cash and investments from the capital projects fund. Capital Assets has increased due to these completed projects.

Other liabilities decreased by $29.2 million from the previous year due to the decrease of spending in the Capital Projects Fund. Accounts payable for the Capital Projects Fund decreased by $17.0 million at June 30, 2024.

Long term liabilities, which consist of bonds, leases, compensated absences and post-employment benefit obligations, decreased by $65.7 million. Outstanding bonds (including unamortized bond premiums) decreased by $78.2 million due to the bond payments made during the fiscal year. In addition, there was no issuance of School Building Bonds this fiscal year.

The largest portion of the District's net position is its investment in capital assets (e.g., land, buildings, furniture and equipment), net of any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources

(Continued)

needed to repay that debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

Governmental Activities

The District's overall net position increased $4,203,927 from the prior year for an ending balance of $80,458,226. The total cost of governmental activities was $630,193,274, an increase of $3,395,011 from the previous year. Approximately $136.3 million of these costs were funded by program revenues and charges for services directly attributable to specific activities. The remaining costs were funded primarily by property taxes and state aid, which are not attributable to specific programs. The following Table A-3 illustrates the changes in net position from June 30, 2023 to June 30, 2024. This information is also found on the government-wide *Statement of Activities* (Exhibit B-1).

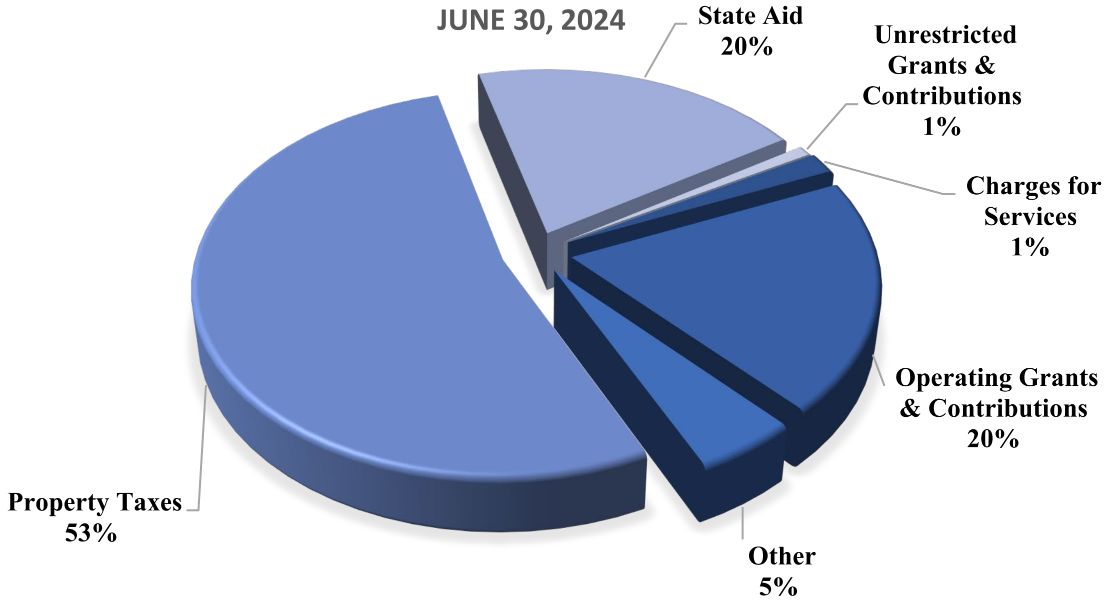
Table A-3
Changes In Net Position

	June 30, 2024	June 30, 2023	Increase/ (Decrease)
Revenues			
Program Revenues:			
Charges for Services	$ 11,023,203	$ 10,339,339	$ 683,864
Operating Grants and Contributions	125,402,898	117,990,566	7,412,332
General Revenues:			
Property Taxes	336,411,111	393,147,873	(56,736,762)
State Program Revenues	125,848,656	50,885,279	74,963,377
Grants and Contributions Not Restricted to Specific Programs	5,277,957	11,503,040	(6,225,083)
Interest Income	26,144,474	22,529,534	3,614,940
Other	4,462,249	4,920,591	(458,342)
Total Revenue	634,570,548	611,316,222	23,254,326
Expenses			
Instruction	335,958,171	334,496,270	1,461,901
Instructional Resources and Media Services	6,759,163	8,719,527	(1,960,364)
Curriculum Development and Instructional Staff Development	17,276,384	15,996,616	1,279,768
Instructional Leadership	8,066,445	7,729,745	336,700
School Leadership	28,301,661	27,145,262	1,156,399
Guidance, Counseling, and Evaluation Services	23,163,550	21,706,075	1,457,475
Social Work Services	2,309,688	2,054,735	254,953
Health Services	6,376,777	6,458,715	(81,938)
Student Transportation	12,507,416	12,042,709	464,707
Food Services	18,297,573	17,326,563	971,010
Extracurricular Activities	12,824,219	11,930,890	893,329
General Administration	12,713,623	13,141,564	(427,941)
Facilities Maintenance and Operations	78,212,464	83,190,718	(4,978,254)
Security and Monitoring Services	12,913,634	5,934,527	6,979,107
Data Processing Services	6,277,972	11,314,010	(5,036,038)
Community Services	3,450,722	2,092,009	1,358,713
Interest on Long-term Debt	35,911,076	36,658,788	(747,712)
Contracted Instructional Services between Public Schools	4,086,026	4,226,286	(140,260)
Payments to the Fiscal Agent or Member Districts of Shared Services Arrangements	601,800	721,488	(119,688)
Payments to Juvenile Justice Alternative Education Programs	55,098	61,482	(6,384)
Payments to Tax Increment Fund	2,979,123	2,486,362	492,761
Other Intergovernmental Charges	1,324,036	1,363,922	(39,886)
Total Expenses	630,366,621	626,798,263	3,568,358
Increase (Decrease) in Net Position	4,203,927	(15,482,041)	19,685,968
Net Position - Beginning	76,254,299	91,736,340	(15,482,041)
Net Position - Ending	$ 80,458,226	$ 76,254,299	$ 4,203,927

(Continued)

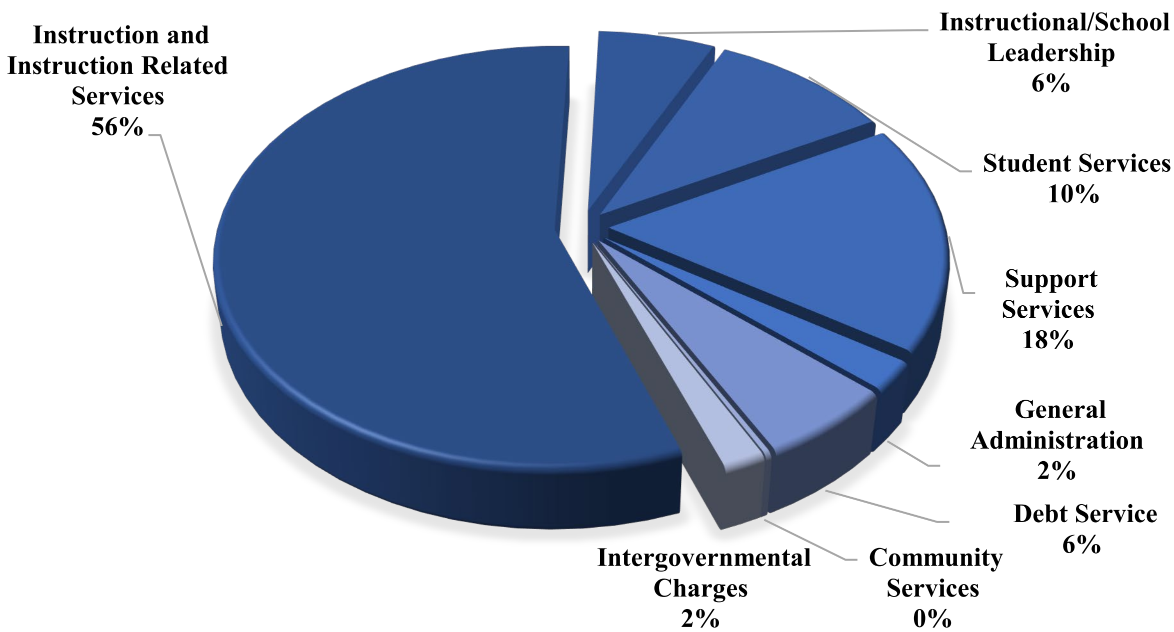
Revenues increased by $23.1 million from the prior year due to increases in operating grants and contributions and state revenue due to the compression in the local tax rate. The following Figure A-4 illustrates the District's sources of revenue for the current fiscal year.

FIGURE A-4
SOURCES OF REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2024



The total cost of all programs and services totaled $493.9 million. The following Figure A-5 depicts the net costs of services (total cost less program revenue and intergovernmental aid) for the District aggregated by functional areas. Approximately 56% of the District's governmental activities were dedicated to instructional areas. Direct student services, such as guidance and counseling, nursing, and transportation services, comprised 10% of governmental expenses. The cost to operate facilities, including utilities, security and data processing comprised 17% of net costs.

FIGURE A-5
NET COST FOR THE FISCAL YEAR ENDED JUNE 30, 2024



(Continued)

FUND LEVEL FINANCIAL ANALYSIS

As noted earlier, the District uses fund accounting to demonstrate compliance with finance-related legal requirements and to provide a more detailed account of specific District programs and activities.

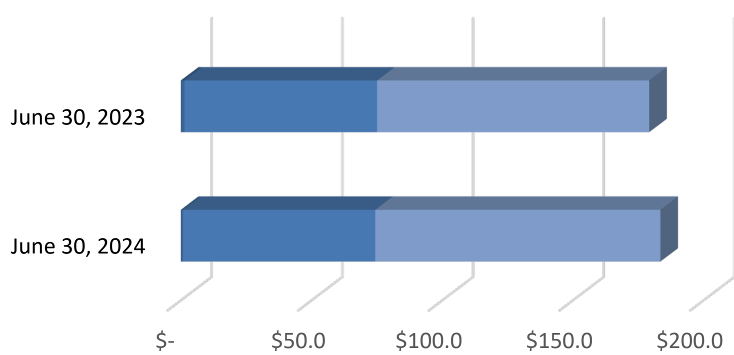
Governmental Funds

The focus of the District's governmental funds is to provide information on current 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 discretionary use since this is the portion of fund balance that has not yet been limited to a particular purpose.

The General Fund is the chief operating fund of the District. At June 30, 2024, the fund balance in the General Fund was $183,574,011, an increase of $4,328,659 in comparison to the prior year. Of this amount, $109,142,406 or 60%, constitutes the unassigned fund balance, which is available for spending at the District's discretion The increase in fund balance can be primarily attributed to the $4.4 million increase in investment earnings. Property tax revenue decreased due to additional tax rate compression mandated by the Texas Legislature and an increase in the homestead exemption to $100,000 that was approved by the voters on November 7, 2023. State revenue increased as a result of legislative action to make up for the loss of property taxes. Expenditures increased primarily due to raises for staff and increases in the cost of goods and services due to inflation.

It is useful to compare unassigned fund balance to total expenditures for the fund as a measure of liquidity – to determine the portion of annual operating costs that could be funded without cash inflows. For the current fiscal year, the unassigned fund balance represents 27.1% of total General Fund expenditures.

Figure A-6
Compenents of Fund Balance
General Fund
(in millions of dollars)



	June 30, 2024	June 30, 2023
Nonspendable	$0.8	$1.4
Assigned	$73.6	$73.7
Unassigned	$109.1	$104.1

At June 30, 2024, the District's governmental funds reported combined fund balances of $367,426,687, a decrease of $146.2 million. Approximately 29.7% ($109,142,406) of the total combined fund balances is unassigned and available for spending at the District's discretion. The remainder of the fund balances is either non-spendable, restricted, committed, or assigned:

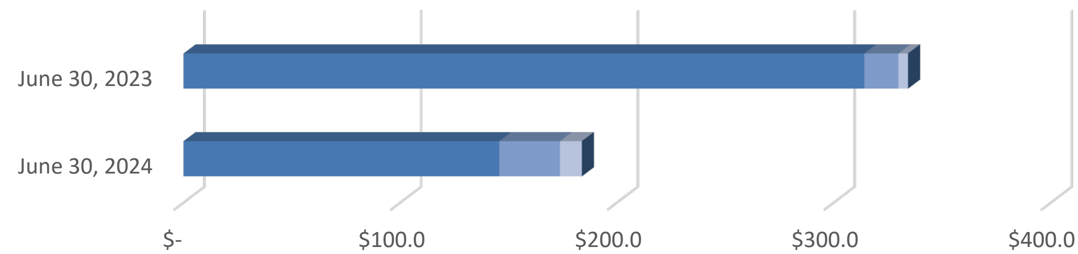
- *Non-spendable* means the balance is not in spendable form (e.g. inventories and prepaid items). The total balance of non-spendable funds is $863,421.

- *Restricted* balances are legally required to be maintained intact or are restricted for particular purposes by a third party (e.g. funds restricted by bond covenants or by federal granting agencies). The total combined restricted balance for governmental funds is $145,738,087.
- *Committed* balances total $27,966,222 and are committed to serve a particular purpose by the District's Board of Trustees. This total includes funds committed for the District's local Permanent School Fund which had a balance of $24,862,728 at June 30, 2024.
- *Assigned* balances are tentatively earmarked by management for a particular program or purpose. Total assigned funds at June 30, 2024 totaled $83,716,551.

Further information on each type of fund balance can be found within Note 1 on pages 33-34 of this report.

The overall decrease in fund balance is attributed from the decrease in fund balance of $147.3 million in the Capital Projects Fund. The change in fund balance in the Capital Projects Fund resulted in the decrease in total restricted fund balance illustrated in Figure A-7 below.

Figure A-7
Components of Fund Balance
Other Governmental Funds
(in millions of dollars)



	June 30, 2024	June 30, 2023
Restricted	$145.7	$314.1
Committed	$28.0	$15.7
Assigned	$10.1	$4.4
Nonspendable	$0.1	$0.1

Changes in the fund balances of other individual governmental funds were as follows:

- The Child Nutrition Fund recognized a decrease in fund balance of $475,664 due to an increase in food and labor costs.
- The Debt Service Fund decreased due to a cash defeasance of the 2020A Refunding Bonds.
- The Non-Major Governmental Funds increased $2,803,198 during the current fiscal year. This increase is due to District's portion of the Tax Increment Fund (TIF) from the City of Dallas of $893,737. The TIF revenue is reported in the District's Permanent School Fund, which is controlled by the Board of Trustees.

General Fund Budgetary Highlights

<u>Original Budget Compared to Final Budget</u>

During the year, the most significant amendments to the original budget were as follows:

- Appropriations
    - Instruction increased by $24.3 million to cover payroll costs;

(Continued)

- Guidance, counseling and evaluation services increased by $1.4 million to cover special education evaluation services;
- Maintenance and operations increased by $6.5 million to cover overtime, rising utility costs, and an increase in property insurance;
- Student transportation increased by $3.3 million to cover overtime payroll costs;
- Extracurricular activities increased by $1.1 million to cover increased extracurricular activities;
- Security and monitoring increased by $4.8 million to cover increased payroll costs associated with the state mandated security officers;

Final Budget Compared to Actual Results

As of June 30, 2024, actual revenue exceeded the final estimated revenues by $43.3 million, and final appropriations exceeded actual expenditures by $26.1 million. The most significant variances are summarized below:

- Tuition from the xPlore after school program exceeded budget by $2.6 million due to participation rates steadily returning to pre-COVID-19 enrollment.
- Revenue from the Foundation School Program exceeded budget by $24.7 million
- Expenditures varied due to unfilled positions, attrition and unspent funds within departmental budgets.

Budget amendments and adjustments were made over the course of the year to account for prior year rollovers of encumbered funds and to give flexibility within functional budgets. Additionally, significant amendments were made at the end of the fiscal year in anticipation of liabilities that may be owed but not paid by June 30 and to safeguard against overspending at the fund-function level.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of June 30, 2024 totals $954,571,735 (net of accumulated depreciation/amortization). This investment in capital assets includes land, equipment, buildings, communications systems, and vehicles and represents a 8.2% increase in capital assets for the current fiscal year.

Table A-8
District's Capital Assets

	June 30, 2024	June 30, 2023	Increase/ (Decrease)
Land and Improvements	$ 73,117,827	$ 73,009,019	108,808
Building and Improvements	1,137,400,057	1,112,934,498	24,465,559
Furniture, Equipment and Vehicles	171,233,275	163,005,329	8,227,946
Right-to-Use Lease Assets	5,497,831	5,497,831	-
Subscription-Based IT Arrangement	18,185,819	16,360,888	1,824,931
Construction in Progress	301,962,781	215,700,727	86,262,054
Total	1,707,397,590	1,586,508,292	120,889,298
Accumulated Depreciation/Amortization	(752,825,855)	(704,061,318)	(48,764,537)
Net Capital Assets	$ 954,571,735	$ 882,446,974	$ 72,124,761

Major capital assets events during the current fiscal year included the following:

- The additions and renovations at Mohawk Elementary School totaling $17.1 million;
- The renovations at Big Springs Elementary School totaling $3.1 million;
- The renovation for a new day care at Canyon Creek Elementary totaling $2.4 million;
- The purchase of buses and other vehicles totaling $3 million;
- On-going renovation projects with a cost expended as of June 30, 2024 of $298 million.

More detailed information about the District's capital assets can be found in Note 5 on pages 39-40 of this report.

Long-Term Debt

The District's debt-management policies seek to provide the most favorable climate for debt projects while adhering to taxpayers' expectations that the District will be a prudent and conservative steward with the tax dollars that have been entrusted to it. Management's policies include the following points:

- All debt service obligations will be met when due.
- A financial advisor is consulted regularly to review outstanding obligations and ensure the most favorable funding structure for the District.
- Debt will be structured to recognize positive debt savings.
- The District will maintain a goal of generally matching asset lives with the maturities of liabilities incurred, which will also maintain our aggressive debt repayment schedule.
- The District will build capacity for debt in the debt plan and maintain debt capacity for the future.
- The District will cooperate and communicate with bond-rating agencies and work towards obtaining the most favorable municipal bond rating possible.
- All necessary information and material regarding the District's financial statuses will be provided to the appropriate parties.
- The District will continue to develop debt plans with community input.

At the end of the current fiscal year, the District had total bonded debt outstanding of $881,015,000, all of which is considered to be direct tax supported debt. The remainder of the District's long-term obligations is comprised of actuarially determined workers compensation claims payable, compensated absences, capital financing arrangements and unamortized bond premiums.

Table A-9
District's Outstanding Debt

	June 30, 2024	June 30, 2023	Increase/ (Decrease)
Unlimited Tax School Building Bonds	$ 746,365,000	$ 774,775,000	(28,410,000)
Unlimited Tax Refunding Bonds	134,650,000	177,655,000	(43,005,000)
Unamortized Bond Premium	78,612,435	85,398,299	(6,785,864)
Compensated Absenses	1,198,753	1,003,175	195,578
Lease Liability	1,290,580	1,823,487	(532,907)
SBITA Liability	1,107,496	2,196,252	(1,088,756)
Workers' Compensation Claims Payable	1,655,698	1,545,775	109,923
Total Long-Term Debt	$ 964,879,962	$ 1,044,396,988	(79,517,026)

The District's total outstanding long-term debt decreased by 7.6% during the current fiscal year.

The District did not issue any new school building bonds during the current fiscal year. In addition, the District entered into and recognized liabilities for SBITAs for a year balance of $1,107,496.

(Continued)

Note 7 on pages 41-42 of this report contains more detailed information about the District's long-term debt activity, including incremental payment schedules. The amount of general bonded debt outstanding and the total primary government debt per capita are also useful indicators of the District's debt position. That data is represented in Exhibit S-12 on page 100 of this report.

The District maintained its high underlying credit ratings of AA+ from Standards & Poor's and Aaa from Moody's Investors Service. These ratings result in lower debt issuance costs for the District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected and appointed officials considered many factors when setting the budget. The District's main priority is student achievement gains, achieved by focusing on the following Board goals:

- The percent of students who score at the meets level in 3rd grade reading will grow from 49% to 60% by June 2027.
- The percent of students who score at the meets level in 3rd grade math will grow from 43% to 55% by June 2027.
- College, Career, Military Readiness (CCMR) indicator score for all students will increase from 55% to 70% by June 2027.

The 2024-2025 budget, adopted on June 6, 2024, was built to foster the achievement of these goals in a financially sustainable manner.

The General Operating budget was built on a projected student enrollment of 36,359.

The District's property value grew by 7%, which resulted in the decrease of the M&O tax rate from $0.79310 to $0.75220 per hundred dollars of valuation. The General Operating adopted revenue budget increased by $18.4 million when compared to the previous year. The increase is due to an $8.9 million increase in the investment earnings budget to reflect anticipated market conditions. A net increase of $4.6 million in property tax and state funding revenue due to the state mandated decrease in property tax rates and the related increase in state funding to offset the decrease. The revenue budget for the Xplore after school care program was increased to reflect increased participation. The remaining $2.7 million increase is related to small changes in a variety of revenue accounts.

In addition, the following factors were considered in developing the 2024-2025 budget:

- In order to remain competitive and encourage employee retention, the District increased the starting salary for new teachers to $61,000, and restructured salaries for teachers, counselors, librarians, and nurses, by adding $500 for each year of service for years 1 through 10 and a $1,000 for each year of service for beginning with year 11, with none of these personnel receiving less than a 3% raise. Other employees received a 3% raise;
- School consolidation of four elementary campuses as part of the Project Rightsize plan;
- Increases in utility, fuel, and insurance costs resulted in increases in the expenditure budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Assistant Superintendent of Finance and Support Services at 400 South Greenville Avenue, Richardson, Texas 75081, or call (469) 593-0331.

Basic Financial Statements

Government-wide Financial Statements

Richardson Independent School District
Statement of Net Position
June 30, 2024

Exhibit A - 1

Data Control Codes		1 Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 302,670,407
1120	Current investments	85,132,677
1220	Delinquent property taxes receivables	11,009,037
1230	Allowance for uncollectible taxes	(1,208,379)
1240	Due from other governments	72,965,475
1250	Accrued interest	55,289
1290	Other receivables (net)	935,408
1300	Inventories	861,424
1410	Prepaid items	1,997
	Capital assets:	
1510	Land and improvements, net	63,561,510
1520	Buildings and improvements, net	545,441,124
1530	Furniture and equipment, net	31,190,924
1550	Intangible right to use assets, net	9,987,901
1580	Construction in progress	301,962,781
1590	Communication systems, net	2,427,495
1000	Total assets	1,426,995,070
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred losses on debt refundings	1,566,093
1705	Deferred pension outflows	69,543,151
1710	Deferred OPEB outflows	33,340,592
1700	Total deferred outflows of resources	104,449,836
	LIABILITIES	
2110	Accounts payable	25,291,063
2120	Other liabilities	407,515
2140	Interest payable	14,741,703
2150	Payroll deductions & withholdings	2,348,928
2160	Accrued wages payable	44,577,104
2177	Due to fiduciary funds	517,911
2180	Due to other governments	4,997,486
2300	Unearned revenue	2,906,532
2400	Retainage payable	11,297,859
	Noncurrent liabilities:	
2501	Due within one year	37,778,127
2502	Due in more than one year	927,101,835
2540	Net pension liability	180,969,213
2545	Net OPEB liability	73,814,729
2000	Total liabilities	1,326,750,005
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred lease inflows	3,878
2605	Deferred pension inflows	9,495,257
2610	Deferred OPEB inflows	114,737,540
2600	Total deferred inflows of resources	124,236,675
	NET POSITION	
3200	Net investment in capital assets	95,099,895
	Restricted for:	
3820	Federal and state grants	874,164
3850	Debt service	23,216,736
3890	Child nutrition	8,674,740
3900	Unrestricted	(47,407,309)
3000	Total net position	$ 80,458,226

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

Richardson Independent School District
Statement of Activities
For the year ended June 30, 2024

Exhibit B - 1

			Program Revenues		Net (Expense) / Revenue and Changes in Net Position
		1	3	4	6
Data Control Codes	**Functions/Programs**	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
	Primary government:				
	Governmental activities:				
11	Instruction	$ 335,958,171	$ 4,882,167	$ 67,913,521	$ (263,162,483)
12	Instructional resources and media services	6,759,163	-	647,126	(6,112,037)
13	Curriculum and staff development	17,276,384	-	9,018,371	(8,258,013)
21	Instructional leadership	8,066,445	-	1,724,100	(6,342,345)
23	School leadership	28,301,661	-	3,299,226	(25,002,435)
31	Guidance, counseling, and evaluation services	23,163,550	-	5,285,785	(17,877,765)
32	Social work services	2,309,688	-	1,050,024	(1,259,664)
33	Health services	6,376,777	-	597,710	(5,779,067)
34	Student transportation	12,507,416	-	955,919	(11,551,497)
35	Food service	18,297,573	3,086,507	13,625,138	(1,585,928)
36	Extracurricular activities	12,824,219	686,774	1,104,123	(11,033,322)
41	General administration	12,713,623	-	1,756,302	(10,957,321)
51	Plant maintenance and operations	78,212,464	2,367,755	2,574,592	(73,270,117)
52	Security and monitoring services	12,913,634	-	5,689,331	(7,224,303)
53	Data processing services	6,277,972	-	488,341	(5,789,631)
61	Community services	3,450,722	-	2,200,752	(1,249,970)
72	Interest on long-term debt	35,911,076	-	7,230,614	(28,680,462)
91	Contracted instructional services between schools	4,086,026	-	-	(4,086,026)
93	Payments related to shared services arrangements	601,800	-	241,923	(359,877)
95	Juvenile justice alternative education programs	55,098	-	-	(55,098)
97	Payments to tax increment fund	2,979,123	-	-	(2,979,123)
99	Other intergovernmental charges	1,324,036	-	-	(1,324,036)
TG	Total governmental activities	$ 630,366,621	$ 11,023,203	$ 125,402,898	(493,940,520)
TP	TP Total primary government	$ 630,366,621	$ 11,023,203	$ 125,402,898	$ (493,940,520)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	235,519,642
Property taxes, levied for debt service	100,891,469
State aid-formula grants, unrestricted	125,848,656
Grants and contributions not restricted to specific programs	5,277,957
Investment earnings	26,144,474
Miscellaneous	4,462,249
Total general revenues	498,144,447
Change in net position	4,203,927
Net position—beginning	76,254,299
Net position—ending	$ 80,458,226

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

Governmental Funds Financial Statements

Richardson Independent School District
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit C - 1

Data Control Codes		10 General Fund	24 Child Nutrition Fund	ESSER III	50 Debt Service Fund	60 Capital Projects Fund	Non-major Governmental Funds	98 Total Governmental Funds
	ASSETS							
1110	Cash and cash equivalents	$ 166,583,539	$ 10,300,987	$ -	$ 34,006,425	$ 86,733,529	$ 2,703,444	$ 300,327,924
1120	Current investments	14,868,584	-	-	-	49,437,615	20,826,478	85,132,677
1220	Delinquent property taxes receivable	8,004,115	-	-	3,004,922	-	-	11,009,037
1230	Allowance for uncollectible taxes	(925,126)	-	-	(283,253)	-	-	(1,208,379)
1240	Receivables from other governments	36,620,479	-	15,476,028	3,235,649	-	17,633,319	72,965,475
1250	Accrued interest	2,964	-	-	-	-	52,325	55,289
1260	Due from other funds	15,788,935	-	-	-	4,582,702	5,634,004	26,005,641
1290	Other receivables	10,713	-	-	-	-	924,695	935,408
1300	Inventories	783,943	77,481	-	-	-	-	861,424
1410	Prepaid Items	1,997	-	-	-	-	-	1,997
1000	Total assets	241,740,143	10,378,468	15,476,028	39,963,743	140,753,846	47,774,265	496,086,493
	Total assets and deferred outflows of resources	241,740,143	10,378,468	15,476,028	39,963,743	140,753,846	47,774,265	496,086,493
	LIABILITIES							
2110	Accounts payable	3,988,934	160,258	46,418	3,540	18,295,569	2,771,319	25,266,038
2120	Other liabilities	352,719	3,237		-	33,002	18,539	407,497
2150	Payroll deductions and withholdings	2,348,928	-		-	-	-	2,348,928
2160	Accrued wages payable	39,786,538	439,597	1,319,466	-	8,952	3,011,830	44,566,383
2170	Due to other funds	-	1,100,636	14,110,144	1,283,991	-	10,225,659	26,720,430
2177	Due to fiduciary funds	517,911	-		-	-	-	517,911
2180	Payable to other governments	4,279,713	-		717,773	-	-	4,997,486
2300	Unearned revenue	-	-		-	-	2,906,532	2,906,532
2400	Retainage payable	-	-		-	11,297,859	-	11,297,859
2000	Total liabilities	51,274,743	1,703,728	15,476,028	2,005,304	29,635,382	18,933,879	119,029,064
	DEFERRED INFLOWS OF RESOURCES							
2600	Unavailable revenue	6,947,511	-	-	2,679,353	-	-	9,626,864
2605	Deferred Lease Inflow	3,878	-	-	-	-	-	3,878
	Total deferred inflows of resources	6,951,389	-	-	2,679,353	-	-	9,630,742
	FUND BALANCES							
	Nonspendable:							
3410	Inventories	783,943	77,481	-	-	-	-	861,424
3430	Prepaid Items	1,997	-	-	-	-	-	1,997
	Restricted for:							
3450	Child nutrition program	-	8,597,259	-	-	-	-	8,597,259
3450	Federal and state grants	-	-	-	-	-	874,164	874,164
3470	Capital acquisitions and contractual obligations	-	-	-	-	100,987,578	-	100,987,578
3480	Retirement of long term debt	-	-	-	35,279,086	-	-	35,279,086
	Committed to:							
3545	Local grants, awards and contributions	-	-	-	-	-	27,966,222	27,966,222
	Assigned to:							
3550	Construction	20,000,000	-	-	-	10,130,886	-	30,130,886
3560	Claims and judgments	2,000,000	-	-	-	-	-	2,000,000
3590	Insurance deductible	8,000,000	-	-	-	-	-	8,000,000
3590	Instructional projects	3,000,000	-	-	-	-	-	3,000,000
3590	Compensated absences	1,198,753	-	-	-	-	-	1,198,753
3590	Equipment acquisition, repair and replacement	12,158,207	-	-	-	-	-	12,158,207
3590	2024-2025 Budget Deficit	27,228,705	-	-	-	-	-	27,228,705
3600	Unassigned	109,142,406	-	-	-	-	-	109,142,406
3000	Total fund balances	183,514,011	8,674,740	-	35,279,086	111,118,464	28,840,386	367,426,687
4000	Total liabilities, deferred inflows of resources and fund balances	$ 241,740,143	$ 10,378,468	$ 15,476,028	$ 39,963,743	$ 140,753,846	$ 47,774,265	$ 496,086,493

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

Richardson Independent School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2024

Exhibit C - 1R

Total fund balances - governmental funds (Exhibit C-1)	367,426,687
Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	954,571,735
Certain receivables will be earned this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows of resources at the fund level.	9,626,864
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable	(881,015,000)
Accrued interest on the bonds	(14,741,703)
Compensated absences	(1,198,753)
Lease Liability	(1,290,580)
SBITA Liability	(1,107,496)
Unamortized bond premium	(78,612,435)
Accounting losses resulting from debt refunding transactions are deferred outflows of resources at the government-wide level and amortized over the life of the debt.	1,566,093
Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation. The assets and liabilities of the internal service funds (Exhibit D-1) are included in governmental activities in the Statement of Net Position.	1,365,810
The District's portion of the TRS net pension liability and related deferred inflows and deferred outflows are not current in nature and therefore not reported in the funds.	(120,921,319)
The District's portion of the TRS OPEB liability and related deferred inflows and deferred outflows are not current in nature and therefore not reported in the funds.	(155,211,677)
Total net position - governmental activities (Exhibit A-1)	80,458,226

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

Richardson Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2024

Exhibit C - 2

Data Control Codes		10 General Fund	24 Child Nutrition Fund	ESSER III	50 Debt Service Fund	60 Capital Projects Fund	Non-major Governmental Funds	98 Total Governmental Funds
	REVENUES							
5700	Local and intermediate sources	$ 255,001,215	$ 3,894,406	$ -	$ 103,632,925	$ 11,406,733	$ 5,041,550	$ 378,976,829
5800	State program revenues	149,471,864	75,100	-	7,230,614	-	10,488,709	167,266,287
5900	Federal program revenues	11,278,310	13,550,037	19,299,858	-	-	27,335,578	71,463,783
5020	Total revenues	415,751,389	17,519,543	19,299,858	110,863,539	11,406,733	42,865,837	617,706,899
	EXPENDITURES							
	Current:							
0011	Instruction	238,967,393	-	18,322,785	-	16,474,503	20,830,827	294,595,508
0012	Instructional resources and media services	5,792,885	-	1,909	-	622,627	107,291	6,524,712
0013	Curriculum and staff development	9,041,899	-	146,179	-	14,993	6,815,177	16,018,248
0021	Instructional leadership	6,921,411	-	72,851	-	11,254	855,584	7,861,100
0023	School leadership	26,707,279	-	24,774	-	-	816,261	27,548,314
0031	Guidance, counseling, and evaluation services	19,648,025	-	418,485	-	174,986	2,632,689	22,874,185
0032	Social work services	1,429,048	-	-	-	311	799,201	2,228,560
0033	Health services	6,086,183	-	-	-	(31,071)	60,267	6,115,379
0034	Student transportation	9,802,389	-	-	-	2,071,676	-	11,874,065
0035	Food service	367,019	17,783,486	-	-	-	-	18,150,505
0036	Extracurricular activities	7,779,122	-	3,108	-	1,794,588	630,919	10,207,737
0041	General administration	10,510,854	-	-	-	243,670	125,314	10,879,838
0051	Plant maintenance and operations	40,976,176	211,721	309,767	-	36,944,336	(59,589)	78,382,411
0052	Security and monitoring services	7,141,209	-	-	-	888,086	5,312,782	13,342,077
0053	Data processing services	4,434,673	-	-	-	-	74,484	4,509,157
0061	Community services	1,632,723	-	-	-	-	1,718,064	3,350,787
	Debt service:							
0071	Principal on long-term debt	121,658	-	-	70,633,968	3,125,908	77,286	73,958,820
0072	Interest on long-term debt	6,716	-	-	42,074,784	48,119	1,564	42,131,183
0073	Bond issuance costs and fees	-	-	-	736,578	-	-	736,578
	Capital outlay:							
0081	Facilities acquisition and construction	-	-	-	-	104,296,075	26,740	104,322,815
	Intergovernmental charges:							
0091	Contracted instructional services between schools	4,086,026	-	-	-	-	-	4,086,026
0093	Payments related to shared services arrangements	364,022	-	-	-	-	237,778	601,800
0095	Juvenile justice alternative education programs	55,098	-	-	-	-	-	55,098
0097	Payments to tax increment fund	-	-	-	2,979,123	-	-	2,979,123
0099	Other intergovernmental charges	1,324,036	-	-	-	-	-	1,324,036
6030	Total expenditures	403,195,844	17,995,207	19,299,858	116,424,453	166,680,061	41,062,639	764,658,062
1100	Excess (deficiency) of revenues over expenditures	12,555,545	(475,664)	-	(5,560,914)	(155,273,328)	1,803,198	(146,951,163)
	OTHER FINANCING SOURCES (USES)							
7912	Sale of real or personal property	364,617	-	-	-	-	-	364,617
7915	Transfers in	-	-	-	-	6,479,335	1,000,000	7,479,335
7949	Subscription-based information technology arrangements (SBITAs)	208,497	-	-	-	1,540,114	-	1,748,611
8911	Transfers out	(8,800,000)	-	-	-	-	-	(8,800,000)
7080	Total other financing sources and (uses)	(8,226,886)	-	-	-	8,019,449	1,000,000	792,563
1200	Net change in fund balances	4,328,659	(475,664)	-	(5,560,914)	(147,253,879)	2,803,198	(146,158,600)
0100	Fund balances--beginning	179,185,352	9,150,404	-	40,840,000	258,372,343	26,037,188	513,585,287
3000	Fund balances--ending	$ 183,514,011	$ 8,674,740	$ -	$ 35,279,086	$ 111,118,464	$ 28,840,386	$ 367,426,687

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

Richardson Independent School District
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, 2024

Exhibit C - 2R

Net change in fund balances—total governmental funds (Exhibit C-2)	(146,158,600)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays ($121,965,326) exceeded depreciation ($49,570,558) in the current period.	72,394,768
In the statement of activities, only the loss on the asset disposals are reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the assets disposed.	(270,007)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,624,183
Repayment of long-term debt principal on bond, leases and SBITAs are expenditures in the governmental funds, but these activities reduce long-term liabilities in the statement of net position.	74,785,274
Bond issuances, leases and SBITAs are shown as other resources in the governmental funds but are shown as increases in long-term debt in the statement of net position.	(1,748,611)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Amortization of bond premiums	6,785,864
Change in interest payable	1,142,064
Change in compensated absences	(195,578)
Amortization of deferred loss on refunding	(971,243)
Internal service funds are used by management to charge the costs of certain activities, such as workman's compensation, to individual funds. The net revenue (expense) of the internal service funds (Exhibit D-2) is reported with governmental activities.	(60,587)
Amortization and other changes in deferred outflows and deferred inflows related to the District's portion of the TRS net pension liability affect government-wide pension expense but have no impact at the governmental fund level.	(18,003,935)
Amortization and other changes in deferred outflows and deferred inflows related to the District's portion of the TRS OPEB liability affect government-wide pension expense but have no impact at the governmental fund level.	14,880,335
Change in net position of governmental activities (Exhibit B-1)	4,203,927

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

Proprietary Funds Financial Statements

Exhibit D - 1

Richardson Independent School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2024

Data Control Codes		Governmental Activities Internal Service Funds (See H-4)
	ASSETS	
	Current assets:	
1110	Cash and investments	$ 2,342,483
1260	Due from other funds	714,789
	Total current assets	3,057,272
	Total assets	3,057,272
	LIABILITIES	
	Current liabilities:	
2110	Accounts payable	25,025
2120	Other liabilities	18
2160	Accrued wages payable	10,721
2210	Claims and judgments	849,420
	Total current liabilities	885,184
	Noncurrent liabilities:	
2210	Claims and judgments	806,278
	Total noncurrent liabilities	806,278
	Total liabilities	1,691,462
	NET POSITION	
3900	Unrestricted	1,365,810
	Total net position	$ 1,365,810

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

Richardson Independent School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2024

Exhibit D - 2

Data Control Codes		Governmental Activities Internal Service Funds (See H-5)
	Operating revenues:	
5754	Charges for services	$ 1,324,525
	Total operating revenues	1,324,525
	Operating expenses:	
6100	Personnel services	714,430
6200	Contractual services	201,908
6300	Supplies	254,609
6429	Insurance claims and expenses	1,655,295
6400	Other operating expenses	9,043
	Total operating expenses	2,835,285
	Operating loss	(1,510,760)
	Nonoperating revenues:	
5742	Interest and investment revenue	129,508
	Total non-operating revenue	129,508
	Loss before transfers	(1,381,252)
	Transfers:	
7915	Transfers in	1,320,665
	Total transfers	1,320,665
	Change in net position	(60,587)
	Total net position—beginning	1,426,397
3900	Total net position—ending	$ 1,365,810

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

Exhibit D - 3

Richardson Independent School District
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2024

		Governmental Activities Internal Service Funds (See H-6)
CASH FLOWS FROM OPERATING ACTIVITIES		
Internal activity - receipts from other funds		673,191
Payments to suppliers		(2,149,929)
Payments to employees		(717,904)
Internal activity - disbursements to other funds		(1,707)
Claims paid		112,468
Net cash used by operating activities		(2,083,881)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in from other funds		1,320,665
Net cash provided by noncapital financing activities		1,320,665
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest		129,508
Net cash provided by investing activities		129,508
Net decrease in cash and investments		(633,708)
Cash - beginning of the year		2,976,191
Cash - end of the year	$	2,342,483
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(1,510,760)
Change in assets and liabilities:		
Due from (to) other funds		(653,041)
Accounts payable		(29,074)
Claims payable		109,923
Payroll deductions and withholdings payable		(929)
Net cash used by operating activities	$	(2,083,881)

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

Fiduciary Fund Financial Statements

Richardson Independent School District
Statement of Fiduciary Net Position
June 30, 2024

Exhibit E - 1

	Custodial Funds
ASSETS	
Due from Other Government	$ 517,911
Total assets	$ 517,911
LIABILITIES	
Accounts payable	$ 19,652
Total liabilities	$ 19,652
NET POSITION	
Restricted for student activities	$ 498,259
Total net position	$ 498,259

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

Richardson Independent School District
Statement of Changes in Net Position
Fiduciary Funds
For the year ended June 30, 2024

Exhibit E- 2

	Custodial Funds
Contributions	
Gifts and contributions	$ 70,718
Revenues from student activities	450,960
Revenues from fundraising activities	178,912
Total contributions	700,590
Deductions	
Contractual services	219,931
Payments for student activities	498,647
Total deductions	718,578
Change in net position	(17,988)
Total net position—beginning	516,247
Total net position—ending	$ 498,259

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Richardson Independent School District (the "District") Board of Trustees (the "Board"), a seven-member group all of whom are elected officials, has governance responsibilities and control over all activities related to public elementary and secondary education in the City of Richardson and portions of the cities of Dallas and Garland. The Board is not included in any other governmental "reporting entity" as defined in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards issued by the Government Accounting Standards Board (GASB). The District implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and it was determined that there are no component units that would have a material effect on the District's financial statements.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding entities. The accounting policies of the District conform to accounting principles generally accepted in the United States of America, as applicable to governmental units.

Government-Wide and Fund Financial Statements - The *Statement of Net Position* and the *Statement of Activities* report information on all of the nonfiduciary activities of the District. Taxes and intergovernmental revenues normally support governmental activities. The effect of interfund activity has been removed from these statements as internal services provided and used are eliminated in the process of consolidation.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include (1) charges for services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Program revenues included in the *Statement of Activities* reduce the cost of the function to be financed from general activities. Taxes and other items not identifiable as program revenues are reported instead as general revenues.

The District reports all direct expenses by function in the *Statement of Activities*. Direct expenses are those clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the program expenses of each function.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Fund Financial Statements - Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recognized in the current fiscal year for debt service principal and interest payments due within 30 days of the subsequent fiscal year. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes and interest associated with the current fiscal year are susceptible to accrual and are considered to be available if collected within 60 days of the fiscal year end.

Under GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, property taxes are imposed non-exchange revenues. Assets from imposed non-exchange transactions are recorded when the entity has an enforceable, legal claim to the asset or when the entity receives the resources, whichever comes first. The enforceable legal claim date for property taxes is the assessment date. Therefore, the District recognized taxes receivable and a deferred inflow of resources for taxes assessed as of October 1, 2023, which were not available as of June 30, 2024.

Investment earnings are recorded as earned since they are both measurable and available at the earnings date. All other revenue items, with the exception of grants, are considered measurable and available only when the District receives cash.

Grant Fund Accounting – The special revenue funds include programs that are financed on a project grant basis. These projects have grant periods that range from less than twelve months to in excess of two years. Grant funds are considered to be earned to the extent expenditures are made under the provisions of the grant. When grant funds are received in advance of being earned, they are recorded as unearned revenue until earnings criteria are met.

FUNDS

The District reports its financial activities through the use of "fund accounting". The activities of the District are organized on the basis of funds. The operations of each fund are accounted for within a separate set of self-balancing accounts to reflect results of activities. Fund accounting segregates funds according to their intended purposes to assist management in demonstrating compliance with finance-related legal and contractual provisions. As required by the Texas Education Agency, the following funds are included in the financial statements.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through the governmental funds. The following are the District's major governmental funds:

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses that are not paid through other funds are paid from the General Fund.

Child Nutrition Fund – The Child Nutrition Fund is a special revenue fund used to account for the proceeds received from and costs associated with food service operations. Funds are legally restricted for use within the Child Nutrition Program.

ESSER III Fund – The ESSER III Fund is used to account for the federal revenue and expenditures associated with the funding received as part of the American Rescue Plan (ARP) of 2021, Elementary and Secondary School Emergency Relief (ESSER III) funding is to help safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on students.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the retirement of, long-term debt principal, interest and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition, renovation or construction of major capital projects.

Other Governmental Funds are used to account for funds received from other governmental agencies or local sources that are legally restricted or locally committed to expenditures for specified purposes. These funds also account for receipts and expenditures of resources transferred from the General Fund to finance specified activities. Activities included within these non-major special revenue funds are as follows:

Federal Grants – Used to account for grants whose primary sources are funds from the federal government, either received directly from the funding agency or passed through the State.

State Grants – Used to account for grants whose primary sources are funds from the Texas Education Agency and other State agencies.

Local Funds – Used to account for all other grants and the District's local Permanent School Fund, a sub-fund of the Local Funds. The primary funding sources are local governments and other non-government entities. The local Permanent School Fund's primary sources are transfers from the General Fund, the closing of other funds, and awards earned by the District.

Proprietary Funds

Proprietary funds are funds used to account for operations that are financed in a manner similar to those found in the private sector, where the determination of net income is appropriate for sound financial administration.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges to other funds for services. Operating expenses for internal service funds include the cost of providing the service as well as administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds – Internal service funds are used to account for operations related to risk financing activities and for financing goods or services of one organizational unit of the District for another. The District has internal service funds for Workers' Compensation, Print Shop, Discretionary Renovations, and Building Supplies.

Fiduciary Funds

All fiduciary funds, including custodial funds, use the accrual, rather than the modified accrual, basis of accounting.

Custodial Fund – A custodial fund is used to account for assets held by the District in a trustee capacity or as a custodian for individuals, organizations, and/or other funds. The Student Activity Fund accounts for the receipt and disbursement of monies from student activity organizations. Receivables may exist in this account when cash transactions flow through a shared bank account that creates a "Due from Other Government" for in-transit items. This accounting reflects the District's custodial relationship with the student activity organizations.

ASSETS, LIABILITIES AND DEFERRED INFLOWS/OUTFLOWS

Cash and Cash Equivalents – The District's cash and cash equivalents include cash on hand, demand deposits, money markets, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - Investments are recorded at fair value. Fair value is determined by the amount at which a financial instrument can be exchanged in a current transaction between willing parties. District management believes that the District adheres to the requirements of the State of Texas Public Funds Investment Act regarding investment practice, management reports and establishment of appropriate policies. Additionally, management believes that the investment practices of the District are in accordance with local policies for the current fiscal year.

Receivables and Payables – Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." All residual balances between governmental activities are eliminated in the government-wide statements. All property taxes receivable and the allowance for uncollectible taxes are reported in the government-wide statements.

Inventories – Inventories include plant maintenance and operating supplies, instructional supplies, and food commodities. Inventories of supplies are carried on the balance sheet at weighted average cost and are subsequently charged to expenditures when consumed or requisitioned. Although food commodities are received at no cost, the market values are supplied by the Texas Department of Agriculture and are recorded as inventory on the date received.

Revenues related to the receipt of food commodities are recorded when title passes to the District, which is when the commodity is used. The balance of commodities inventory received but not consumed is recorded as unearned revenue in the Child Nutrition Fund. All inventories are offset at year-end by nonspendable fund balance in the fund financial statements.

Encumbrances – Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation. This methodology is employed in the governmental fund financial statements. Encumbrances are not liabilities and are therefore not recorded as expenditures until receipt of the material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are re-appropriated in the next fiscal year. None of the individual encumbrances reported are considered significant to the financial statements.

Compensated Absences - Employees of the District are granted vacation and sick leave annually. Teachers do not receive paid vacations but are paid only for the number of days they are required to work each year. The District's policy permits full-time classified employees in positions that require 12 months of service to be eligible to accumulate a limited amount of earned but unused salary-related vacation time which will be paid upon termination from District service, subject to specific deductions. The District accrues salary-related payments earned for vacation days in the government-wide financial statements. Accumulated sick leave is not paid out upon termination; accordingly, no liability for unused sick leave has been recorded.

Capital Assets – Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds $5,000 and an estimated useful life more than one year. As the District constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. Other tangible and intangible capital assets of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset Classification	Useful Life
Land Improvements	10 - 20 years
Building and Building Improvements	15 - 30 years
Furniture and Other Equipment	5 - 20 years
Right-to-use Lease Asset	1 - 20 years
Right-to-use SBITA Asset	1 - 5 years

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the *Statement of Net Position*. Effective for bonds issued after September 1, 2002, bond premiums and discounts are reported as a liability or contra-liability, as appropriate, and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are also reported as other financing sources while discounts on debt issuances and payments to bond refunding escrow agents are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Leases

Lessee – The District is lessee for non-cancellable leases building space, furniture and equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

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

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

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

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

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

Lessor – The District is a lessor for non-cancellable leases agreements. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITA) – The District has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The District recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The District recognizes subscription liabilities with an initial, individual value of $5,000 or more.

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

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

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the District is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA 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 subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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

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

Deferred Outflows/Inflows of Resources – In addition to assets and liabilities, the government-wide *Statement of Net Position* and governmental fund *Balance Sheet* report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, and deferred amounts related to pension and OPEB. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports amounts related to leases and deferred amounts related to pension and OPEB.

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

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

Deferred Inflows of Resources for Pension – reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Deferred Inflows of Resources for Post-employment Benefits – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These post-employment related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

Data Control Codes - Data control codes refer to the account code structure prescribed by the Texas Education Agency, *Financial Accountability System Resource Guide.*

FUND BALANCES AND NET POSITION

Government-wide Financial Statements – Net position on the *Statement of Net Position* includes the following:

Net Investment in Capital Assets reports the difference between capital assets, net of accumulated depreciation, and the outstanding balance of debt, excluding unspent bond proceeds, which are directly attributable to the acquisition, construction or improvement of those capital assets.

Restricted for Federal and State Grants is the component of net position restricted to be spent for specific purposes prescribed by federal and state granting agencies.

Restricted for Debt Service is the component of net position that is restricted for payment of debt service by constraints established by the bond covenants.

Restricted for Child Nutrition is the component of net position restricted by the Department of Agriculture for use in the Child Nutrition Program.

Unrestricted Net Position is the residual difference between assets, deferred outflows, liabilities and deferred inflows that is not reported in the net investment in capital assets or net position restricted for specific purposes.

It is the District's policy to spend funds available from restricted sources prior to unrestricted sources.

Governmental Fund Financial Statements – Fund balances on the *Balance Sheet* include the following:

Nonspendable Fund Balance is the portion of the fund balance that is not expendable because it is either not in spendable form or it is legally or contractually required to be maintained intact. The District has classified inventory and prepaid expenditures as being nonspendable as these items are not expected to be converted to cash.

Restricted Fund Balance includes amounts restricted for a specific purpose by the provider (such as a grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital Projects bond funds are restricted by the bondholders for the specific purpose of capital projects and capital outlays. Child Nutrition and other Federal and State grant resources are restricted pursuant to the mandates of the granting agency.

Committed Fund Balance is that portion of fund balance that is committed to a specific purpose by the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the constraint by exercising the same type of action originally used to commit the funds. The Board of Trustees has committed resources as of June 30, 2024, for local grants and awards to be spent for campus activities. Additionally, fund balance associated with the District's Local Permanent School Fund has been committed to remain intact, with interest earnings used as an additional revenue source for the General Fund.

Assigned Fund Balance is that portion of fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose. Board policy CA (Local) delegates authority to assign fund balance to the Superintendent or Chief Financial Officer; although the Board may also directly assign fund balance for specific purposes. As of June 30, 2024, the District has assigned fund balance in the General Fund for the following purposes:

- Construction – assigned to renovation projects.
- Claims and judgments – assigned to cover potential claims and judgements.
- Insurance Deductibles – assigned to the coverage of the deductibles of certain insurance policies.
- Instructional Projects – assigned to cover instructional programs selected by the board and administration.

- Other Assignments:
  - Compensated absences – assigned to salary related payments for accrued and unused vacation days for qualifying employees.
  - Equipment acquisition, repair and replacement – assigned to accommodate unforeseeable catastrophic events.
  - 2024-2025 Budget – assigned to offset the deficit budget adopted for the 2024-2025 fiscal year.

Unassigned Fund Balance is the difference between the total fund balance and the total of the non-spendable, restricted, committed, and assigned fund balances and can be utilized for any legal purpose. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

The following table classifies the fund balances for all major governmental funds by purpose. Committed fund balances are divided between federal, state and local sources, including the District's Permanent School Fund (a sub-fund of the non-major Local Funds), based on the granting authority or local guidelines.

	Nonspendable	Restricted	Committed	Assigned	Unassigned
2024-2025 Budget Deficit	$ -	$ -	$ -	$ 27,228,705	$ -
Capital Acquisitions and Construction	-	100,987,578	-	30,130,886	-
Child Nutrition Program	-	8,597,259	-	-	-
Claims and Judgments	-	-	-	2,000,000	-
Inventories	861,424	-	-	-	-
Insurance Deductible	-	-	-	8,000,000	-
Instructional Projects	-	-	-	3,000,000	-
Other Purposes:					
Compensated Absences	-	-	-	1,198,753	-
Equipment Acquisition, Repair and Replacement	-	-	-	12,158,207	-
Prepaid Items	1,997	-	-	-	-
Retirement of Long-Term Debt	-	35,279,086	-	-	-
State Grants	-	874,164	-	-	-
Local Grants					
Local Grants and Awards	-	-	3,103,494	-	-
Local Permanent School Fund	-	-	24,862,728	-	-
All Other Purposes	-	-	-	-	109,142,406
Total Fund Balance	**$ 863,421**	**$ 145,738,087**	**$ 27,966,222**	**$ 83,716,551**	**$ 109,142,406**

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first from committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law, and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledged securities shall be 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.

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

At June 30, 2024, the carrying amount of the District's deposits (cash) and outstanding checks was ($3,225,398). The combined bank balance was $344,464. In addition the District had petty cash and escrow balances held at difference locations amounting to $460,366. During 2023-2024, the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held in the District's name by the District's agent.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

1. Depository: Wells Fargo Bank NA
2. The date of the highest deposit was January 18, 2024, when combined cash, savings and time deposits amounted to $17,286,813.
3. The amount of bond and pledged collateral as of the date of the highest combined balance on deposit was $46,302,794
4. The total amount of FDIC coverage at the time of the largest combined balance was $250,000.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities, repurchase agreements and certain other investments. The investments owned at fiscal year-end are held by the District or its agent in the District's name.

All investment pools utilized by the District meet the requirements of the Texas Public Funds Investment Act. The fair value of the positions in the pools is the same as the value of the pools. There are no limitations or restrictions on withdrawals (i.e. notice periods or maximum transaction amounts). The District invests the following investment pools:

TexPool is a public funds investment pool administered by the State Comptroller of Texas. The portfolio of TexPool is managed by Federated Investors, Inc., and the assets are held in a separate custodial account at the State Street Bank in the name of TexPool.

The Lone Star Investment Pool is governed by an 11 member board, all of whom are participants in the pool. American Beacon Advisors and BNY Mellon Cash Investment Strategies manage the investment of Lone Star's assets.

TexSTAR is co-administered by J.P. Morgan Asset Management, Inc. and Hilltop Securities, Inc.

The District complies with GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* which addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Investment risks are addressed in the Public Funds Investment Act (PFIA), a legal document reviewed regularly by the District's authorized investment officers. Methodologies to mitigate and control these risks are included as part of the District's local investment policy.

- *Credit risk* is the risk that a security issuer may default on an interest or principal payment. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service. The District's policy manages credit risk by authorizing only the safest types of investments backed by the federal or state government or their obligations and/or with ratings from nationally recognized rating firms of at least A or its equivalent.

- *Custodial credit risk* is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The District's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the District. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. The District's policy manages custodial credit risk by requiring securities purchased by a broker-dealer for the District to be held in a Safekeeping account in the District's name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis.

- *Concentration of credit risk* is the risk associated with holding investments that are not pools and full faith credit securities. These risks are controlled by limiting the percentages of these investments in the District's portfolio. Investments held by the District as of June 30, 2024, are listed in the following table.

- *Interest rate risk* is the risk that interest rates will rise and an investment in a fixed-income security will decrease in value. Interest rate risk is reduced by diversifying, investing in securities with different durations, and laddering maturity dates and is disclosed by listing all securities held as of June 30, 2024, with their date of maturity and weighted average maturities. The District's policy manages interest rate risk by placing limits on the maximum maturities of each type of investment as well as using a laddered and liability-matching portfolio structure.

- *Foreign currency risk* is the potential for loss due to fluctuations in exchange rates. The District's policy does not allow for any direct foreign ivestments and therefore the District is not exposed to foreign currency risk.

The following table reflects the District's investments at June 30, 2024**:**

CUSIP/Account	Description	Buy Date	Maturity Date	Par Value	Fair Value	Rating	% Portfolio	WAM (in days)
Money Market Funds								
Allspring Government Fund	Sweep	-	N/A	766,905	766,905	AAAmmf	0.20%	1
Money Market Total				766,905	766,905		0.20%	1
Local Government Investment Pools								
Lone Star IP	LGIP	-	N/A	27,799,398	27,799,398	AAAm	7.10%	1
TexPool	LGIP	-	N/A	238,611,167	238,611,167	AAAm	60.96%	13
TexSTAR	LGIP	-	N/A	38,257,969	38,257,969	AAAm	9.77%	1
LGIP Total				304,668,534	304,668,534		77.83%	15
Agency								
3130AQV26	FHLB	03/31/23	9/4/24	10,000,000	9,946,271	A-1+	2.55%	1
Agency Total				10,000,000	9,946,271		2.55%	1
U.S. Government								
912797HP5	T-Bill	06/06/24	11/29/24	10,000,000	9,784,615		2.55%	
912797KK2	T-Bill	06/14/24	9/12/24	25,000,000	24,734,229	AA+	6.39%	7
912797KU0	T-Bill	04/18/24	10/17/24	5,000,000	4,922,737	AA+	1.28%	3
912797KU0	T-Bill	04/18/24	10/17/24	6,000,000	5,907,284	AA+	1.53%	2
U.S. Government Total				46,000,000	45,348,865		11.75%	12
Commercial Paper								
89233GH58	Toyota Motor CC	11/10/23	8/5/24	30,000,000	29,837,541	A-1+	7.66%	6
Commercial Paper Total				30,000,000	29,837,541		7.66%	6
Grand Total				**$ 391,435,439**	**$ 390,568,116**		**100.00%**	**35**

Fair Value Measurements

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

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

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

		Fair Value Measurements Using		
Investments by Fair Value Level:	**Balance as of June 30, 2024**	**Quoted Process in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money Market Funds	$ 766,905	$ 766,905	$ -	$ -
Agency	9,946,271	-	9,946,271	
U.S. Government	45,348,865	-	45,348,865	
Commercial Paper	29,837,541	-	29,837,541	
Total:	**$ 85,899,582**	**$ 766,905**	**$ 85,132,677**	**$ -**

The District's investments in State Investment Pools (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

3. PROPERTY TAXES

The District's ad valorem property tax is levied on all real and business personal property located in the District. A lien exists on all property on January 1st of each year. Tax statements are mailed on October 1st each year or as soon thereafter as possible. Taxes are due upon receipt and become delinquent if not paid before February 1st of the following calendar year. The assessed value of the roll as of the end of the fiscal year was $30,437,202,610.

The tax rates levied for the fiscal year ended June 30, 2024 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $0.79310 and $0.35 per $100 valuation, respectively, for a total of $1.14310 per $100 valuation.

Current year tax collections for the period ended June 30, 2024, were 98.63% of the levy.

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for general obligation bond retirement is provided by the debt service tax together with interest earned within the Debt Service Fund.

TAX INCREMENT FINANCING

On September 11, 2006, the Board of Trustees approved a resolution to enter into an Interlocal Agreement with the City of Dallas, Texas and established Tax Increment Financing (TIF) Reinvestment Zone Number Fourteen, Skillman Corridor TIF District, in accordance with the Tax Increment Financing Act, as amended, under Chapter 311 of the Texas Tax Code. The purpose of the TIF is to promote development and redevelopment of the Skillman Corridor area through the use of tax increment financing.

RISD agreed to participate in the TIF, beginning with the tax year 2008-2009, by contributing a portion of debt service levy associated with any taxable value increase in the TIF zone as established in the 2005 base year up to a total contribution of $10,000,000 (net present value) and total dollar contribution of $16,577,358. The proposed duration of the Skillman Corridor TIF Zone is 30 years, ending December 31, 2035.

RISD may reduce or withdraw its contribution of tax increment if it determines that participation in the TIF decreases the aggregate amount of state and local funds available to or received by RISD in any school year. Tax increment funds of $5,000,000 have been budgeted for RISD educational facilities. Other provisions have been made for relocation assistance programs for families with children in RISD schools affected by the zone.

Taxes collected and paid to the TIF in 2024 were $2,979,123.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. All federal grants included below in Federal & State Special Revenue Funds are passed through the TEA and are reported on the financial statements as Due from Other Governments. Furthermore, there are times when overpayments are received from a State agency and money may be due to a State agency.

Balances at June 30, 2024 consisted of the following Due from Other Governments:

	General Fund	ESSER III	Debt Service Fund	Non-major Governmental Funds	Total
Due from State	$ 31,601,911	$ -	$ 3,235,649	$ 7,470,074	$ 42,307,634
Due from Federal	5,018,568	15,476,028	-	9,995,217	30,489,813
Due from Local	-	-	-	168,028	168,028
	$ 36,620,479	$ 15,476,028	$ 3,235,649	$ 17,633,319	$ 72,965,475

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024, was as follows:

	Balance Beginning of Year, June 30, 2023	Additions	Deletions	Balance End of Year, June 30, 2024
Governmental Activities				
Capital assets, not being depreciated/amortized				
Land	$ 53,228,685	$ -	$ -	$ 53,228,685
Construction-in-progress	215,700,727	108,776,263	22,514,209	301,962,781
Total capital assets, not being depreciated/amortized	268,929,412	108,776,263	22,514,209	355,191,466
Capital assets, being depreciated				
Land improvements	19,780,334	108,808	-	19,889,142
Buildings	1,112,934,498	24,465,559	-	1,137,400,057
Furniture, equipment, and vehicles	137,939,931	9,303,974	1,076,028	146,167,877
Right-to-use lease assets	5,497,831	-	-	5,497,831
Subscription-Based IT Arrangement	16,360,888	1,824,931	-	18,185,819
Infrastructure	25,065,398	-	-	25,065,398
Total capital assets, being depreciated/amortized	1,317,578,880	35,703,272	1,076,028	1,352,206,124
Less accumulated depreciation/amortization for:				
Land improvements	(8,546,438)	(1,009,879)	-	(9,556,317)
Buildings	(556,657,439)	(35,301,494)	-	(591,958,933)
Furniture, equipment, and vehicles	(110,080,089)	(5,702,885)	(806,021)	(114,976,953)
Right-to-use lease assets	(2,963,345)	(615,681)	-	(3,579,026)
Subscription-Based IT Arrangement	(4,475,878)	(5,640,845)	-	(10,116,723)
Infrastructure	(21,338,129)	(1,299,774)	-	(22,637,903)
Total accumulated depreciation/amortization	(704,061,318)	(49,570,558)	(806,021)	(752,825,855)
Total capital assets, being depreciated/amortized, net	613,517,562	(13,867,286)	270,007	599,380,269
Total governmental activities capital assets	$ 882,446,974	$ 94,908,977	$ 22,784,216	$ 954,571,735

Depreciation/amortization expense for the year ended June 30, 2024 was charged to the functions of the governmental activities of the primary government as follows:

	Function	Expensed
11	Instruction	$ 37,360,873
12	Instructional Resources and Media	134,570
13	Curriculum and Staff Development	820,377
21	Instructional Leadership	3,200
23	School Leadership	9,103
31	Guidance, Counseling, and Evaluation Services	49,509
32	Social Work Services	9,596
33	Health Services	121,067
34	Student Transportation	1,637,255
35	Food Services	358,950
36	Extracurricular Activities	2,844,243
41	General Administration	1,302,609
51	Maintenance and Operations	2,990,891
52	Security and Monitoring Services	272,116
53	Data Processing Services	1,654,454
61	Community Services	1,745
		$ 49,570,558

6. LIABILITY FOR COMPENSATED ABSENCES

Employees of the District are granted vacation and sick leave annually. Teachers do not receive paid vacations but are paid only for the number of days they are required to work each year. The District's policy permits full-time classified employees in positions that require 12 months of service to be eligible to accumulate a limited amount of earned but unused salary-related vacation time which will be paid upon termination from District service, subject to specific deductions. The District accrues salary-related payments earned for vacation days in the government-wide financial statements. The amount for accumulated compensated absences as of June 30, 2024 is $1,198,753. The amount eligible to be taken within the following year is $308,069. Accumulated sick leave is not paid out upon termination; accordingly, no liability for unused sick leave has been recorded.

7. LONG-TERM DEBT

A summary of changes in long-term debt for the fiscal year ended June 30, 2024, is as follows:

Description	Sale Date	Original Issue Amount	Interest Rate(s)	Final Maturity	Balance at June 30, 2023	Issued/ Increases	Retired/ Refunded	Balance at June 30, 2024	Amounts Due Within One Year
Unlimited Tax School Building Bonds:									
Series 2014A	2014	17,140,000	2%-5%	2039	$ 50,000	$ -	$ 50,000	$ -	
Series 2015	2015	16,340,000	1%-5%	2040	6,415,000	-	295,000	6,120,000	280,000
Series 2016	2016	76,625,000	2%-5%	2041	46,665,000	-	905,000	45,760,000	1,350,000
Series 2017	2017	198,735,000	3%-5%	2042	156,410,000	-	3,950,000	152,460,000	4,150,000
Series 2019	2019	116,960,000	4%-5%	2044	71,955,000	-	1,345,000	70,610,000	2,405,000
Series 2021	2021	176,215,000	3%-5%	2046	126,995,000	-	3,655,000	123,340,000	3,600,000
Series 2022	2022	192,025,000	3.875%-5%	2047	172,355,000	-	10,705,000	161,650,000	3,425,000
Series 2022A	2022	193,930,000	4.75%-5%	2048	193,930,000	-	7,505,000	186,425,000	8,310,000
Total general obligation bonds					774,775,000	-	28,410,000	746,365,000	23,520,000
Unlimited Tax Refunding Bond:									
Series 2011 Ref	2011	42,335,000	2%-4.375%	2028	350,000	-	350,000	-	-
Series 2014B Ref	2014	19,230,000	1%-5%	2031	11,910,000	-	9,235,000	2,675,000	1,305,000
Series 2015B Ref	2015	25,225,000	2%-5%	2032	19,220,000	-	1,695,000	17,525,000	1,785,000
Series 2015C Ref	2015	38,660,000	2%-5%	2025	5,505,000	-	2,640,000	2,865,000	2,865,000
Series 2016 Ref	2016	11,905,000	2%-4%	2033	7,805,000	-	1,010,000	6,795,000	895,000
Series 2017 Ref	2017	85,105,000	2%-5%	2037	74,635,000	-	4,610,000	70,025,000	4,885,000
Series 2020 Ref	2020	33,799,970	2.47%-40%	2039	33,155,000	-	170,000	32,985,000	175,000
Series 2020A Ref	2020	36,675,000	1.769%-3%	2034	25,075,000	-	23,295,000	1,780,000	-
Total unlimited tax refunding bonds					177,655,000	-	43,005,000	134,650,000	11,910,000
Total bonds payable					952,430,000	-	71,415,000	881,015,000	35,430,000
Unamortized Bond Premium					85,398,299	-	6,785,864	78,612,435	-
Accrued compensated absences					1,003,175	357,969	162,391	1,198,753	308,069
Lease liability					1,823,487	-	532,907	1,290,580	526,996
SBITA liability					2,196,252	1,748,611	2,837,367	1,107,496	663,642
Self-insurance claims payable					1,545,775	1,507,124	1,397,201	1,655,698	849,420
Total					**$1,044,396,988**	**$3,613,704**	**$ 83,130,730**	**$964,879,962**	**$ 37,778,127**

As of June 30, 2024, $156 million in debt was authorized but not issued from the May 2021 voter authorization.

Changes in debt-related deferred outflows of resources for the fiscal year ended June 30, 2024 were:

	Balance at June 30, 2023	Increases	Retired/ Refunded	Balance at June 30, 2024
Deferred loss on refundings	$ 2,537,336	$ -	$ 971,243	$ 1,566,093

The following is a summary of bond principal maturities and interest requirements.

Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Principal & Interest
2025	$ 35,430,000	$ 39,311,209	$ 74,741,209
2026	28,720,000	37,577,259	66,297,259
2027	27,510,000	36,194,909	63,704,909
2028	29,115,000	34,828,609	63,943,609
2029	30,945,000	33,401,759	64,346,759
2030-2034	188,780,000	142,857,545	331,637,545
2035-2039	230,545,000	97,221,213	327,766,213
2040-2044	208,340,000	48,191,744	256,531,744
2045-2048	101,630,000	10,221,288	111,851,288
Total	$ 881,015,000	$ 479,805,535	$ 1,360,820,535

General obligation bonds of the District are reported as long-term liabilities of the governmental activities. At June 30, 2024, $35,279,086 was available in the Debt Service Fund to service these bonds.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management asserts that the District is in compliance with all significant limitations and restrictions at June 30, 2024.

During 2024, the District defeased $18,795,000 of the 2020A Unlimited Tax Refunding bonds by placing the proceeds for bond principal that is not yet callable in an escrow account to provide for all debt service as of call dates. The maturities occur between 2025 and 2030. As of June 30, 2024, $18,795,000 remaining outstanding.

The accrued compensated absences and the self-insurance claims payable are reported as long-term liabilities of the governmental activities and are accounted for in the General Fund and Workers' Compensation Internal Service Fund, respectively.

The District is not subject to a debt limit. Texas Education Code Chapter 45, Subchapter A governs the issuance of bonds by the independent school districts in the State of Texas. Key points regarding limitations on the issuance of bonds are:

- The bonds must mature serially or otherwise not more than 40 years from their date; and
- Before issuing bonds described by Section 45.001, a school district must demonstrate to the attorney general that with respect to the proposed issuance, the district has a projected ability to pay the principal of and interest on the proposed bonds and all previously issued bonds other than bonds authorized to be issued at an election held on or before April 1, 1991, and issued before September 1, 1992, from a tax at a rate not to exceed $0.50 per $100 of valuation.

8. LEASES

LEASE RECEIVABLE

On November 30, 2021, the District entered into an agreement to purchase 7.162 acres of land located at 600 and 610 S. Sherman Street and 401 S. Sherman Street Buildings 1, 2, and 3. This purchase included the assignment of the active leases currently held on space in the buildings. The District will honor terms of the leases transferred by the seller.

On 12/01/2021, the District entered into a 33-month lease as lessor for the use of Sherman Plaza - Suite #111. An initial lease receivable was recorded in the amount of $63,987. As of 6/30/2024, the value of the lease receivable is $4,121. The lessee is required to make monthly fixed payments of $1,969. The lease has an interest rate of 0.7980%. The value of the deferred inflow of resources as of 06/30/2024 was $3,878, and the District recognized lease revenue of $24,656 during the fiscal year.

LEASE PAYABLE

On August 1, 2021, the District entered into a 60-month lease for the use of Canon Copiers. An initial lease liability was recorded in the amount of $2,434,337. As of 06/30/2024, the value of the lease liability is $977,668. The District is required to make annual fixed payments of $494,867. The lease has an interest rate of 0.8216%. The value of the right to use the asset as of 06/30/2024 is $2,434,337 with accumulated amortization of $1,420,030.

On September 1, 2021, the District entered into a 119-month lease for the use of 1500 International Parkway. An initial lease liability was recorded in the amount of $427,415. As of 6/30/2024, the value of the lease liability is $312,912. The District is required to make annual payments of $14 per square foot with 2% annual increase. The payment for the year was $44,525. The lease has an interest rate of 1.3900%. The value of the right to use asset as of 6/30/2024 is $427,415 with accumulated amortization of $121,101. The District has one extension option for 60 months.

The future principal and interest lease payments as of June 30, 2024, were as follows:

	Copiers			Office Space			Total		
June 30,	**Principal**	**Interest**	**Payments**	**Principal**	**Interest**	**Payments**	**Principal**	**Interest**	**Payments**
2025	$ 486,834	$ 8,033	$ 494,867	$ 40,162	$ 4,349	$ 44,511	$ 526,996	$ 12,382	$ 539,378
2026	490,834	4,033	494,867	41,611	3,791	45,402	532,445	7,824	540,269
2027				43,097	3,213	46,310	43,097	3,213	46,310
2028				44,622	2,614	47,236	44,622	2,614	47,236
2029				46,187	1,993	48,180	46,187	1,993	48,180
2030				47,793	1,351	49,144	47,793	1,351	49,144
2031				49,440	687	50,127	49,440	687	50,127
	$ 977,668	$ 12,066	$ 989,734	$ 312,912	$ 17,998	$ 330,910	$ 1,290,580	$ 30,064	$ 1,320,644

9. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The District has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The District is required to make monthly, quarterly, or annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

	Interest Rate(s)	Liability at Commencement	SBITA Term in Years	Ending Balance
SBITA	0.285 - 3.7120%	$ 1,921,442	1 - 4	$ 1,107,496

The future principal and interest SBITA payments as of fiscal year end are as follows:

	SBITA		
June 30,	**Principal**	**Interest**	**Payments**
2025	$ 663,643	$ 25,943	$ 689,586
2026	182,158	10,978	193,136
2027	153,299	6,536	159,835
2028	108,396	2,732	111,128
Total	**$ 1,107,496**	**$ 46,189**	**$ 1,153,685**

10. UNEARNED REVENUE

Unearned revenue at June 30, 2024, consisted of the following:

	Non-major Governmental Funds	Total
Federal grants	$ 2,635,235	$ 2,635,235
Local grants	62,874	62,874
State grants	208,423	208,423
Total	**$ 2,906,532**	**$ 2,906,532**

11. INTERFUND BALANCES AND TRANSFERS

Interfund Balances - Interfund balances at June 30, 2024, consisted of the following individual fund receivables and payables:

	Receivables	Payables
Major Funds:		
General Fund	$ 15,788,935	$ -
Child Nutrition Fund	-	1,100,636
ESSER III	-	14,110,144
Debt Service Fund	-	1,283,991
Capital Projects Fund	4,582,702	-
Non-major Governmental Funds	5,634,004	10,225,659
Internal Service Funds	714,789	-
Total	**$ 26,720,430**	**$ 26,720,430**

All interfund balances represent transactions between the General Fund and other funds. These interfund balances occur when (1) General Fund cash is used to finance expenditures that take place in another fund or (2) available funds are stored in the General Fund's investment pool (i.e. student activity fund). Balances between funds are liquidated at least monthly with the exception of the grant funds in which balances are liquidated once cash is received from the granting agencies. All interfund balances reported at June 30, 2024, were liquidated shortly after year-end.

The following is a summary of the District's internal transfers for the fiscal year ended June 30, 2024:

Transfers Out	Transfers In	Amount
General Fund	Capital Project Fund	$ 6,479,335
General Fund	Non-major Governmental Funds	1,000,000
General Fund	Internal Service Fund	1,320,665
		$ 8,800,000

The transfer from the General Fund to Non-Major Governmental Funds in the amount of $1,000,000 was to finance the Instructional Enhancement Fund, a sub-fund of the Non-Major Local Funds. The $6,479,335 transfer from the General Fund to Capital Projects was to fund facility renovations. The $1,320,665 transfer from the General Fund to the Internal Service Fund was to fund excess expenses for the Print Shop and the Workers Compensation Fund.

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to cover general liabilities. 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.

Employees of the District were covered by TRS Active Care for medical care. TRS Active Care is a statewide health coverage program for public education employees established by the 77th Texas Legislature. The District contributed approximately $315 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents.

Self-Funded Plan

Beginning September 1, 1986, the District established a self-insurance plan for workers' compensation benefits. Claims exceeding $500,000 for any one accident or occurrence are covered through an insurance carrier. The District utilizes an internal service fund to account for activity related to workers' compensation self-insurance on a cost-reimbursement basis to all departments of the District.

The costs associated with the self-funded workers' compensation plan are reported as interfund transactions to the extent of amounts actuarially determined. Contributions are paid from all governmental and proprietary funds to the workers' compensation insurance fund from which all claims and administrative expenses are paid. The accrued liabilities of the workers' compensation self-insurance plan of $1,655,698 include incurred but not reported claims. The liability is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. An actuary evaluated the District's workers' compensation liability for incurred losses. These losses will be settled by fixed or reasonably determinable payments over a long period of time.

Changes in the workers' compensation claims liability in fiscal year 2024 and fiscal year 2023 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Balance
2024 Workers' Compensation	$ 1,545,775	$ 1,507,124	$ (1,397,201)	$ 1,655,698
2023 Workers' Compensation	$ 1,442,323	$ 1,690,877	$ (1,587,425)	$ 1,545,775

13. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.

Pension Plan Fiduciary Net Position

Detailed information about the TRS'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 by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, on the Internet at http://www.trs.texas.gov/Pages/about_archive_acfr.aspx; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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 where 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 postemployment benefit changes, including automatic cost of living adjustments

(COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan Description above.

Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contributions

Contribution requirements are established or amended pursuant to Article XVI, 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 2020 thru 2025.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2024	**2023**
Member	8.25%	8.00%
Non-employer contributing entity (State)	8.25%	8.00%
Employers (District)	8.25%	8.00%

The contribution amounts for the District's fiscal year 2024 are as follows:

	Fiscal Year 2024 Contributions
Employer (District)	14,628,275
Employee (Member)	27,433,897
Non-Employee Contributing Entity (NECE)	16,399,278

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).

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

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

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% 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 are two surcharges an employer is subject to:

- Public education employer contribution - all public schools, charter schools and regional education service centers must contribute 1.8% of the member's salary beginning in fiscal year 2023, gradually increasing to 2.0% 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.

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

At June 30, 2024, the District reported a liability of $180,969,213 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 180,969,213
State's proportionate share of the net pension liability associated with the District	219,147,840
	$ 400,117,053

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

At the measurement date of August 31, 2023, the District's proportion of the collective net pension liability was 0.26346% which was a decrease of 0.00288% from its proportion measured as of August 31, 2022.

For the year ended June 30, 2024, the District recognized pension expense of $33,089,428 and revenue of $16,399,278 for support provided by the State.

On June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,447,994	$ (2,191,339)
Changes of assumption	17,116,143	(4,188,710)
Net difference between projected and actual earnings on pension plan investments	26,335,413	-
Changes in proportion and differences between District contributions and proportionate share of contributions	7,230,775	(3,115,208)
District contributions subsequent to the measurement date	12,412,826	-
Totals	$ 69,543,151	$ (9,495,257)

$12,412,826 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2025	$ 10,505,287
2026	6,181,751
2027	23,109,451
2028	7,324,349
2029	514,230
	$ 47,635,068

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 20 Update procedures were used to roll forward the total pension liability to August 31, 2023 and was determined using the following actuarial methods and assumptions:.

Component	Result
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2023	4.13% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2122
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None
Mortality Rates	The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioners Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on the published PUB (2010) Mortality Tables for Teachers, below median, also with full generational mortality.

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2021 and adopted in July 2022.

Discount Rate and Long-Term Expected Rate of Return

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

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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 was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 TRS's target asset allocation as of August 31, 2023 are summarized below:

Asset Class	Target Allocation[2]	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.0%	1.0%
Non-U.S. Developed	13.0%	4.5%	0.9%
Emerging Markets	9.0%	4.8%	0.7%
Private Equity[1]	14.0%	7.0%	1.5%
Stable Value			
Government Bonds	16.0%	2.5%	0.5%
Absolute Return[1]	0.0%	3.6%	0.0%
Stable Value Hedge Funds	5.0%	4.1%	0.2%
Real Return			
Real Estate	15.0%	1.9%	1.1%
Energy, Natural Resources & Infrastructure	6.0%	4.8%	0.4%
Commodities	0.0%	4.4%	0.0%
Risk Parity	8.0%	4.5%	0.4%
Leverage			
Cash	2.0%	3.7%	0.0%
Asset Allocation Leverage	-6.0%	4.4%	-0.1%
Inflation Expectation			2.3%
Volatility Drag[4]			-0.9%
Expected Return	100.0%		8.0%

[1] Absolute return includes credit sensitive investments.

[2] Target allocations are based on the fiscal year 2023 policy model.

[3] Capital Market Assumptions come from Aon Hewitt as of August 31, 2023.

[4] The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of the TRS net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	$ 270,558,995	$ 180,969,213	$ 106,475,261

Change of Assumptions Since the Prior Measurement Date

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

Change of Benefit Terms Since the Prior Measurement Date

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

14. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. TRS-Care was established in 1986 by the Texas Legislature and is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees in accordance with the Texas Insurance Code, Chapter 1575. The Board may adopt rules, plans, procedures and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2024	2023
Active Employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding	1.25%	1.25%

The contribution amounts for the District's fiscal year 2024 are as follows:

	Fiscal Year 2024 Contributions
District contributions	2,903,699
Member contributions	2,171,999
Non-Employee Contributing Entity (NECE)	
On-behalf contribtuions (State)	3,490,102

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

The State of Texas also contributed $1,800,660, $1,741,855 and $1,313,699 in 2024, 2023, and 2022, respectively, for on-behalf payments for Medicare Part D.

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of $21 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

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

At June 30, 2024, the District reported a liability of $73,814,729 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	$ 73,814,729
State's proportionate share of the net OPEB liability associated with the District	89,068,816
	$ 162,883,545

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

At the measurement date of August 31, 2023, the District's proportion of the collective net OPEB liability was 0.33343% which was a decrease of 0.01273% from its proportion measured as of August 31, 2022.

For the fiscal year ended June 30, 2024, the District recognized net OPEB expense of ($19,041,033) due to recognition of deferred inflows in excess of deferred outflows and current year expense. OPEB revenue of ($19,041,033) was recognized for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,339,557	(62,101,112)
Changes of assumption	10,075,172	(45,198,717)
Net difference between projected and actual earnings on pension plan investments	31,893	-
Changes in proportion and differences between District contributions and proportionate share of contributions	17,461,330	(7,437,711)
District contributions subsequent to the measurement date	2,432,640	-
Totals	$ 33,340,592	$ (114,737,540)

$2,432,640 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2025	$ (18,119,376)
2026	(14,733,829)
2027	(10,150,391)
2028	(12,686,145)
2029	(11,376,348)
Thereafter	(16,763,499)
	$ (83,829,588)

Actuarial Methods and Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

Demographic Assumptions	Economic Assumptions
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	
Rates of disability	

See Note 13 for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

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.

The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for non-Medicare retirees. There was an initial prescription drug trend rate of 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Component	**Result**
Actuarial Cost Method	Individual Entry Age Normal
Single Discount Rate	4.13%
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Ad hoc post-employment benefit changes	None

Discount Rate

A single discount rate of 4.13% was used to measure the total OPEB liability at August 31, 2023. This was an increase of 0.22% in the discount rate since the August 31, 2022 measurement date. The plan is essentially a "pay-as-you-go" plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current plan members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2023.

Sensitivity Analysis of Rates

Discount Rate

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (4.13%) in measuring the net OPEB liability.

	1% Decrease (3.13%)	**Current Discount Rate (4.13%)**	**1% Increase (5.13%)**
District's proportional share of the net OPEB liability	$ 86,938,380	$ 73,814,729	$ 63,105,519

Healthcare Cost Trend Rates

The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease	**Current Rate**	**1% Increase**
District's proportional share of the net OPEB liability	$ 60,782,735	$ 73,814,729	$ 90,580,433

Change of Assumptions Since the Prior Measurement Date

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

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

Change of Benefit Terms Since the Prior Measurement Date

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

15. COMMITMENTS AND CONTINGENCIES

Litigation

The District is occasionally the defendant in a small number of lawsuits and administrative claims arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits and claims will not materially affect the accompanying combined financial statements. A total of $2,000,000 of fund balance has been assigned to cover deductibles of certain insurance policies for claims, and for uninsured judgements, and/or administrative orders.

State and Federal Programs

The District participates in numerous state and federal funding 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 adjustments 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 at June 30, 2024, 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 combined financial statements for such contingencies.

Construction

The District was obligated at June 30, 2024, under major contracts, for construction, renovations and repair of various existing facilities. The outstanding construction contracts associated with these projects totaled approximately $40.5 million as of June 30, 2024.

Projects	Contract Remaining
Building Renovations-BFE	218,811
Building Renovations-FMJH	3,373,517
Building Renovations-HPPM	1,394,048
Building Renovations-LHJH	11,516,544
Building Renovations-MOH	397,918
Building Renovations-NRE	1,627,009
Building Renovations-PHS	11,564,858
Building Renovations-STU	1,153,924
Building Doors Projects	1,847,781
Electrical Projects	364,145
Fire Alarm Projects	2,346,746
Flooring Renovations	1,505,736
HVAC Projects	1,270,163
Playground Projects	925,511
Other Miscellaneous Projects	1,023,691
Total	**$ 40,530,402**

16. RELATED ORGANIZATION

The RISD Excellence in Education Foundation, Inc. (the Foundation) was established to develop community relationships and to provide supplemental funds for programs in the District. Its mission is to "promote enrichment, innovation, and excellence in education." The Foundation is a "related organization" of the District, as defined by GASB Statement No. 14, *The Financial Reporting Entity.* The Foundation is not reported as a component unit because it is not fiscally dependent on the District, and the funds held by the organization are not significant to the District's financial statements, as defined by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.*

17. SHARED SERVICES ARRANGEMENT

Regional Day School Program for the Deaf

The District participates in the Plano Regional Day School Program for the Deaf, a shared services arrangement (SSA) which provides deaf education services to sixteen member districts. The member districts also include Allen, Blue Ridge, Celina, Community, Coppell, Farmersville, Frisco, Lovejoy, McKinney, Plano, Princeton, Prosper, and Wylie ISDs.

The District made payments totaling $364,022 to the Plano ISD (the fiscal agent) for services provided during the year. The District accounts for the payments to the fiscal agent in Function 93 – Payments to Fiscal Agent of Shared Service Arrangements. Payments are determined based on predetermined criteria established in the shared service arrangement agreement. The fiscal agent is responsible for all financial activities of the SSA.

Autism Grant Program

The District is the fiscal agent for the Autism Grant Program shared service agreement (SSA). In addition to the District, other member districts include Community ISD. The District, acting as the fiscal agent, receives monies from the granting agency and administers the program. The District is also responsible for employment of personnel, budgeting, accounting and reporting.

According to the SSA agreement, the fiscal agent upon receipt of proper documentation will reimburse costs incurred by the member districts. Member districts must not exceed the amounts authorized without prior written approval of the fiscal agent.

Expenditures reimbursed to the member districts as of June 30, 2024 are summarized below:

Member Districts	Reimbursement
Community ISD	$ 64,431
Richardson ISD	173,347
	$ 237,778

18. CHANGE WITHIN THE FINANCIAL REPORTING ENTITY

For the fiscal year ended June 30, 2024, the ESSER III fund was reported as a major fund, which had previously been reported as part of the Non-major Governmental Funds in the year ended June 30, 2023. This was considered a change within the financial reporting entity, under GASB 100. The ESSER III fund had no beginning fund balance.

19. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 101, Compensated Absences. This standard becomes effective for the District in fiscal year 2025.

The GASB issued Statement No. 102, Certain Risk Disclosures. This standard becomes effective for the District in fiscal year 2025.

The GASB issued Statement No. 103, Financial Reporting Model Improvements. This standard becomes effective for the District in fiscal year 2026.

The GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This standard becomes effective for the District in fiscal year 2026.

The District will evaluate the impact of the standards on its financial statements and will take the necessary steps to implement them.

20. SUBSEQUENT EVENTS

In July 2024 the District issued $121,210,000 of Unlimited Tax School Building Bonds, Series 2024.

In November 2024 the District issued $45,900,000 of Unlimited Tax Refunding Bonds, Series 2024.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

[Form of Bond Counsel Opinion]

[Date]

$______________
RICHARDSON INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS
SERIES 2025

WE HAVE represented Richardson Independent School District (the "District") as its bond counsel in connection with an issue of bonds (the "Bonds") described as follows:

> RICHARDSON INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025, dated July 1, 2025, in the principal amount of $_________________.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Trustees of the District authorizing their issuance (the "Bond Order") and the pricing certificate (the "Pricing Certificate," and together with the Bond Order, the "Order") executed pursuant thereto.

WE HAVE represented the District as its Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the District; customary certificates of officers, agents and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined executed Bond No. 1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Order, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

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

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the District;

(B) A continuing ad valorem tax, without limit as to rate or amount, has been levied and pledged irrevocably to the payment of the principal of and interest on the Bonds, and the total indebtedness of the District, including the Bonds, does not exceed any constitutional, statutory or other limitations; and

(C) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

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

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

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

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund[1]

Fiscal Year Ending	2015	2016	2017	2018	2019	2020	2021	2022	2023[2]	2024
PSF(CORP) Distribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$2,076	$2,156
PSF(SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	-	-	-	-	300	600	600[3]	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	432	440	430

[1] In millions of dollars. Source: Annual Report for year ended August 31, 2024.
[2] Reflects the first fiscal year in which distributions were made by the PSF Corporation.
[3] In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

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

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

State Fiscal Biennium	2010-11	2012-13	2014-15	2016-17	2018-19	2020-21	2022-23	2024-25	2026-27
SBOE Distribution Rate[1]	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2024 and 2023

ASSET CLASS	August 31, 2024	August 31, 2023	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$3,651.3	$ 2,975.1	$ 676.2	22.7%
Domestic Large Cap	8,084.6	7,896.5	188.1	2.4%
Total Domestic Equity	11,735.9	10,871.6	864.3	8.0%
International Equity	4,131.1	7,945.5	(3,814.4)	-48.0%
TOTAL EQUITY	15,867.0	18,817.1	(2,950.1)	-15.7%
FIXED INCOME				
Domestic Fixed Income	-	5,563.7	-	-
US Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market Debt	-	869.7	-	-
TOTAL FIXED INCOME	13,415.2	8,602.5	4,812.7	55.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,106.0	3,175.8	(69.8)	-2.2%
Real Estate	6,101.0	6,525.2	(424.2)	-6.5%
Private Equity	8,958.8	8,400.7	558.1	6.6%
Emerging Manager Program	-	134.5	-	-
Real Return	-	1,663.7	-	-
Private Credit	2,257.9	-	-	-
Real Assets	4,648.1	4,712.1	(64.0)	-1.4%
TOT ALT INVESTMENTS	25,071.8	24,612.0	459.8	1.9%
UNALLOCATED CASH	2,583.2	348.2	2,235	641.9%
TOTAL PSF(CORP) INVESTMENTS	56,937.2	$ 52,379.8	$ 4,557.4	8.7%

Source: Annual Report for year ended August 31, 2024.

The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2024.

Investment Schedule - PSF(SLB)[1]

Fair Value (in millions) August 31, 2024

	As of 8-31-24	
Investment Type		
Investments in Real Assets		
Sovereign Lands	$ 277.47	
Discretionary Internal Investments	457.01	
Other Lands	153.15	
Minerals [(2), (3)]	4,540.61	(6)
Total Investments[(4)]	5,428.23	
Cash in State Treasury [(5)]	0	
Total Investments & Cash in State Treasury	$ 5,428.23	

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

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

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

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

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

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

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

The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

Permanent School Fund Guaranteed Bonds

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

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

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

Permanent School Fund Guaranteed Bonds by Category[1]

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

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

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

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

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

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

PSF Returns Fiscal Year Ended 8-31-2024[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(CORP) Portfolio	10.12	9.28
Domestic Large Cap Equities	27.30	27.14
Domestic Small/Mid Cap Equities	18.35	18.37
International Equities	18.82	18.08
Private Credit	1.41	0.93
Core Bonds	7.08	7.30
Absolute Return	11.50	8.87
Real Estate	(6.42)	(7.22)
Private Equity	4.62	4.23
High Yield	12.03	12.53
Natural Resources	12.36	6.42
Infrastructure	4.41	3.63
Bank Loans	3.02	3.23
Short Term Investment Portfolio	2.42	2.28

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

The PSF Corporation reports as a special-purpose government engaged in business-type activities and reports to the State of Texas as a discretely presented component unit accounted for on an economic resources measurement focus and the accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the accrual basis of accounting, all revenues reported are recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

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

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

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