

Enhanced / Unenhanced Ratings: S&P "AAA" / "AA"

Fitch "AAA" / "AA"

PSF Guarantee: "Applied For"

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

PRELIMINARY OFFICIAL STATEMENT

Dated: July 1, 2025

NEW ISSUE: BOOK-ENTRY-ONLY

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

\$194,790,000*

DENTON INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Denton County, Texas)

VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025-B

Dated Date: July 1, 2025

Due: August 15, as shown on page 2

Interest Accrual Date: Date of Delivery (defined below)

The Denton Independent School District (the "District") is issuing its \$194,790,000* Variable Rate Unlimited Tax School Building Bonds, Series 2025-B, consisting of its \$97,425,000* Variable Rate Unlimited Tax School Building Bonds, Subseries 2025-B1 (the "Subseries 2025-B1 Bonds"), and its \$97,365,000* Variable Rate Unlimited Tax School Building Bonds, Subseries 2025-B2 (the "Subseries 2025-B2 Bonds," and, together with the Subseries 2025-B1 Bonds, the "Bonds" and each a "Subseries of the Bonds") in accordance with the Constitution and general laws of the State of Texas, including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 6, 2023 (the "Election"), and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on May 13, 2025, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "Pricing Certificate" which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order"). Interest on the Bonds will be payable as described herein and in the Order. The definitive Bonds will be initially registered and delivered only to Cede & Co. the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. 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 beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM"). The initial Tender Agent (the "Tender Agent") and initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") (see "REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar").

The Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. **An application has been filed by the District with, and conditional approval has been received from, the Texas Education Agency for the Bonds to be guaranteed by the Texas Permanent School Fund Guarantee Program;** however the Permanent School Fund Guarantee is not effective with respect to the payment of the Purchase Price (as defined herein) for tendered Bonds (see "THE BONDS – General Description – Security," "THE BONDS – General Description – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

The "Initial Rate Period" for each Subseries of the Bonds shall mean the period commencing on the date of their initial delivery to the initial purchasers thereof (the "Underwriters") to and including the "Last Day of Initial Rate Period" set forth for such Subseries of the Bonds on page 2 hereof. During the respective Initial Rate Periods, the Subseries of the Bonds will bear interest at the per annum initial interest rate set forth for such Subseries of the Bonds on page 2 hereof, which is the "Initial Rate" for such Subseries of the Bonds. During the respective Initial Rate Periods, interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on each August 15 and February 15, commencing August 15, 2025. After the expiration of each respective Initial Rate Period, the Bonds will bear interest in an interest rate mode designated by the District at a rate or rates as determined by the Remarketing Agent (hereinafter defined). The interest rate mode on the Bonds may, at the District's option, be changed (a) from time to time to a Weekly Rate or Term Rate of a different duration (Weekly Rates and Term Rates are each referred to herein as a "Variable Rate"), (b) to a Flexible Rate, or (c) converted, in whole or in part, to a Fixed Rate until maturity (as such terms are defined and described herein) (see "THE BONDS – Determination of Interest Rates; Rate Mode Changes"). During the respective Initial Rate Periods, interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

The Bonds are not subject to optional tender by the holders during the respective Initial Rate Periods. The Bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of each respective Initial Rate Period. **During the respective Initial Rate Periods, the Bonds are not subject to the benefit of a liquidity agreement provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date immediately following the end of each respective Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District will not have any obligation to purchase such Bonds at that time, and such respective Initial Rate Period will continue until the District successfully redeems or remarkets the Bonds. The occurrence of the foregoing will not result in an event of default under the Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have been unsuccessfully remarketed as described above, such Bonds shall bear interest at the "Stepped Rate", which is defined herein to mean ____% per annum, calculated on the basis of a 360-day year of twelve 30-day months and the number of days actually elapsed (see "THE BONDS – Tender Provisions").**

Subsequent to each respective Initial Rate Period, Bondholders will, (a) on any Conversion Date while the Bonds are in a Term Rate mode and are being converted to another Term Rate and no Liquidity Agreement is in place with respect to such Bonds, be required to tender their Bonds without the right of retention; (b) if the District has acquired liquidity in accordance with the provisions of the Order and the Bonds are at such time subject to the benefit of a Liquidity Agreement provided by a third party, be required to tender their Bonds for purchase at a price equal to the principal amount thereof, plus accrued interest, at the times and subject to conditions described herein; (c) be required to tender their Bonds, without right of retention, upon a conversion from a Variable Rate mode to a different Variable Rate mode, from a Variable Rate mode to a Flexible Rate mode or from a Flexible Rate mode to a Variable Rate mode; and (d) be required to tender their Bonds for purchase, without right of retention, on the Fixed Rate Conversion Date (see "THE BONDS – Tender Provisions").

All tenders of Bonds must be made to the Tender Agent at its designated office in Dallas, Texas. The District has contracted with FHN Financial Capital Markets to serve as the initial Remarketing Agent (the "Remarketing Agent") for the Bonds. Bonds tendered for purchase will be bought from the proceeds derived from the remarketing of the Bonds, if any. If the Bonds are converted to a Weekly Rate or Flexible Rate, the District anticipates entering into a standby bond purchase agreement or similar agreement providing liquidity support for the Bonds at such time. **No such agreement, however, has been entered into at this time nor is one currently contemplated to be entered into in the future** (see "THE BONDS – Tender Provisions – Effects of a Failed Remarketing").

Proceeds from the sale of the Bonds will be used (i) for designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of the necessary sites for school facilities, and the purchase of new school buses and security devices for school buses; (ii) for acquiring, updating, improving, modernizing, and installing school technology improvements; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds (see "THE BONDS – Purpose").

The Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Cantu Harden Montoya LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about July 31, 2025 (the "Date of Delivery").

FHN Financial Capital Markets

Baird

* Preliminary, subject to change.

MATURITY SCHEDULE*

\$97,425,000*

VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SUBSERIES 2025-B1⁽¹⁾

<u>Last Day of Initial Rate Period</u> ⁽²⁾⁽³⁾⁽⁴⁾	<u>Initial Mandatory Tender Date</u>	<u>Stated Maturity</u>	<u>Initial Rate</u>	<u>Initial Yield</u> ⁽⁵⁾	<u>Stepped Rate</u>	<u>CUSIP Suffix</u> ^(A)
August 14, 2028	August 15, 2028	August 15, 2055	%	%	%	

\$97,365,000*

VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SUBSERIES 2025-B2⁽¹⁾

<u>Last Day of Initial Rate Period</u> ⁽²⁾⁽³⁾⁽⁴⁾	<u>Initial Mandatory Tender Date</u>	<u>Stated Maturity</u>	<u>Initial Rate</u>	<u>Initial Yield</u> ⁽⁵⁾	<u>Stepped Rate</u>	<u>CUSIP Suffix</u> ^(A)
August 14, 2030	August 15, 2030	August 15, 2055	%	%	%	

(Interest to accrue from the Date of Delivery)

⁽¹⁾ The Bonds are subject to minimum mandatory redemption on the dates and in the amounts described in “THE BONDS – Mandatory Redemption.” Preliminary, subject to change.

⁽²⁾ After the expiration of each Initial Rate Period, each respective Subseries of the Bonds will bear interest in an interest rate mode designated by the District at a rate or rates as determined by the Remarketing Agent (hereinafter defined). The interest rate mode on the Bonds may, at the District’s option, be changed (a) from time to time to a Weekly Rate or Term Rate of a different duration (Weekly Rates and Term Rates are each referred to herein as a “Variable Rate”), (b) to a Flexible Rate, or (c) converted, in whole or in part, to a Fixed Rate until maturity or prior redemption (as such terms are defined and described herein) (see “THE BONDS – Determination of Interest Rates; Rate Mode Changes”).

⁽³⁾ Each Subseries of the Bonds is subject to mandatory tender, without right of retention, at the end of each respective Initial Rate Period for the Bonds. **During the respective Initial Rate Periods, the Bonds are not subject to the benefit of a liquidity agreement provided by a third party.** Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date immediately following the end of each respective Initial Rate Period for the Bonds will result in the rescission of the notice of mandatory tender with respect thereto and the District will not have any obligation to purchase such Bonds at that time, and such respective Initial Rate Period for the Bonds will continue until the District successfully redeems or remarkets the Bonds. The occurrence of the foregoing will not result in an event of default under the Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have been unsuccessfully remarketed as described above, such Bonds shall bear interest at the “Stepped Rate”, which is defined herein to mean ____% per annum, calculated on the basis of a 360-day year of twelve 30-day months and the number of days actually elapsed (see “THE BONDS – Tender Provisions”).

⁽⁴⁾ During the respective Initial Rate Periods, the Bonds are not subject to optional redemption (see “THE BONDS – Optional Redemption”).

⁽⁵⁾ Initial yield represents the initial reoffering yield to the public which has been established by the Underwriters and which subsequently may be changed from time to time at the sole discretion of the Underwriters. The initial yield is calculated to the end of each respective Initial Rate Period.

* Preliminary, subject to change.

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	Denton Independent School District (the “District”) is a political subdivision of the State of Texas (the “State”) located in Denton County, Texas. The District is governed by a seven-member Board of Trustees (the “Board”). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District, see “Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT” and “Appendix B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY.”
Authority for Issuance	The District’s Variable Rate Unlimited Tax School Building Bonds, Series 2025-B, consisting of its \$97,425,000* Variable Rate Unlimited Tax School Building Bonds, Subseries 2025-B1 (the “Subseries 2025-B1 Bonds”), and its \$97,365,000* Variable Rate Unlimited Tax School Building Bonds, Subseries 2025-B2 (the “Subseries 2025-B2 Bonds,” and, together with the Subseries 2025-B1 Bonds, the “Bonds” and each a “Subseries of the Bonds”) are being issued pursuant to the Constitution and general laws of the State, including, particularly, Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 6, 2023 (the “Election”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board on May 13, 2025. In the Bond Order, the Board delegated to an officer of the District (the “Pricing Officer”) authority to complete the sale of the Bonds. The terms of the sale will be included in a “Pricing Certificate,” which will be approved and executed by the Pricing Officer and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the “Order”) (see “THE BONDS – Authorization and Purpose”).
Use of Proceeds	Proceeds from the sale of the Bonds will be used (i) for designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of the necessary sites for school facilities, and the purchase of new school buses and security devices for school buses; (ii) for acquiring, updating, improving, modernizing, and installing school technology improvements; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds (see “THE BONDS – Authorization and Purpose”).
Interest Rate	The “Initial Rate Period” for each Subseries of the Bonds shall mean the period commencing on the date of their initial delivery (the “Date of Delivery”) to the initial purchasers thereof (the “Underwriters”) to and including the “Last Day of Initial Rate Period” set forth for such Subseries of the Bonds on page 2 of this Official Statement. During the respective Initial Rate Periods, the Subseries of the Bonds will bear interest at the per annum initial interest rate set forth for such Subseries of the Bonds on page 2 of this Official Statement, which is the “Initial Rate” for such Subseries of the Bonds. During the respective Initial Rate Periods, interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on each August 15 and February 15, commencing August 15, 2025; however, if the Remarketing Agent fails to remarket the Bonds on the mandatory tender date at the end of each respective Initial Rate Period, resulting in the holders thereof retaining such Bonds, such respective Initial Rate Period will continue and those Bonds shall bear interest at the Stepped Rate (as defined herein) for the duration of the Stepped Rate Period (as defined herein). After each respective Initial Rate Period, the Bonds will bear interest in an interest rate mode designated by the District at a rate or rates determined by the Remarketing Agent. The interest rate mode for the Bonds may, at the option of the District, be changed from time to time on a Conversion Date to (a) a Weekly Rate or a Term Rate of a different duration (Weekly Rates and Term Rates are each referred to herein as a “Variable Rate”), (b) a Flexible Rate, or (c) the Bonds may be converted, in whole or in part, to a Fixed Rate until maturity or prior redemption (as such terms are defined and described herein) (see “THE BONDS – Determination of Interest Rates; Rate Mode Changes”).
Payment of Interest	Interest on the Bonds will accrue from the Date of Delivery to the Underwriters and is payable as described herein (see “THE BONDS – General Description”).

* Preliminary, subject to change.

Security	The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied against all taxable property located within the District, without legal limit as to rate or amount (see “THE BONDS – General Description – <i>Security</i> ”). Also see “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency (“TEA”) for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).
Liquidity Agreement	No Liquidity Agreement (as defined in the Order) will be in place during the respective Initial Rate Periods to support the Bonds. The Permanent School Fund Guarantee does not provide liquidity support for the Bonds.
Optional & Mandatory Tender	<p>The Bonds are not subject to optional tender by the holders during the respective Initial Rate Periods. The Bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of each respective Initial Rate Period. During the respective Initial Rate Periods, the Bonds are not subject to the benefit of a Liquidity Agreement provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date immediately following the end of each respective Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District will not have any obligation to purchase such Bonds at that time, and such respective Initial Rate Period will continue until the District successfully remarkets or redeems the Bonds (such period, the “Stepped Rate Period”). The occurrence of the foregoing will not result in an event of default under the Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have been unsuccessfully remarketed as described above, such Bonds shall bear interest at the “Stepped Rate”, which is defined herein to mean ____% per annum, calculated on the basis of a 360-day year of twelve 30-day months and the number of days actually elapsed (see “THE BONDS – Tender Provisions”).</p> <p>Subsequent to each respective Initial Rate Period, Bondholders will, (a) on any Conversion Date while the Bonds are in a Term Rate mode and are being converted to another Term Rate and no Liquidity Agreement is in place with respect to such Bonds, be required to tender their Bonds for purchase without the right of retention; (b) if the District has acquired liquidity in accordance with the provisions of the Order and the Bonds are at such time subject to the benefit of a Liquidity Agreement provided by a third party, be required to tender their Bonds for purchase at a price equal to the principal amount thereof, plus accrued interest, at the times and subject to conditions described herein; (c) be required to tender their Bonds upon a conversion from a Variable Rate mode to a different Variable Rate mode, from a Variable Rate mode to a Flexible Rate mode or from a Flexible Rate mode to a Variable Rate mode, without right of retention; and (d) be required to tender their Bonds for purchase, without right of retention, on the Fixed Rate Conversion Date (see “THE BONDS – Tender Provisions”).</p>
Optional & Mandatory Redemption	The Bonds are not subject to optional or mandatory redemption during the respective Initial Rate Periods, but are subject to optional redemption at the end of each respective Initial Rate Period and during the Stepped Rate Period. After the respective Initial Rate Periods and prior to conversion to a Fixed Rate, the Bonds are subject to optional and mandatory redemption at par, on the dates and in the manner, as described herein (see “THE BONDS – Optional Redemption” and “THE BONDS – Mandatory Redemption”).
Paying Agent/Registrar & Tender Agent	The initial Paying Agent/Registrar and Tender Agent for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see “REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar”). Initially, the District intends to use the Book-Entry-Only System of The Depository Trust Company (“DTC”) (see “BOOK-ENTRY-ONLY SYSTEM”).
Tax Exemption	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.

Ratings	<p>S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”), and Fitch Ratings, Inc. (“Fitch”) have assigned municipal bond ratings of “AAA” and “AAA”, respectively to the Bonds based upon the Permanent School Fund Guarantee. S&P and Fitch generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas “AAA” and “AAA”, respectively (see “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “RATINGS”).</p> <p>The District’s underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are “AA” by S&P and “AA” by Fitch (see “RATINGS”).</p>
Book-Entry-Only System	<p>The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of the DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds bearing interest at an Initial Rate or a Variable Rate may be acquired in denominations of \$5,000 or any integral multiples thereof. If the interest rate mode for the Bonds or a portion of the Bonds is converted to a Flexible Rate, such Bonds may be acquired in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof. If the interest rate mode for the Bonds or a portion of the Bonds is converted to a Fixed Rate, such 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. The principal of, premium, if any, and interest on the Bonds at maturity or on a prior redemption date will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM”).</p>
Continuing Disclosure of Information	<p>Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events, which will be available to investors as described in the section captioned “CONTINUING DISCLOSURE OF INFORMATION.” Also see “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for a description of the undertaking of the TEA to provide certain information on a continuing basis.</p>
Payment Record	<p>The District has never defaulted on the payment of its bonded indebtedness.</p>
Legality	<p>Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality and tax exemption by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see “LEGAL MATTERS” and “TAX MATTERS”).</p>
The Series 2025-A Bonds	<p>On May 13, 2025, the Board adopted a separate bond order (the “Series 2025-A Bond Order”) authorizing the issuance of the “Denton Independent School District Unlimited Tax School Building Bonds, Series 2025-A” (the “Series 2025-A Bonds”). In the Series 2025-A Bond Order, the Board delegated to a “Pricing Officer” of the District authority to complete the sale of the Series 2025-A Bonds. The terms of the sale are included in a “Series 2025-A Pricing Certificate,” which was approved and executed by the Pricing Officer on June 10, 2025, which completed the sale of the Series 2025-A Bonds in the principal amount of \$171,005,000 (the Series 2025-A Bond Order and the Series 2025-A Pricing Certificate are collectively referred to as the Series 2025-A Order). The Series 2025-A Bonds were offered pursuant to a separate official statement and were delivered on June 26, 2025. This Official Statement describes only the Bonds and not the Series 2025-A Bonds and any potential investors must review the District’s disclosure documents relating to the Series 2025-A Bonds in its entirety prior to making an investment decision with respect thereto. See “INTRODUCTORY STATEMENT – The Series 2025-A Bonds” for a general description of the potential Series 2025-A Bonds.</p>

For additional information regarding the District, please contact:

Dr. Jeremy Thompson Deputy Superintendent Denton Independent School District 1307 North Locust Street Denton, Texas 76201 Phone: (940) 369-0010	or	Joshua McLaughlin or Alison Long BOK Financial Securities, Inc. 5601 Granite Parkway, Suite 1300 Plano, Texas 75024 Phone: (214) 576-0878
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DENTON INDEPENDENT SCHOOL DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>
Barbara Burns, President	May 2027	Retired Educator
Sheryl English, Vice President	May 2027	Real Estate Professional
Lori Tays, Secretary	May 2026	Nurse
Dr. Buddy Dunworth, Member	May 2028	Retired Educator
Tanya Wright, Member	May 2028	Mortgage Operations Professional
Dr. Patricia Sosa-Sánchez, Member	May 2026	Program Coordinator, University of North Texas - Dallas
Charles Stafford, Member	May 2028	Real Estate Professional

CERTAIN DISTRICT OFFICIALS

<u>Name</u>	<u>Position</u>
Dr. Susannah Holbert O’Bara	Superintendent of Schools
Dr. Jeremy Thompson	Deputy Superintendent
Dr. Lacey Rainey	Assistant Superintendent of School Leadership and Academic Programs
Jason Rainey	Interim Assistant Superintendent of Human Resources
Paul Andress	Executive Director of Operations
Robert Pierce	Chief Technology Officer
Dr. Deron Robinson	General Counsel
Julie Zwahr	Chief Communications Officer
Vicki Garcia	Executive Director of Financial Operations
Jennifer Stewart	Executive Director of Budget

CONSULTANTS AND ADVISORS

Auditors.....	Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC Denton, Texas
Bond Counsel.....	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor.....	BOK Financial Securities, Inc. Plano, Texas

PRELIMINARY OFFICIAL STATEMENT RELATING TO

\$194,790,000*

DENTON INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Denton County, Texas)

VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025-B

\$97,425,000*

VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SUBSERIES 2025-B1

\$97,365,000*

VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SUBSERIES 2025-B2

INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and D, has been prepared by the Denton Independent School District located in Denton County, Texas (the “District”), in connection with the offering by the District of its Variable Rate Unlimited Tax School Building Bonds, Series 2025-B, consisting of its \$97,425,000* Variable Rate Unlimited Tax School Building Bonds, Subseries 2025-B1 (the “Subseries 2025-B1 Bonds”), and its \$97,365,000* Variable Rate Unlimited Tax School Building Bonds, Subseries 2025-B2 (the “Subseries 2025-B2 Bonds,” and, together with the Subseries 2025-B1 Bonds, the “Bonds” and each a “Subseries of the Bonds”), identified on the cover page hereof.

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

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

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

The Series 2025-A Bonds

On May 13, 2025, the Board of Trustees of the District (the “Board”) adopted a separate bond order (the “Series 2025-A Bond Order”) authorizing the issuance of the “Denton Independent School District Unlimited Tax School Building Bonds, Series 2025-A” (the “Series 2025-A Bonds”). In the Series 2025-A Bond Order, the Board delegated to a Pricing Officer (defined below) of the District authority to complete the sale of the Series 2025-A Bonds. The terms of the sale are included in a “Series 2025-A Pricing Certificate,” which was approved and executed by the Pricing Officer on June 10, 2025, which completed the sale of the Series 2025-A Bonds in the principal amount of \$171,005,000 (the Series 2025-A Bond Order and the Series 2025-A Pricing Certificate are collectively referred to as the Series 2025-A Order). The Series 2025-A Bonds were offered pursuant to a separate official statement and were delivered on June 26, 2025. The Bonds and the Series 2025-A Bonds are separate and distinct securities offerings being issued and sold independently, and, while the Bonds and the Series 2025-A Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including, without limitation, the type of obligation being offered, its terms for payment, the security for its payment, credit enhancement, the treatment of interest for federal income tax purposes, and the rights of holders. Investors interested in purchasing any of the Series 2025-A Bonds should review the official statement related thereto. The delivery of the Bonds is not dependent of the delivery of the Series 2025-A Bonds.

* Preliminary, subject to change.

THE BONDS

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including, particularly, Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 6, 2023 (the “Election”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board on May 13, 2025. In the Bond Order, the Board delegated to an officer of the District (the “Pricing Officer”) authority to complete the sale of the Bonds. The terms of the sale will be included in a “Pricing Certificate,” which will be approved and executed by the Pricing Officer and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the “Order”). Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

Proceeds from the sale of the Bonds will be used (i) for designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of the necessary sites for school facilities, and the purchase of new school buses and security devices for school buses; (ii) for acquiring, updating, improving, modernizing, and installing school technology improvements; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds. After the issuance of the Bonds and the Series 2025-A Bonds, the District will have no voter authorized but unissued unlimited ad valorem tax bonds remaining from the Election (see “Table 13 – Authorized But Unissued Bonds” in Appendix A).

General Description

Authorized Denominations. While the Bonds bear interest at an Initial Rate or a Variable Rate, the Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. While the Bonds bear interest at a Flexible Rate, the Bonds will be issued in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. On and after the Fixed Rate Conversion Date (as defined herein), Bonds will be issued in denominations of \$5,000 and integral multiples thereof.

Calculation of Interest. Interest on the Bonds will be calculated on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed while the Bonds bear interest at a Flexible Rate or at a Weekly Rate. Interest will be calculated on the basis of a 360-day year of twelve 30-day months while the Bonds bear interest at an Initial Rate, a Term Rate or a Fixed Rate and a 360-day year of twelve 30-day months and the number of days actually elapsed while bearing interest at a Stepped Rate.

Interest Payment Methods. Except as described in “BOOK-ENTRY-ONLY SYSTEM” herein, while the Bonds bear interest at a Weekly Rate or Flexible Rate, interest will be paid (a) by check mailed to the registered owners of the Bonds as shown on the registrar of the Paying Agent/Registrar (the “Owners”) or (b) at the written election of an Owner delivered to the Paying Agent/Registrar, by federal funds wire transfer within the continental United States. While the Bonds bear interest at an Initial Rate, the Stepped Rate, a Term Rate or Fixed Rate, interest will be paid by check, sent by first class mail, to the Owner of record on the Record Date or by such other customary banking arrangement acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the Owner.

Interest Payment Dates. Interest on the Bonds in a Weekly Rate, Term Rate or Flexible Rate mode will be paid as indicated in the table under the heading “THE BONDS – Summary of Certain Provisions of the Bonds.” Interest accrued on the Bonds during the respective Initial Rate Periods (as defined below) will accrue from the date of their initial delivery (the “Date of Delivery”) to the initial purchasers thereof (the “Underwriters”) (anticipated to be July 31, 2025) through and including the day prior to the Conversion Date immediately following each respective Initial Rate Period. During the respective Initial Rate Periods, interest will be payable on February 15 and August 15, commencing August 15, 2025. Interest on Bonds in a Stepped Rate Period (as hereinafter defined) will be payable on each February 15 and August 15 during such period and on the day following the end of the Stepped Rate Period. While Bonds bear interest at a Weekly Rate, interest will be paid on the first Business Day (as hereinafter defined) of each calendar month beginning on the first such date occurring after the Weekly Rate Conversion Date in an amount equal to the interest accrued from the last Interest Payment Date to such first Business Day. While Bonds bear interest at a Term Rate, interest will be paid on the first February 15 or August 15 of the Term Rate Period and each February 15 or August 15 thereafter in an amount equal to the interest accrued from the last Interest Payment Date. While the Bonds bear interest at a Flexible Rate for a Flexible Rate Period of 183 days or shorter, interest will be paid on the first Business Day after the last day of each Flexible Rate Period applicable thereto. While Bonds bear interest at a Flexible Rate for a Flexible Rate Period of more than 183 days, interest will be paid on the first Business Day after the last day of the Flexible Rate Period and each February 15 and August 15 occurring within such Flexible Rate Period beginning on the first such date occurring after the applicable Flexible Rate Conversion Date. While Bonds bear interest at the Fixed Rate, interest will be paid on each February 15 and August 15, beginning with the first such date occurring after the Fixed Rate Conversion Date. During any period when a Liquidity Agreement (as defined in the Order) is in place and a Bank (as defined in the Order) holds Purchased Bonds (hereinafter defined) pursuant to a Liquidity Agreement, such Purchased Bonds will bear interest at the Purchased

Bond Rate and interest will be paid to a Bank as provided in its Liquidity Agreement. Upon mandatory tender of the Bonds due to the expiration, substitution or voluntary termination of a Liquidity Agreement, interest will be paid on the mandatory tender date.

Book-Entry System of Registration and Payment. The Bonds are issued as Book-Entry-Only securities through The Depository Trust Company (“DTC”). Use of the DTC Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM”).

Paying Agent/Registrar. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will serve as the initial Paying Agent/Registrar and may resign at any time and may be replaced in accordance with the Order; provided, however, that upon any such resignation the District will promptly appoint a replacement with the consent of the Bank, if any. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each 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.

Tender Agent. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will serve as the initial tender agent (the “Tender Agent”), for the Bonds. All notices and Bonds required to be delivered to the Tender Agent shall be delivered to The Bank of New York Mellon Trust Company, N.A., Attn: Corporate Trust Department, 2001 Bryan Street, 10th Floor, Dallas, Texas 75201. In the event that the Book-Entry-Only System herein is discontinued and registered bonds are issued, all notices and Bonds are required to be delivered to The Bank of New York Mellon Trust Company, N.A., 2001 Bryan Street, 10th Floor, Dallas, Texas 75201.

Remarketing Agent and Remarketing Agreement. FHN Financial Capital Markets has been appointed to serve as the initial remarketing agent (the “Remarketing Agent”) for the Bonds. FHN Financial Capital Markets may be removed as Remarketing Agent and a successor may be appointed in accordance with the Order and the Remarketing Agreement between the Remarketing Agent and the District. The office of FHN Financial Capital Markets, for purposes of its duties as Remarketing Agent, is 920 Memorial City Way, 11th Floor, Houston, Texas 77024.

Pursuant to, and subject to the terms and conditions of, the Remarketing Agreement, the Remarketing Agent has agreed to use its best efforts to solicit offers to purchase the Bonds that have been tendered by the holders thereof pursuant to the Order and the Remarketing Agreement and to perform the other obligations of the Remarketing Agent for the Bonds as set forth in the Order and the Remarketing Agreement.

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

Permanent School Fund Guarantee. In connection with the sale of the Bonds, the District has made application to and received conditional approval from the Texas Commissioner of Education for guarantee of the Bonds under the Texas Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code, as amended). Subject to satisfying certain conditions discussed in “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas; however, the Permanent School Fund Guarantee is not effective with respect to the payment of the Purchase Price (as defined below) for tendered Bonds.

In the event of a default by the District in the payment of debt service on the Bonds, Owners will receive all principal and interest payments due on the Bonds from the corpus of the Permanent School Fund (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). The Permanent School Fund guarantee does not provide liquidity support for the Bonds, including for payment of the Purchase Price for the Bonds upon any optional or mandatory tender of the Bonds.

Legality. The Bonds are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas (legal opinion printed on or attached to the Bonds – see “LEGAL MATTERS” and “Appendix C – FORM OF LEGAL OPINION OF BOND COUNSEL”).

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

Interest Rate Modes

AS HEREAFTER DESCRIBED IN GREATER DETAIL, THE BONDS ARE SUBJECT TO CONVERSION AND REMARKETING INTO A SUBSEQUENT INTEREST RATE MODE AND PERIOD AT THE TIMES AND UPON THE CONDITIONS DESCRIBED IN THE BOND ORDER FOLLOWING A MANDATORY TENDER FOR PURCHASE OF SUCH BONDS. THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY IN THEIR HEREINAFTER-DEFINED RESPECTIVE INITIAL RATE PERIODS AND IS, THEREFORE, NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE BONDS AFTER CONVERSION TO ANY NEW INTEREST RATE MODE OR INTEREST RATE PERIOD (INCLUDING ANY SUBSEQUENT TERM RATE PERIOD). PURCHASERS OF THE BONDS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT FOR INFORMATION CONCERNING ANY INTEREST RATE PERIOD FOR THE BONDS OTHER THAN THE RESPECTIVE INITIAL RATE PERIODS.

The “Initial Rate Period” for the Subseries 2025-B1 Bonds shall mean the period commencing on the Date of Delivery and ending on August 14, 2028. During this Initial Rate Period, the Subseries 2025-B1 Bonds shall bear interest at the per annum rate of ____% which is the “Initial Rate” for the Subseries 2025-B1 Bonds. The “Initial Rate Period” for the Subseries 2025-B2 Bonds shall mean the period commencing on the Date of Delivery and ending on August 14, 2030. During this Initial Rate Period, the Subseries 2025-B2 Bonds shall bear interest at the per annum rate of ____% which is the “Initial Rate” for the Subseries 2025-B2 Bonds. At the end of the respective Initial Rate Periods, the Bonds shall be subject to mandatory tender without right of retention by the Owners, and thereafter, the Bonds will bear interest at the rate or rates, as determined by the Remarketing Agent, dependent upon the interest rate mode in which the Bonds are remarketed. Prior to conversion of the interest rate on the Bonds to a Fixed Rate, the Bonds may bear interest in a Flexible Rate mode or a Variable Rate mode effective for periods (“Flexible Rate Periods” in the case of a Flexible Rate mode and “Variable Rate Periods” in the case of a Variable Rate mode) selected or approved by the District. The rate of interest to be borne by the Bonds during any particular Flexible Rate Period or Variable Rate Period will be determined by the Remarketing Agent as described below under “THE BONDS – Determination of Interest Rates; Rate Mode Changes.” The Bonds may bear interest as follows:

Flexible Rate Mode. While the Bonds bear interest at Flexible Rates, the interest rate for each particular Bond will be determined by the Remarketing Agent in accordance with the Order and will remain in effect for the duration of the Flexible Rate Period (not less than the period set forth in the Liquidity Agreement, and not exceeding 270 calendar days). While the Bonds are in the Flexible Rate mode, Bonds may have successive Flexible Rate Periods of any duration of the period set forth in the Liquidity Agreement then in effect, and up to 270 calendar days each and any one Bond may bear interest at a Flexible Rate and for a Flexible Rate Period different from any other Bond.

Variable Rate Modes. In accordance with the Order, the Bonds may bear interest at a Variable Rate on a Weekly Rate or Term Rate basis, with the interest rate for each mode to be determined generally (excepting the Conversion Dates from one interest rate mode to another interest rate mode) as follows:

Weekly Rate. While the Bonds bear interest at a Weekly Rate, the interest rate on the Bonds will be determined on each Wednesday (or, if such day is not a Business Day, then on the preceding Business Day), which rate will be effective for a seven-day period commencing on the immediately following Thursday.

Term Rate. While the Bonds bear interest at a Term Rate, the interest rate will be determined for each Term Rate Period on a Business Day not less than one Business Day prior to the commencement of the Term Rate Period, which rate will be effective for the Term Rate Period.

The interest rate mode selected by the District will remain in effect until changed by the District by notice to the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent and, if a Liquidity Agreement is in effect, a Bank (as defined in the Order), in accordance with the Order. Notice of changes in interest rate modes will be given as described below (see “THE BONDS – Determination of Interest Rates; Rate Mode Changes”).

Determination of Interest Rates; Rate Mode Changes

Initial Rate. The Bonds will bear interest at the respective Initial Rates set forth on page 2 hereof during each respective Initial Rate Period. The Interest Payment Dates during the respective Initial Rate Periods will be on February 15 and August 15, commencing on August 15, 2025, and ending on each respective Conversion Date. Upon the Conversion Date following each respective Initial Rate Period, the Bonds will bear interest at the rate or rates, as determined by the Remarketing Agent, dependent upon the interest rate mode in which the Bonds are remarketed and which mode may thereafter be changed from time to time by the District, prior to conversion to a Fixed Rate, in the manner described below (see “Rate Mode Changes after each respective Initial Rate Period”). **The Bonds will be subject to mandatory tender for purchase without the right of Owners to retain the Bonds on the first Business Day after the end of each respective Initial Rate Period; provided, however, if the Remarketing Agent does not successfully**

remarket all the Bonds then subject to mandatory tender for purchase, the District has no obligation to purchase such Bonds and the mandatory tender will be rescinded until the Bonds are successfully remarketed or are redeemed by the District and the Bonds will bear interest at the Stepped Rate as provided herein (see “THE BONDS – Tender Provisions – *Effects of a Failed Remarketing*”).

Rate Mode Changes after each respective Initial Rate Period. The District may elect to convert the Bonds from one Variable Rate mode or the Flexible Rate mode to another Variable Rate mode or the Flexible Rate mode by notice given to the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent and, if a Liquidity Agreement is in effect, the Bank, at least 30 days prior to the Conversion Date. Such notice shall specify the proposed Conversion Date and the Variable Rate Period or Flexible Rate Period to which the conversion will be made, and in the case of conversion to a Term Rate Period, the duration of the Term Rate Period. Such notice shall also specify the conditions, if any, to the conversion and the consequences of such conditions not being fulfilled. While the Bonds bear interest at a Flexible Rate or a Variable Rate subsequent to the respective Initial Rate Periods, the Paying Agent/Registrar is required to give notice to the Owners of all Bonds of the conversion from one interest rate mode to another at the times described herein in the table under the caption “THE BONDS – Summary of Certain Provisions of the Bonds.” While the Bonds are in book-entry form, registered to DTC, such notice will be given only to DTC. **The Bonds will be subject to mandatory tender for purchase without the right of retention (i) at the end of any Flexible Rate Period or Term Rate Period and (ii) upon a conversion from a Variable Rate or Flexible Rate mode to another interest rate mode.**

Any conversion (a) from a Flexible Rate or Weekly Rate to a Term Rate with a duration of longer than one year; (b) from a Term Rate with a duration of longer than one year to a Flexible Rate, a Weekly Rate or a Term Rate with a different duration; (c) from each respective Initial Rate Period to a Term Rate Period or any other Rate Period; or (d) to a Fixed Rate will be conditioned on delivery of an opinion of nationally recognized bond counsel to the effect that the conversion will not adversely affect the excludability of interest on the Bonds from gross income of the Owners thereof for federal income tax purposes. If such opinion of Bond Counsel is not delivered, the conversion shall not occur, the Paying Agent/Registrar shall not deliver notice to the Owners and the Bonds shall not be converted but shall remain in the same interest rate mode. Bond Counsel expresses no opinion as to the effect on excludability from gross income for federal income tax purposes of any action taken which requires the receipt of an opinion of a nationally recognized bond counsel.

Conversion of interest rate modes must take place only on an Interest Payment Date (as defined in the Order) for the interest rate mode then in effect. In the case of Bonds in the Flexible Rate mode, the Conversion Date must also be the first Business Day of a month. While in a Term Rate mode, Bonds may be converted to a different interest rate mode only at the expiration of a Term Rate Period.

Any Owner of Bonds who may be unable to take timely action on any notice should consider whether to make arrangements for another person to act in his or her stead.

Determination of Interest Rates. Following each respective Initial Rate Period, each Flexible Rate or Variable Rate shall be the lowest rate of interest which in the judgment of the Remarketing Agent would cause the Bonds to have a market value equal to not less than 100% of the principal amount thereof plus accrued interest thereon under prevailing market conditions as of such Rate Determination Date (as defined in the Order), provided, that in certain situations, generation of premium in the remarketing of the Bonds may be permissible.

Absent manifest error, the determination by the Remarketing Agent of the Flexible Rates or Variable Rates to be borne by the Bonds will be conclusive and binding on the Owners of the Bonds, the District, the Paying Agent/Registrar, the Tender Agent, and a Bank then providing a Liquidity Agreement on the Bonds. Failure by the Paying Agent/Registrar to give notice to the Owners, or any defect therein, will not affect the interest rate borne by the Bonds or the rights of the Owners thereof. The District, the Tender Agent, the Paying Agent/Registrar and the Remarketing Agent shall not be liable to any Owners for failure to give any notice required under the Order or for the failure of any Owners to receive such notice.

In the event the Remarketing Agent fails for any reason to determine the Weekly Rate or to notify the Paying Agent/Registrar or Tender Agent when required under the Order for any Weekly Rate Period, the Weekly Rate for the Bonds will continue to be the Weekly Rate then in effect for the then current Weekly Rate Period, until the Remarketing Agent determines a new Weekly Rate. For any Bonds for which a Liquidity Agreement is in effect, in the event the Remarketing Agent fails for any reason to determine the Term Rate for any Term Rate Period, or provide notice thereof to the Paying Agent/Registrar or Tender Agent when required under the Order, the Term Rate shall be (A) converted to a Weekly Rate Period with a Weekly Rate equal to 100% of the commercial paper rate (thirty (30) days) for the most recent date shown in the table captioned “Short-Term Tax-Exempt Yields” in the edition of *The Bond Buyer* (or if *The Bond Buyer* or such table is no longer published, any other published similar rate as is determined by the District in its sole discretion to be appropriate) published on the day on which such rate is determined or, if such rate is not published on that day, the most recent publication of such rate, with Weekly Rate Periods, until the Remarketing Agent determines a new Weekly Rate for such Bonds, but only if the District delivers to the Paying Agent/Registrar an Opinion of Bond Counsel, or (B) if the Opinion of Bond Counsel in clause (A) is not delivered, converted to a Term Rate for a Term Rate Period ending on the day prior to

the next succeeding August 15, which Term Rate shall equal to 100% of the one-year rate for the most recent date shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of *The Bond Buyer* (or if *The Bond Buyer* or such table is no longer published, any other published similar rate as is determined by the District in its sole discretion to be appropriate) published on the day on which such rate is determined or, if such rate is not published on that day, the most recent publication of such rate, until the Paying Agent/Registrar is notified of a new Term Rate and Term Rate Period for such Bonds. In the event the Remarketing Agent fails for any reason to determine the Flexible Rate or Flexible Rate Period for any Bond, or provide notice thereof to the Paying Agent/Registrar or Tender Agent when required under the Order, the Flexible Rate Period for such Bond shall be a Seven Day Flexible Rate Period (or a Daily Flexible Rate Period if provided for in the Liquidity Agreement then in effect) and the Flexible Rate for such Bond shall be equal to 100% of the commercial paper rate (thirty (30) days) for the most recent date shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of *The Bond Buyer* (or if *The Bond Buyer* or such table is no longer published, any other published similar rate as is determined by the District in its sole discretion to be appropriate) published on the day on which such rate is determined or, if such rate is not published on that day, the most recent publication of such rate, until the Remarketing Agent determines a new Flexible Rate Period and Flexible Rate for such Bond. **In no event will the interest rate borne while the Bonds are in any mode, including the Stepped Rate, exceed 10% per annum or such higher rate of interest as is approved by the District and covered by an amendment to the Order and a Liquidity Agreement (if applicable), but in no event may the interest rate exceed the lesser of (a) 15% per annum or (b) the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended (or any successor provision).**

Notice of Rates. The Paying Agent/Registrar will notify the Owners of the Flexible Rates, Weekly Rates or Term Rates applicable to the Bonds at the times described below in the table under the caption "THE BONDS – Summary of Certain Provisions of the Bonds." Failure by the Paying Agent/Registrar to give notice of the rates to the Owners, or any defect therein, will not affect the interest rates borne by the Bonds or the rights of the Owners thereof.

Tender Provisions

During the respective Initial Rate Periods, the Bonds are not provided liquidity support pursuant to a Liquidity Agreement and are not subject to optional tender by the Owners thereof. The District, however, has reserved the right to acquire and execute a Liquidity Agreement in connection with the Bonds after each respective Initial Rate Period. In the event that a Liquidity Agreement is acquired, the Bonds will be subject to optional tender in the manner specified in the Order and described below. The Bonds are subject to mandatory tender on certain dates depending on the interest mode for the Bonds; provided, however, that in certain instances where there exists no Liquidity Agreement relating to the Bonds, which includes the Bonds during the respective Initial Rate Periods, a failure to remarket Bonds subject to mandatory tender will not constitute an event of default and, in such instance, the mandatory tender is deemed rescinded until the Remarketing Agent is able to remarket the Bonds or the District redeems the Bonds, all in accordance with the provisions of the Order. These instances are described below.

Optional Tender. While a Bank, if any, is obligated to advance funds to facilitate the purchase of Bonds pursuant to a Liquidity Agreement and the Bonds bear interest at a Weekly Rate, the Owners of the Bonds may tender their Bonds to the Tender Agent for purchase at par plus accrued interest to the tender date (the "Purchase Price") as summarized herein in the table under the caption "THE BONDS – Summary of Certain Provisions of the Bonds."

Payment of the Purchase Price of the Bonds to be purchased upon an optional tender as described herein will be made by the Tender Agent by bank wire transfer in immediately available funds.

Interest on any Bond that the Owner thereof has elected to tender for purchase and that is not tendered on the optional tender date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue interest on the optional tender date. The Owner of such untendered Bond will not be entitled to any payment other than the Purchase Price for such Bond, and such untendered Bond will no longer be outstanding or entitled to the benefits of the Order, except for the payment of the Purchase Price thereof from money held by the Tender Agent for such payment. On the optional tender date, the Paying Agent/Registrar is required to authenticate and deliver substitute Bonds in lieu of such untendered Bonds.

Mandatory Tender. The Bonds are required to be tendered for purchase and the Owner shall not have the right to elect to retain their Bonds: (i) on the Conversion Date (or if such date is not a Business Day, the first Business Day thereafter) immediately following the end of each respective Initial Rate Period, (ii) for each Bond bearing interest at a particular Flexible Rate or Term Rate, and for which a Liquidity Agreement is then in effect, on the Business Day immediately following the last day of the Flexible Rate Period or Term Rate Period, as applicable, for that Bond, (iii) on the effective date of any change between interest rate modes, (iv) on the Fixed Rate Conversion Date as described under "Conversion To Fixed Rate" herein, and (v) upon the occurrence of certain Specified Events (as defined in the Order) under a Liquidity Agreement.

In addition, while a Bank is obligated to advance funds to facilitate the purchase of Bonds pursuant to a Liquidity Agreement, at all times prior to conversion to a Fixed Rate or a redemption or prepayment of the Bonds, the Bonds will be subject to mandatory tender without the right of retention at the Purchase Price on the second Business Day prior to (a) the expiration of a Liquidity Agreement, (b) the substitution of or assignment to a new liquidity bank, or (c) the day on which any voluntary termination of a Liquidity Agreement by the District becomes effective; provided, however, no such mandatory tender and purchase under clause (a) will be required if prior to the date of the tender notice described in the next paragraph a Liquidity Agreement is renewed.

The Paying Agent/Registrar is required to give notice of mandatory tender to the Owners of the Bonds that are subject to mandatory tender as a result of the expiration of a Liquidity Agreement, voluntary termination of a Liquidity Agreement or the substitution of or assignment to a new liquidity bank. Such notice is required to be mailed not less than 30 days prior to the mandatory tender date for Bonds.

Payment of the Purchase Price of Bonds to be purchased upon mandatory tender as described herein will be made by the Tender Agent by wire transfer in immediately available funds.

Interest on any Bond that is not tendered on the mandatory tender date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the mandatory tender date. Thereafter, the Owner of such Bond will not be entitled to any payment other than the Purchase Price for such Bond from money held by the Tender Agent for such payment, and such Bond will not otherwise be outstanding or entitled to the benefits of the Order. On the mandatory tender date, the Paying Agent/Registrar will authenticate and deliver substitute Bonds in lieu of such untendered Bonds.

Remarketing and Purchase. While the Bonds are not subject to optional tender by the Owners thereof during the respective Initial Rate Periods, if after the respective Initial Rate Periods an Owner exercises its right to optionally tender its Bonds, or if any Bonds become subject to mandatory tender (other than a mandatory tender in connection with a Specified Event or the expiration or termination of a Liquidity Agreement), the Remarketing Agent is required to use its best efforts to sell such Bonds at a price equal to not less than 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming tender date.

The Purchase Price of Bonds tendered for purchase is required to be paid by the Tender Agent from the following sources in the order of priority indicated: (a) first, from money derived from the remarketing of such Bonds by the Remarketing Agent; and (b) second, from money derived under a Liquidity Agreement, if any; provided, however, should the date for the tender of the Bonds occur on an Interest Payment Date, the accrued interest portion of the Purchase Price is to be paid by the District. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase will be consummated.

Effects of a Failed Remarketing. If the Bonds are subject to mandatory tender because (i) the respective Initial Rate Periods are expiring or (ii) the Bonds are being converted to a new interest rate mode, including a new Term Rate Period from an existing Term Rate Period, and there then exists no Liquidity Agreement relating to the Bonds (and there was no Liquidity Agreement upon the commencement of the then-expiring Term Rate Period), then the Bonds shall be subject to mandatory tender on the applicable Conversion Date; provided, however, that in the event that such Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the District shall have no obligation to purchase the Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Order or the Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the Bonds subject to such failed remarketing only, and such Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Bonds, (iii) will bear interest at the Stepped Rate from the date of the failed remarketing until purchased upon a subsequent remarketing or redemption (the "Stepped Rate Period"), (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the District's discretion upon delivery of at least one day's notice to the Owners of Bonds bearing interest at the Stepped Rate), and (v) will be deemed to continue in the then-applicable Rate Period for all other purposes of the Order, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the Order. In the event of a failed conversion and remarketing as described above, the District has covenanted in the Order to cause the Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at not less than par, in such interest rate mode or modes as the District directs, at a rate not exceeding the Maximum Interest Rate (which is currently 10% under the terms of the Order). The Order provides that, with respect to the respective Initial Rate Periods, the Stepped Rate means a rate per annum equal to ____% until the Bonds are redeemed or remarketed, calculated on the basis of a 360-day year of twelve 30-day months and the number of days actually elapsed.

Summary of Certain Provisions of the Bonds

The table below summarizes the following information with respect to Bonds bearing interest at a Weekly Rate, a Term Rate or a Flexible Rate:

- (a) the dates on which interest will be paid (the “Interest Payment Dates”),
- (b) the date on which each interest rate will be determined (the “Rate Determination Date”),
- (c) the date on which each interest rate will become effective and the period of time each interest rate will be in effect (the “Effective Date of Rate, Duration of Rate Period”),
- (d) the requirements for notice to Owners of interest rate adjustments (the “Written Notice of Rate”),
- (e) the dates on which Owners may tender their Bonds for purchase to the Tender Agent and the notice requirements therefor (the “Optional Tender Dates; Owner’s Notice of Optional Tender”),
- (f) the requirements for physical delivery of tendered Bonds and payment provision therefor (“Physical Delivery of and Payment of Bonds Subject to Optional Tender”) and (“Physical Delivery of and Payment of Bonds Subject to Mandatory Tender”),
- (g) the notice requirements in order to change from one interest rate mode to a different interest rate mode (“Written Notice of Rate Mode Change”),
- (h) the date on which Bonds are subject to mandatory tender for purchase in the event of a change from one interest rate mode to a different interest rate mode, or at the end of a Flexible Rate Period or Term Rate Period (“Mandatory Purchase Date Upon Rate Mode Change, End of Flexible Rate Period or Term Rate Period”), and
- (i) the rescission of a mandatory tender notice upon a failed remarketing upon a conversion to a new interest rate mode (“Rescission of Mandatory Tender Notice upon failed remarketing; No Event of Default; Bonds bear interest at Stepped Rate during Stepped Rate Period”).

All times shown are Eastern Time. A “Business Day” is defined in the Order to be a day other than (a) a Saturday, Sunday or legal holiday, or (b) a day on which banking institutions located in New York, New York, Dallas, Texas, or in any city in which the corporate trust office or designated payment/transfer office of the Paying Agent/Registrar, the Tender Agent or the Bank or the primary office of the Remarketing Agent are located, are required or authorized by law to remain closed, or (c) a day on which the New York Stock Exchange or DTC is closed. Any payments required to be made on any day which is not a Business Day may be made instead on the next succeeding Business Day, and no interest shall accrue on such payments in the interim.

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	WEEKLY RATE	TERM RATE	FLEXIBLE RATE
Interest Payment Dates	First Business Day of each calendar month.	First February 15 or August 15 of the Term Rate Period and each February 15 and August 15 thereafter.	For a Flexible Rate Period 183 days or shorter, the first Business Day after the last day of the Flexible Rate Period; for a Flexible Rate Period longer than 183 days, the first Business Day after the last day of the Flexible Rate Period and each February 15 and August 15 occurring within such Flexible Rate Period.
Rate Determination Date	Weekly Rate determined by 12:00 p.m. on the Business Day immediately preceding the commencement date of the Weekly Rate Period to which it relates.	Term Rate determined no later than 12:00 p.m. on a Business Day not less than one (1) Business Day preceding effective date of rate.	Flexible Rate determined no later than 12:00 p.m. on the Business Day immediately preceding effective date of rate.
Effective Date of Rate; Duration of Rate Period	Thursday following each Rate Determination Date; Weekly Rate effective through Wednesday of next week.	Commencement date of Term Rate Period; Term Rate effective until the end of the last day of the Term Rate Period.	Commencement date of Flexible Rate Period; Flexible Rate effective until the end of the last day of the Flexible Rate Period.
Written Notice of Rate ^(A)	Paying Agent/Registrar will promptly notify DTC of Weekly Rate and if the Book-Entry-Only System is discontinued, will give by first class mail or electronic means to the Owners notice within 7 Business Days after each Interest Payment Date.	Paying Agent/Registrar will promptly notify DTC of Term Rate and if the Book-Entry-Only System is discontinued, will give by first class mail or electronic means to the Owners notice within 7 Business Days after each Rate Determination Date.	Owner to receive notice of Flexible Rate at time of acceptance of purchase commitment.
Optional Tender Dates; Owner's Notice of Optional Tender	Purchase on any Thursday, or if such Thursday is not a Business Day on the next following Business Day; Written notice to Tender Agent by Owner at or prior to 3:00 p.m. on any Business Day not less than 7 calendar days prior to optional tender date.	Not applicable.	Not applicable.
Physical Delivery* of and Payment of Bonds Subject to Optional Tender *(subject to DTC procedures)	To Tender Agent by 5:00 p.m. on Business Day prior to purchase date or 12:00 a.m. on purchase date if Bonds held in Book-Entry-Only System; payment by 2:30 p.m. on designated purchase date.	Not applicable.	Not applicable.
Physical Delivery* of and Payment of Bonds Subject to Mandatory Tender *(subject to DTC procedures)	To Tender Agent by 5:00 p.m. on Business Day prior to purchase date or 12:00 p.m. on purchase date if Bonds held in Book-Entry-Only System; payment by 2:30 p.m., on purchase date.	To Tender Agent by 5:00 p.m. on Business Day prior to purchase date or 12:00 p.m. on purchase date if Bonds held in Book-Entry-Only System; payment by 2:30 p.m., on purchase date.	To Tender Agent by 5:00 p.m. on Business Day prior to purchase date or 12:00 p.m. on purchase date if Bonds held in Book-Entry-Only System; payment by 2:30 p.m., on purchase date.
Written Notice of Rate Mode Change ^(A)	Paying Agent/Registrar to mail Owners notice at least 20 days prior to effective date of rate mode changes.	Paying Agent/Registrar to mail notice to Owners at least 20 days prior to effective date of rate mode change.	Paying Agent/Registrar to mail notice to Owners at least 20 days prior to effective date of rate mode change.
Mandatory Purchase Date Upon Rate Mode Change, End of Flexible Rate Period or Term Rate Period	Effective date of rate mode change (the "Conversion Date").	Effective date of rate mode change (the "Conversion Date"); commencement date of new Term Rate Period.	Effective date of rate mode change (the "Conversion Date"); commencement date of new Flexible Rate Period.
Rescission of Mandatory Tender Notice upon failed remarketing; No Event of Default; Bonds bear interest at Stepped Rate during Stepped Rate Period	Not applicable.	Subject to mandatory tender because of an interest rate conversion to a new interest rate mode, including a new Term Rate Period and there then exists no related Liquidity Agreement (nor was there upon the commencement of the then-expiring Term Rate Period).	Not applicable.

^(A) While the Bonds are registered in the name of Cede & Co., as nominee for DTC, all notices will be given to Cede & Co. only, which alone will be responsible for providing such notices to the beneficial owners (see "BOOK-ENTRY-ONLY SYSTEM").

Conversion to Fixed Rate

The Order provides that at the option of the District, the Bonds bearing interest at an Initial Rate, the Stepped Rate, a Variable Rate or a Flexible Rate may be converted, in whole or in part, to a Fixed Rate or Rates on the following dates: (i) the Fixed Rate Conversion Date for a conversion from a Variable Rate Period or a Flexible Rate Period shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which conversion is to be made or an Interest Payment Date on which interest is payable for all Flexible Rate Bonds to be converted, (ii) if the conversion is from a Term Rate Period, the Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have begun, (iii) any Bonds purchased by a Bank pursuant to a Liquidity Agreement ("Purchased Bonds") or Bonds bearing interest at a Stepped Rate may be converted to a Fixed Rate or Rates on any Business Day; and (iv) the Conversion Date for a conversion from an Initial Rate or the Stepped Rate shall be the Conversion Date immediately following the end of each respective Initial Rate Period or such other date as may be established pursuant to the Order. In the event of a partial conversion, the Paying Agent/Registrar shall select by lot or other customary random method the Bonds to be converted to a Fixed Rate; provided that Purchased Bonds, if any, and Bonds bearing interest at the Stepped Rate, if any, shall be converted prior to any other Bonds, and Purchased Bonds, if any, shall be converted prior to any Bonds bearing interest at the Stepped Rate. Upon conversion to a Fixed Rate mode, the converted Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof for any one maturity. The Bonds will be subject to mandatory tender without the right of retention upon any conversion to a Fixed Rate.

To convert to a Fixed Rate, the District must deliver to the Paying Agent/Registrar, the Remarketing Agent, the Tender Agent and a Bank written notice at least 30 days prior to the date on which the Fixed Rate mode is to become effective (the "Fixed Rate Conversion Date"). The Bonds converted to a Fixed Rate on a Fixed Rate Conversion Date shall mature, be subject to redemption and have the same terms and features as set forth in the Order. Notwithstanding the previous sentence, in connection with a conversion to a Fixed Rate, the District may elect, at its sole option, to provide for serial or term maturities, revised redemption provisions and other terms applicable to the pricing of the Bonds on and after the Fixed Rate Conversion Date. If the District so elects, the serial or term maturities for the Bonds converted to a Fixed Rate shall be determined on the basis of providing debt service payments in amounts proportionate to the pro forma debt service payments for the Bonds, reflected in "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT – Table 11" attached hereto commencing in the fiscal year in which the conversion occurs and any revised redemption provisions shall provide for such Fixed Rate Bonds to be subject to optional redemption, in whole or in part, without premium on the redemption date, which shall be at the lesser of (i) 10 years from the February 15 or August 15 next preceding the Fixed Rate Conversion Date or (ii) 55.0% of the term of the Bonds, rounded to the nearest February 15 or August 15 remaining at the time of conversion. In addition, the District must deliver to the Paying Agent/Registrar and Remarketing Agent prior to the Fixed Rate Conversion Date an opinion of nationally recognized bond counsel to the effect that the conversion to the Fixed Rate is authorized under the provisions of the Order and will not adversely affect the exclusion of interest on the Bonds from gross income of the Owners thereof for federal income tax purposes.

The Paying Agent/Registrar is required to give notice by mail to all Owners of the conversion to a Fixed Rate not less than 15 calendar days prior to the Fixed Rate Conversion Date. Such notice is required to inform bondholders of the following: (i) the proposed Fixed Rate Conversion Date; (ii) the Conversion to a Fixed Rate is subject to the District delivering to the Paying Agent/Registrar and the Remarketing Agent an Opinion of Bond Counsel, and upon the Fixed Rate Conversion Date, sufficient funds shall be available to purchase Bonds which are then required to be tendered; and (iii) bondholders shall not have the right to waive mandatory tender and that Bonds not delivered to the Tender Agent for purchase shall be deemed tendered on such date and that after such date bondholders will not be entitled to any payment (including interest to accrue subsequent to the required purchase date) other than the Purchase Price and the undelivered Bonds shall no longer be entitled to the benefit of the Order.

Not later than 12:00 p.m., New York City time, on or before the seventh (7th) Business Day preceding the Fixed Rate Conversion Date, the Remarketing Agent will, in consultation with and subject to the approval of the District, determine the Fixed Rate or Rates which will cause the Bonds to have a market value equal to not less than the principal amount thereof (except that the market value of the Bonds may exceed par for the purpose of obtaining the lowest reoffering yield to the District and to pay remarketing costs, but the tendering Owners will only receive the Purchase Price of the tendered Bonds) and give notice thereof to the Paying Agent/Registrar. The Paying Agent/Registrar will then give notice of such Fixed Rate or Rates by first class mail to the Tender Agent, the Bank, if any, and the Owners of the Bonds (as of the Fixed Rate Conversion Date).

In determining the Fixed Rate, the Remarketing Agent shall take into account to the extent applicable (1) market interest rates for comparable securities which are held by institutional and private investors with substantial portfolios (a) with a term equal to the period to maturity remaining on the Bonds, (b) the interest on which is exempt from federal income taxation, (c) rated, if the Bonds are rated, by a rating agency in the same rating category as the Bonds, (d) with security or credit support similar to the Bonds, and (e) with redemption provisions similar to those of the Bonds; (2) other financial market rates and indices which have a bearing on the fixed rate (including but not limited to rates borne by general obligation bonds, United States Treasury obligations, commercial bank prime rates, certificate of deposit rates, federal funds rates, indices maintained by *The Bond Buyer*, and other publicly available tax-

exempt interest rate indices); (3) general financial market conditions (including current forward supply); and (4) industry, economic, or financial conditions which may affect or be relevant to the Bonds.

After the Fixed Rate Conversion Date, the Owners of converted Fixed Rate Bonds will have no right to tender their Bonds for purchase and those Bonds will not be subject to mandatory tender for purchase.

Optional Redemption

Each Subseries of the Bonds is not subject to optional redemption during the respective Initial Rate Periods, but is subject to optional redemption on the first Business Day after the end of the respective Initial Rate Periods. After the respective Initial Rate Periods, during any Weekly Rate or Flexible Rate Period, the Bonds are subject to redemption at the option of the District on any Interest Payment Date, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Bonds bearing interest at a Term Rate are subject to redemption at the option of the District, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, on the first Business Day after the last day of any Term Rate Period. Purchased Bonds and Bonds bearing interest at the Stepped Rate are subject to optional redemption on any Business Day. Upon conversion to a Fixed Rate, the Bonds are subject to redemption at the option of the District, in whole or in part, on the dates and at the redemption prices determined by the District on the Fixed Rate Conversion Date. In addition to the foregoing and notwithstanding the notice provisions described below, the District, at its option, may purchase for cancellation or redeem any Bond subject to mandatory tender on any mandatory tender date therefor without notice, other than the notice of mandatory tender, to any Owner, at a price equal to the principal amount thereof plus any accrued and unpaid interest.

Mandatory Redemption

Scheduled Mandatory Redemption. The Bonds are subject to mandatory redemption prior to stated maturity. The amount of Bonds redeemed shall be the sum of the Minimum Mandatory Redemption plus the Additional Mandatory Redemption (described below), if any, for each respective year.

Subseries 2025-B1 Bonds Due August 15, 2055

<u>Redemption Date</u>	<u>Minimum Mandatory Redemption^(A)</u>
August 15, 2044	\$ 5,370,000
August 15, 2045	7,230,000
August 15, 2046	7,545,000
August 15, 2047	7,925,000
August 15, 2048	8,315,000
August 15, 2049	7,440,000
August 15, 2050	7,815,000
August 15, 2051	8,210,000
August 15, 2052	8,615,000
August 15, 2053	9,045,000
August 15, 2054	9,715,000
August 15, 2055 ^(B)	10,200,000

Subseries 2025-B2 Bonds Due August 15, 2055

<u>Redemption Date</u>	<u>Minimum Mandatory Redemption^(A)</u>
August 15, 2044	\$ 5,345,000
August 15, 2045	7,230,000
August 15, 2046	7,540,000
August 15, 2047	7,915,000
August 15, 2048	8,315,000
August 15, 2049	7,440,000
August 15, 2050	7,810,000
August 15, 2051	8,200,000
August 15, 2052	8,615,000
August 15, 2053	9,045,000
August 15, 2054	9,710,000
August 15, 2055 ^(B)	10,200,000

^(A) Preliminary, subject to change.

^(B) Scheduled final maturity. Preliminary, subject to change.

Additional Mandatory Redemption. In addition, in each fiscal year in which the Bonds are outstanding and accruing interest at a Flexible Rate or a Weekly Rate, the District shall budget for such fiscal year and levy taxes for the payment of interest on the Bonds at a rate equal to at least 5% per annum; provided, the actual rate shall be used if it exceeds 5% per annum. At the end of the fiscal year the District shall determine whether the interest paid on the Bonds in such fiscal year is less than the budgeted amount at a rate of 5%. If the amount of interest paid on the Bonds is less than an amount equal to a 5% interest rate, the District shall cause the difference between the amount budgeted at a 5% interest rate and the amount paid on the Bonds ("Excess Interest Funds") to be allocated and appropriated for the payment of the mandatory redemption of Bonds on the first August 15 (or such later date described below) next following the end of such fiscal year that such "Excess Interest Funds" were generated; provided the amount of such Excess Interest Funds is equal to or greater than \$100,000. In each fiscal year when the amount of Excess Interest Funds is equal to or greater than \$100,000, the District shall cause Bonds in a principal amount equivalent to, the Excess Interest Funds to be redeemed on the August 15 next following the end of such fiscal year that such "Excess Interest Funds" were generated (or the first optional redemption date next following such August 15 if such August 15 is not also an optional redemption date for Bonds in the Flexible Rate or Weekly Rate mode, as applicable) at the redemption price of par plus accrued interest to the date of redemption. The

mandatory redemption of Bonds in accordance with the provision of this paragraph (“Additional Mandatory Redemption”) shall be in addition to the amount of Bonds to be redeemed pursuant to the Minimum Mandatory Redemption provisions described above. The principal amount of Bonds subject to Minimum Mandatory Redemption shall be reduced, in inverse chronological order of redemption dates, by the amount of Bonds previously redeemed pursuant to the Additional Mandatory Redemption provisions.

At least 45 days prior to each mandatory redemption date for the Bonds, the District will notify the Paying Agent/Registrar in writing of the principal amount of Bonds to be mandatorily redeemed on such redemption date, and instruct the Paying Agent/Registrar to select by lot or other customary random selection method the Bonds or portions thereof to be redeemed.

Bonds to be redeemed in any year by mandatory redemption shall be redeemed at par, plus accrued interest to the date of redemption, and shall be selected by lot. The District, at its option, may credit against any mandatory redemption requirement, Bonds which have been purchased by the District, using funds other than remarketing proceeds or moneys drawn under a Liquidity Agreement, at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase and canceled by or on behalf of the District, or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Special Mandatory Redemption. Pursuant to the Order and any Liquidity Agreement acquired in the future, under certain circumstances Bonds held by a Bank may be subject to special mandatory redemption. No such provisions apply to the Bonds while in the respective Initial Rate Periods.

Notice of Redemption

Except as otherwise provided, the Paying Agent/Registrar is required to cause notice of any redemption of Bonds to be mailed to each Rating Agency and Owner of Bonds to be redeemed at the respective addresses appearing in the registration books for the Bonds. Notice of redemption is required to (i) be mailed at least one Business Day prior to the redemption date with respect to Purchased Bonds and Bonds bearing interest at the Stepped Rate; at least 10 days prior to the redemption date with respect to Bonds bearing interest at a Flexible Rate or a Variable Rate, unless the redemption date is also a Conversion Date with respect to the remarketing of the remaining portion of the Bonds in which case no notice shall be required; and at least 30 days prior to the redemption date with respect to a Bond bearing interest at a Fixed Rate; (ii) identify the Bonds to be redeemed (specifying the numbers assigned to the Bonds); (iii) specify the redemption date and the redemption price; and (iv) state that (A) on the redemption date the Bonds called for redemption will be payable at the designated payment/transfer office of the Paying Agent/Registrar, and (B) from the redemption date interest will cease to accrue.

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

With respect to any redemptions at the option of the District, such notice shall be conditional upon moneys being on deposit with the Paying Agent/Registrar on or prior to the redemption date in an amount sufficient to pay the redemption price on the redemption date. If sufficient moneys are not received, such notice shall be of no force and effect, the Paying Agent/Registrar shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

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

If notice of redemption is given as described above and if due provision for the payment of the redemption price is made, then the Bonds that are to be redeemed thereby will automatically be deemed to have been redeemed prior to their scheduled maturity, and will not bear interest after the redemption date, nor will they be regarded as being outstanding except for the right of the Owner thereof to receive the redemption price from the Paying Agent/Registrar.

Sources and Uses of Funds

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

Sources:

Principal Amount of the Bonds	\$
Original Issue Reoffering Premium on the Bonds	
Total Sources of Funds	\$

Uses:

Deposit to Construction Fund	\$
Costs of Issuance and Underwriters' Discount	
Deposit to Interest and Sinking Fund ^(A)	
Total Uses of Funds	\$

^(A) Represents excess premium used for capitalized interest.

DEFEASANCE

The Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities (defined herein), certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Order provides that "Defeasance Securities" means any securities or obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Bonds. The Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. Current Texas law permits defeasance with the following types of securities: (1) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished 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. The Texas Permanent School Fund Guarantee for the Bonds is released at such time as a defeasance of the Bonds occurs.

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, Owners may 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 as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

AMENDMENTS TO THE ORDER

In the Order, the District has reserved the right to amend the Order without the consent of or notice to any Owners, from time to time and at any time, in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. Without limiting the foregoing, the District may also amend or supplement the Order without notice to or the consent of any Owner in the following manner for any of the following purposes; provided, however, that any amendment or supplement shall not take effect until, so long as a Liquidity Agreement is in effect, the Bank shall have consented in writing to such change: (a) to modify the Order or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States; (b) to authorize different Authorized Denominations of the Bonds and to make correlative amendments and modifications to the Order regarding exchangeability of Bonds of different Authorized Denominations, redemptions of portions of Bonds of particular Authorized Denominations and similar amendments and modifications of a technical nature; (c) to increase or decrease the number of days specified for the giving of notices regarding interest rates and Rate Period conversions and to make corresponding changes to the period for notice of redemption or tender of the Bonds provided that no decreases in any such number of days shall become effective except while the Bonds bear interest at a Variable Rate and until thirty (30) days after the Paying Agent/Registrar has given notice to the Owners of the Bonds; (d) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a Book-Entry System for the Bonds; (e) to make any change to the Order when all Bonds have been tendered to the Remarketing Agent pursuant to the terms of the Order, but have not been remarketed following such tender; provided, however, that the Remarketing Agent consents to such amendment or supplement; (f) to provide for the benefit of all of the Bonds a Liquidity Agreement, which may change the provisions for payment, remedies and other matters in a way which affects the Owners of Bonds; (g) effective upon any Conversion Date to a new Rate Period to make any amendment affecting only the Bonds being converted; or (h) increase the Maximum Interest Rate.

In addition, the District may, with the consent of Owners who own in the aggregate a majority of the principal amount of the Bonds then Outstanding, amend, add to, or rescind any of the provisions of the Order; provided that, without the consent of all Owners of Outstanding Bonds and while a Liquidity Agreement is in effect, the consent of the Bank, no such amendment, addition, or rescission shall: (a) change the sinking fund requirements, if any, interest payment dates, rights to tender or the maturity or maturities of the Outstanding Bonds; (b) reduce the rate of interest borne by any of the Outstanding Bonds; (c) reduce the amount of the principal or purchase price of or premium, if any, payable on the Outstanding Bonds; (d) modify the terms of payment of principal or purchase price of, premium, if any, or interest on the Outstanding Bonds, or impose any conditions with respect to such payments; (e) affect the rights of the Owners of fewer than all of the Outstanding Bonds; or (f) decrease the minimum percentage of the principal amount of Outstanding Bonds necessary for consent to any such amendment.

In addition, if moneys or investments have been deposited or set aside with the Paying Agent/Registrar for the defeasance of Bonds and those Bonds shall not have in fact been actually paid in full, no amendment to the provisions of the Order pertaining to the defeasance of Bonds shall be made without the consent of the Owner of each of those Bonds affected.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

REGISTERED OWNERS' REMEDIES

The Order provides that each of the following occurrences or events will be an event of default under the Order:

- (i) the failure to make payment of the principal of, redemption premium, if any, or interest on any of the Bonds when the same becomes due and payable; or
- (ii) default in the performance or observance of any other covenant, agreement, or obligation of the District, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any Owner to the District.

FAILURE TO REMARKET THE BONDS AT THE CONCLUSION OF THE RESPECTIVE INITIAL RATE PERIODS, OR AT THE CONCLUSION OF ANY SUBSEQUENT TERM RATE PERIOD IN WHICH THE BONDS ARE MARKETING AND SOLD WITHOUT THE BENEFIT OF A LIQUIDITY AGREEMENT, SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THE ORDER.

Upon the happening of any event of default under the Order, any Owner of the Bonds or an authorized representative thereof, including but not limited to a trustee or trustees therefor, may proceed against the District for the purpose of protecting and enforcing the rights of the Owners under the Order by mandamus or other suit, action, or special proceeding in equity or at law in any court of competent jurisdiction for any relief permitted by law, including the specific performance of any covenant or agreement contained in the Order, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners under the Order or any combination of such remedies. All such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

The Order provides that the remedies described above are not intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Order or under the Bonds or now or hereafter existing at law or in equity; provided, however, that the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under the Order. The exercise of any remedy conferred or reserved under the Order shall not be deemed a waiver of any other available remedy.

If the District defaults in the payment of principal or interest on the Bonds when due, and the State fails to honor the Permanent School Fund Guarantee as described above, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the Owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, as well as enforce rights of payment under the Permanent School Fund Guarantee, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371 which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the subcaption "THE BONDS – Authorization and Purpose"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, 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 Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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

Effect of Termination of Book-Entry-Only System

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Order the District retains the right to replace the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a legally qualified bank, trust company, financial institution or other agency duly qualified and legally authorized to serve and perform the

duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each 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 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) with respect to Bonds bearing interest at a Weekly Rate or Flexible Rate by federal funds by wire transfer within the continental United States upon written instruction from the Owner to the Paying Agent/Registrar, and, in absence of such written instruction, by check dated the Interest Payment Date and mailed by first class mail, (ii) with respect to Bonds bearing interest at an Initial Rate, a Term Rate or Fixed Rate, by check, dated as of the Interest Payment Date, and sent by first class mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address shown in the registration books on the applicable Record Date, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar at the request of and at the risk and expense of the Owner; provided, however, that so long as Cede & Co. (or other DTC nominee) is the Owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

Future Registration

In the event the Book-Entry-Only System is discontinued, printed Bond certificates will be delivered to the Owners of the Bonds and thereafter the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Owner or assignee of the Owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Following the Fixed Rate Conversion Date, neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation or transfer shall not be applicable to an exchange by the Owner of the uncalled balance of a Bond.

Record Date for Interest Payment

The record date ("Record Date") for determining ownership for an interest payment is (i) with respect to Bonds bearing interest at an Initial Rate, Weekly Rate, a Flexible Rate or a Term Rate, the close of business on the Business Day immediately preceding the Interest Payment Date, and (ii) with respect to Bonds bearing interest at a Fixed Rate, the fifteenth calendar day of the month immediately preceding the Interest Payment Date.

With respect to Bonds bearing interest at a Fixed Rate, in the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

Following the Fixed Rate Conversion Date, the Paying Agent/Registrar shall not be required to make any transfer 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, or with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the Owner of the uncalled balance of a Bond.

Replacement Bonds

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

LEGAL MATTERS

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

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District in connection with the issuance of the Bonds. Bond Counsel also advises the TEA in connection with its disclosure obligations under the federal securities laws, but Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions, "THE BONDS" (except under the subcaptions "General Description – *Permanent School Fund Guarantee*," "General Description – *Payment Record*," the fourth paragraph under "Notice of Redemption" and "Sources and Uses of Funds"), "DEFEASANCE," "AMENDMENTS TO THE ORDER," "REGISTERED OWNERS' REMEDIES" (first paragraph only), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS" (except for the last two sentences of this paragraph), "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS" (except for the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations"), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The District expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Cantu Harden Montoya LLP, Dallas, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds (see "Appendix C – FORM OF LEGAL OPINION OF BOND COUNSEL").

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the facilities financed or refinanced with proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion, and is not a guarantee of result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Collateral Federal Income Tax Consequences

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

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

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

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

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer and Student Fairness Coalition*, 490 S.W.3d 826 (Tex. 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the State Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and

article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that “[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements.” The Court also noted that:

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

Prior to the 2019 Legislative Session, a school district’s maximum M&O tax rate for a given tax year was determined by multiplying that school district’s 2005 M&O tax rate levy by an amount equal to a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the “Commissioner”). This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at \$1.00 per \$100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of \$1.50 per \$100 of taxable value (though certain school districts located in Harris County had special M&O tax rate authorizations allowing a higher M&O tax rate). School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to \$0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to \$0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between \$1.04 and \$1.17 per \$100 of taxable value). School districts received additional State funds in proportion to such taxing effort.

2023 Regular and Special Legislative Sessions

The regular session of the 88th Texas Legislature convened on January 10, 2023 and concluded on May 29, 2023. The Texas Legislature (the “Legislature”) meets in regular session in odd numbered years for 140 days. During the 88th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and administrative agencies that oversee school districts. 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 “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 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 any of the special sessions of the 88th Texas Legislature.

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

2025 Legislative Session

The regular session of the 89th Texas Legislature commenced on January 14, 2025 and concluded on June 2, 2025. As described above, the Governor may call special sessions when the Legislature is not in session. During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Contingent on voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature and signed into law by the Governor would increase: (1) the State mandated general homestead exemption of the appraised value for all homesteads from \$100,000 to \$140,000, (2) effective January 1, 2025, the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000, and (3) effective January 1, 2026, the exemption for tangible personal property used in the “production of income” from \$2,499 to \$125,000. Additionally, both houses of the Legislature passed legislation which was signed into law by the Governor 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. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District’s attendance based funding.

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

Local Funding for School Districts

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

State Compression Percentage. The State Compression Percentage 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 2024, the State Compression Percentage is set at 68.80%.

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 three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by \$1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2023 Legislative Sessions, a provision of the general appropriations act reduced the MCR for the 2023-2024 school year. It established \$0.6880 as the maximum rate and \$0.6192 as the floor. The MCR for the 2024-2025 school year is \$0.6855 and the floor is \$0.6169.

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. 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 public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. 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, and demographics of students in ADA, to make up most of a school district's Tier One entitlement under the Foundation School Program.

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 (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 districts), (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, 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 2023-2024 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 \$315 million for the 2023-2024 school year and \$320 million for the 2024-2025 school year.

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

Existing Debt Allotment, 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.

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. In the 2023 Legislative Sessions, the State 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 public school finance system prior to the enactment of the 2019 Legislation are 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 is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year. Additionally, school districts (through the fiscal year ending in 2025) and open-enrollment charter schools (through the fiscal year ending in 2024) are 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. 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 school year 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, Chapter 49 school districts are generally subject to a process known as "recapture," which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "*Options for Local Revenue Levels in Excess of Entitlement*." Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2024-2025 fiscal year, the District was designated as an "excess local revenue" district by the TEA. Accordingly, the District is required to exercise one of the wealth equalization options permitted under applicable State law. While the District is not projected to owe any recapture during the 2024-2025 fiscal year, the District has notified the TEA that it intends to reduce its wealth per student, if needed, pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein).

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

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

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

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

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

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

Effective January 1, 2024, an appraisal district may only increase the appraised value of real property during the 2024 tax year on 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 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding State fiscal year’s increase or decrease in the consumer price index, as applicable, to the applicable Maximum Property Value. After such time, the value limitation provisions for non-homestead properties described above will expire unless extended by future legislation.

State Mandated Homestead Exemptions. State law grants, with respect to each school district in the State, (1) a \$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.

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

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

the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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

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

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

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

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

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

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

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

Tax Increment Reinvestment Zones. A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment.” During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to

paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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

Tax Limitation Agreements. The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the 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 regular session of the 88th Texas Legislature, 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 ("Chapter 313"), but it contains significantly different provisions than the prior program under Chapter 313. 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 new economic development program and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

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

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

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 \$59,562,331 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 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. See “AD VALOREM PROPERTY TAXATION – Valuation of Taxable Property – *Temporary Exemption for Qualified Property Damaged by a Disaster*” for further information related to a discussion of the applicability of this section of the Property Tax Code.

District’s Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

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

The District grants a State mandated \$100,000 general residence homestead exemption.

The District grants a State mandated \$10,000 residence homestead exemption for persons 65 years of age or older and the disabled.

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

The District has not granted a local option, additional exemption for persons who are 65 years of age or older or disabled persons above the amount of the State mandated exemption.

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

The District does not tax non-business personal property.

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

The District exempts “freeport property” from taxation.

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

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

The District is not currently a participant in any tax abatement or tax limitation agreements.

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on March 6, 1965, in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 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 – Security”).

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, “exempt bonds”), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the “50-cent Test”). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district’s local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district’s I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the 50-cent Test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code as new debt and are, therefore, subject to the 50-cent Test. In connection with the issuance of the Bonds, the District does not expect to use State assistance or projected property values to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), and Fitch Ratings, Inc. ("Fitch") have assigned municipal bond ratings of "AAA" and "AAA", respectively, to the Bonds based upon the Permanent School Fund Guarantee. S&P and Fitch generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA" and "AAA", respectively (see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are "AA" by S&P and "AA" by Fitch.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

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

Legal Investments

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

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

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

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

Investment Policies

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

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

Current Investments

As of March 31, 2025 (unaudited), the District's investable funds were invested in the following investment instruments:

<u>Investment Instrument</u>	<u>Book Value</u>	<u>Percentage</u>
Lone Star Investment Pool ("Lone Star") ^(A)	\$ 305,971,095.16	28.46%
United States Treasuries	300,033,623.76	27.91%
Money Market Funds	156,283,260.90	14.54%
United States Agencies	119,548,741.43	11.12%
Texas Local Investment Pool ("TexPool") ^(A)	48,915,687.69	4.55%
Texas Short Term Asset Reserve Program ("TexSTAR") ^(A)	44,114,420.65	4.10%
Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS") ^(A)	43,646,823.74	4.06%
Texas Range Investment Program ("Texas Range") ^(A)	42,819,890.08	3.98%
PNC Bank Money Market Accounts	12,984,821.29	1.21%
Commercial Paper	741,299.10	0.07%
Total	<u>\$ 1,075,059,663.80</u>	<u>100.00%</u>

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

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the State's fiscal year ended August 31, 2024, the State contributed \$13,327,829 to TRS on behalf of the District. For the District's fiscal year ended June 30, 2024, District employees paid \$21,966,094 and other contributions into the Plan made from federal and private grants and the District for salaries above the statutory minimum were \$10,745,412. For more detailed information concerning the Plan, TRS's net pension liability with respect thereto and the District's proportionate share of such net pension liability, see Note 11 to the District's audited financial statements attached hereto as Appendix D.

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

In addition to the Plan and the TRS-Care Retired Plan, the District provides health care coverage for its employees. For a more detailed discussion of the District's medical benefit plan, see Note 15 to the audited financial statements of the District that are attached hereto as Appendix D.

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

WEATHER EVENTS

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

sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

CYBERSECURITY

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1 through 18 in "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements") that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D 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. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2025. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but 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 Financial Statements becomes available.

The District's current fiscal year end is June 30. Accordingly, the District must provide the Annual Operating Report by the last day of December in each year, and the Financial Statements for the preceding fiscal year 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 SEC, as permitted by Rule 15c2-12.

Notices of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices

or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District or obligated person, 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 its agreement described above under “Annual Reports.” Neither the Bonds nor the Order provide for debt service reserves, liquidity enhancement, or credit enhancement (except with respect to the Permanent School Fund Guarantee).

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in clauses (15) and (16) in the immediately preceding paragraph and the definition of Financial Obligation 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.

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

LITIGATION

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

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

FINANCIAL ADVISOR

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

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

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

UNDERWRITING

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

CONCLUDING STATEMENT

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

MISCELLANEOUS

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

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

Pricing Officer
Denton Independent School District

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

Table 1
ASSESSED VALUATION ^(A)

2024/25 Total Assessed Valuation.....	\$ 43,488,448,547
2024/25 Taxable Assessed Valuation.....	\$ 34,988,324,969
<u>Exemption</u>	<u>Total</u>
Residential Homestead.....	\$ 4,555,276,200
10% Residential Homestead Cap.....	1,441,696,988
20% Non-Homestead Property Cap.....	136,758,518
Over 65.....	147,654,580
Disabled Persons.....	3,486,139
Disabled/Deceased Veterans.....	441,506,343
Freeport.....	489,166,525
Pollution Control.....	35,909,261
Productivity Loss.....	1,247,455,388
Other.....	1,213,636
Total (19.55% of Total Assessed Valuation).....	<u>\$ 8,500,123,578</u>

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

Table 2
UNLIMITED TAX DEBT OUTSTANDING ^{(A)(B)}

Unlimited Tax Debt Outstanding (As of July 1, 2025).....	\$ 2,104,582,488	^(C)
Plus: The Bonds (Dated: July 1, 2025).....	194,790,000	^(D)
Plus: Unlimited Tax School Building Bonds, Series 2025-A (Dated: June 1, 2025).....	171,005,000	^(E)
TOTAL UNLIMITED TAX DEBT OUTSTANDING.....	\$ 2,470,377,488	^(C)
Less: Interest & Sinking Fund Balance (As of June 30, 2024).....	121,479,934	
NET UNLIMITED TAX DEBT OUTSTANDING.....	<u>\$ 2,348,897,554</u>	^(C)

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

^(B) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Limited Tax Debt Service Requirements" and "Table 16 - Capital Leases").

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

^(D) Preliminary, subject to change.

^(E) The District's Unlimited Tax School Building Bonds, Series 2025-A (the "Series 2025-A Bonds") were delivered on June 26, 2025.

2025 Population Estimate	239,359	Per Capita Total Assessed Valuation	\$ 181,687
2024/25 Enrollment	33,320	Per Capita Taxable Assessed Valuation	\$ 146,175
Area (square miles)	169.79	Per Capita Total Unlimited Tax Debt	\$ 10,321

Table 3
ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

Taxing Body	Gross Dollar Amount ^(A)	As Of	Percent Overlap	Dollar Overlap
Argyle, Town of ^(B)	\$ 7,460,000	07/01/25	**	\$ -
Aubrey, City of	79,558,000	07/01/25	47.30%	37,630,934
Bartonville, Town of	-	07/01/25	49.70%	-
Copper Canyon, Town of	800,000	07/01/25	29.00%	232,000
Corinth, City of	58,240,000	07/01/25	50.61%	29,475,264
Denton, City of	1,263,865,000	07/01/25	97.01%	1,226,075,437
Denton County	773,065,000	07/01/25	20.28%	156,777,582
Denton County FWSD No. 6	18,405,000	07/01/25	100.00%	18,405,000
Denton County FWSD No. 7	57,180,000	07/01/25	100.00%	57,180,000
Denton County FWSD No. 8-A	15,615,000	07/01/25	60.02%	9,372,123
Denton County FWSD No. 8-B	3,750,000	07/01/25	100.00%	3,750,000
Denton County FWSD No. 11-A	23,305,000	07/01/25	100.00%	23,305,000
Denton County FWSD No. 11-B	32,870,000	07/01/25	50.52%	16,605,924
Denton County FWSD No. 11-C	10,470,000	07/01/25	100.00%	10,470,000
Denton County MUD No. 4	8,915,000	07/01/25	100.00%	8,915,000
Denton County MUD No. 5	10,685,000	07/01/25	100.00%	10,685,000
Denton County MUD No. 6	95,575,000	07/01/25	99.61%	95,202,258
Denton County MUD No. 8	24,515,000	07/01/25	100.00%	24,515,000
Elm Ridge WC&ID	138,110,000	07/01/25	66.00%	91,152,600
Flower Mound, Town of	143,280,000	07/01/25	0.28%	401,184
Highway 380 MMD No. 1	137,235,000	07/01/25	93.86%	128,808,771
Little Elm, Town of	112,165,000	07/01/25	29.76%	33,380,304
Northlake MMD No. 1	99,710,000	07/01/25	0.02%	19,942
Oak Point, City of	1,255,000	07/01/25	31.96%	401,098
Oak Point WC&ID No. 4	13,050,000	07/01/25	16.19%	2,112,795
Prairie Oaks MUD	5,635,000	07/01/25	100.00%	5,635,000
Prosper, Town of	236,755,000	07/01/25	5.34%	12,642,717
Providence Village, Town of	14,612,000	07/01/25	30.99%	4,528,259
Shady Shores, Town of	1,290,000	07/01/25	81.38%	1,049,802
Denton ISD	\$ 2,470,377,488 ^{(C)(D)}	07/01/25	100.00%	\$ 2,470,377,488 ^{(C)(D)}
Total Direct and Overlapping Debt.....				\$ 4,479,106,482
Ratio of Direct Debt to Taxable Assessed Valuation.....				7.06%
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation.....				12.80%
Ratio of Direct and Overlapping Debt to Total Assessed Valuation.....				10.30%
Per Capita Direct and Overlapping Debt.....				\$18,713

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

^(B) Represents less than 0.01%.

^(C) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").

^(D) Includes the Bonds and the District's Series 2025-A Bonds delivered on June 26, 2025. Preliminary, subject to change.

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

Table 4
2024/25 TOTAL TAX RATES OF OVERLAPPING POLITICAL ENTITIES

Argyle, Town of.....	\$0.343111
Aubrey, City of.....	0.464000
Bartonville, Town of.....	0.173646
Copper Canyon, Town of.....	0.265990
Corinth, City of.....	0.514000
Denton, City of.....	0.585420
Denton County.....	0.187869
Denton County FWSD No. 6.....	0.658500
Denton County FWSD No. 7.....	0.658290
Denton County FWSD No. 8-A.....	0.759000
Denton County FWSD No. 8-B.....	0.477500
Denton County FWSD No. 11-A.....	0.716920
Denton County FWSD No. 11-B.....	0.787500
Denton County FWSD No. 11-C.....	0.730000
Denton County MUD No. 4.....	0.405000
Denton County MUD No. 5.....	0.545000
Denton County MUD No. 6.....	0.935000
Denton County MUD No. 8.....	1.000000
Elm Ridge WC&ID.....	0.880000
Flower Mound, Town of.....	0.387278
Highway 380 MMD No. 1.....	0.518000
Little Elm, Town of.....	0.559900
Oak Point, City of.....	0.430000
Oak Point WC&ID No. 4.....	0.310000
Prairie Oaks MUD.....	1.000000
Prosper, Town of.....	0.505000
Providence Village, Town of.....	0.479392
Shady Shores, Town of.....	0.290985

Source: Denton Central Appraisal District.

Table 5
PROPERTY TAX RATES AND COLLECTIONS

<u>Tax Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Percent Collections</u> ^(A)		<u>Fiscal Year Ended</u>
			<u>Current</u>	<u>Total</u>	
2019	\$ 20,562,497,749	\$1.4700	99.16%	99.79%	6-30-20
2020	22,051,446,436	1.4076	98.88%	99.91%	6-30-21
2021	24,238,406,773	1.3620	99.18%	100.23%	6-30-22
2022	28,397,614,473	1.3446	99.10%	99.64%	6-30-23
2023	31,791,626,154	1.1592	<u>99.15%</u>	<u>100.14%</u>	6-30-24
	Five Year Average.....		<u>99.09%</u>	<u>99.94%</u>	
2024	\$ 34,988,324,969	\$1.1569	98.50% ^(B)	98.89% ^(B)	6-30-25

^(A) Excludes penalties and interest.

^(B) Unaudited, partial collections as of April 30, 2025.

Source: District's Audited Financial Statements, Denton County Tax Assessor/Collector and Denton Central Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Denton Central Appraisal District updates records.

Table 6
TAX RATE DISTRIBUTION ^(A)

	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>
Local Maintenance ^(B)	\$0.6769	\$0.6792	\$0.8646	\$0.8820	\$0.9276
Interest & Sinking	<u>0.4800</u>	<u>0.4800</u>	<u>0.4800</u>	<u>0.4800</u>	<u>0.4800</u>
Total	<u>\$1.1569</u>	<u>\$1.1592</u>	<u>\$1.3446</u>	<u>\$1.3620</u>	<u>\$1.4076</u>

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

^(B) Beginning in year 2019/20, the District's Maintenance & Operations tax rate became subject to compression pursuant to House Bill 3 that was enacted during the 2019 legislative session (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" in the Official Statement).

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

Table 7
VALUATION AND UNLIMITED TAX DEBT HISTORY

<u>Fiscal Year</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Increase/ (Decrease) In Taxable Assessed Valuation Over Prior Year</u>	<u>Principal Amount Of Unlimited Tax Debt Outstanding At Year End</u> ^{(A)(B)}	<u>Ratio Of Unlimited Tax Debt To Taxable Assessed Valuation</u> ^{(A)(B)}
2020/21	\$ 22,051,446,436	7.24%	\$ 1,367,776,088	6.20%
2021/22	24,238,406,773	9.92%	1,308,438,717	5.40%
2022/23	28,397,614,473	17.16%	1,237,690,283	4.36%
2023/24	31,791,626,154	11.95%	2,142,646,665	6.74%
2024/25	34,988,324,969	10.06%	2,275,587,488 ^(C)	6.50% ^(C)

^(A) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").

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

^(C) Includes the District's Series 2025-A Bonds delivered on June 26, 2025.

Source: District records and Denton Central Appraisal District.

Table 8
HISTORICAL TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2024/25 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
BVF-V Souvenir 380 LLC	Apartments (Villages 3Eighty)	\$ 161,159,700	0.46%
Paccar, Inc.	Truck Manufacturer	116,192,452	0.33%
Target Corporation	Commercial Distribution Center	102,583,665	0.29%
Denton ICC-35 LLC	Business Park / Distribution Center	97,208,595	0.28%
Alta 3Eighty / Alta Denton Station	Apartments	95,000,100	0.27%
Atmos Energy / Mid-Tex Distribution	Oil & Gas Distribution	91,417,460	0.26%
800 Oak Point Investments LLC	Apartments (Mansions at Oak Point)	91,331,034	0.26%
Trdwind Timberlinks Borrower LLC	Apartments (The Timbers at Denton)	85,836,660	0.25%
Exeter Denton Land LP	Business Park / Distribution Center	85,324,312	0.24%
Mezzo Gardens LP ET AL	Apartments (Mezzo Apartments)	76,479,000	0.22%
Totals.....		<u>\$ 1,002,532,978</u>	<u>2.87%</u>

PRINCIPAL TAXPAYERS AND THEIR 2023/24 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
BVF-V Souvenir 380 LLC	Apartments (Villages 3Eighty)	\$ 159,387,000	0.50%
Paccar, Inc.	Truck Manufacturer	156,770,368	0.49%
Target Corporation	Commercial Distribution Center	102,570,652	0.32%
Columbia Medical Center of Denton	Hospital (Medical City Denton)	87,500,889	0.28%
Atmos Energy / Mid-Tex Distribution	Oil & Gas Distribution	85,636,790	0.27%
Trdwind Timberlinks Borrower LLC	Apartments (The Timbers at Denton)	81,000,000	0.25%
PS LPT Properties Investors	Self Storage	74,968,000	0.24%
32Hundred Windsor Gardens LP	Apartments (32Hundred Windsor)	73,750,000	0.23%
NREA Gardens, DST	Apartments (Gardens of Denton)	70,150,000	0.22%
WinCo Foods	Grocery Store	70,000,000	0.22%
Totals.....		<u>\$ 961,733,699</u>	<u>3.03%</u>

PRINCIPAL TAXPAYERS AND THEIR 2022/23 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Paccar, Inc.	Truck Manufacturer	\$ 122,573,087	0.43%
Southwire Company LLC	Wire and Cable Manufacturer	110,244,449	0.39%
WinCo Foods	Grocery Store	101,141,303	0.36%
Target Corporation	Commercial Distribution Center	94,458,974	0.33%
Columbia Medical Center of Denton	Hospital (Medical City Denton)	86,992,602	0.31%
BVF-V Souvenir 380 LLC	Apartments (Villages 3Eighty)	83,350,000	0.29%
Atmos Energy / Mid-Tex Distribution	Oil & Gas Distribution	69,411,290	0.24%
Trdwind Timberlinks Borrower LLC	Apartments (The Timbers at Denton)	65,030,537	0.23%
NREA Gardens, DST	Apartments (Gardens of Denton)	64,800,000	0.23%
Rayzor Ranch Marketplace Associates LLC	Real Estate - Retail Shopping Center	64,765,228	0.23%
Totals.....		<u>\$ 862,767,470</u>	<u>3.04%</u>

Source: Denton Central Appraisal District and District records.

Table 9
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Property Use Category	2024/25	2023/24	2022/23	2021/22	2020/21
Real Property:					
Single-Family Residential	\$ 28,495,053,971	\$ 27,212,884,642	\$ 21,610,997,460	\$ 16,610,525,354	\$ 14,773,775,541
Multi-Family Residential	3,996,514,790	3,625,584,474	2,986,332,803	2,450,717,414	2,287,420,879
Vacant Lots/Tracts	672,095,226	757,674,678	647,457,189	545,204,829	517,720,790
Acreage (Land Only)	1,276,368,872	1,353,050,481	1,056,251,999	907,142,067	885,572,592
Farm and Ranch Improvements	865,985,897	776,817,715	684,020,883	514,413,922	420,155,923
Commercial and Industrial	5,089,215,171	4,556,396,721	3,945,566,078	3,584,597,279	3,496,415,488
Inventory	472,698,857	561,847,623	392,684,657	356,156,858	313,824,222
Minerals, Oil and Gas	44,563,924	117,023,422	92,765,368	48,086,259	41,050,131
Tangible Personal Property:					
Business	2,170,718,919	1,828,629,288	1,637,892,370	1,529,780,864	1,504,607,742
Other	51,485,213	34,783,166	33,859,054	34,588,789	34,617,743
Real and Tangible Personal Property:					
Utilities	353,747,707	335,772,555	294,897,929	290,031,371	263,090,113
Total Assessed Valuation	\$ 43,488,448,547	\$ 41,160,464,765	\$ 33,382,725,790	\$ 26,871,245,006	\$ 24,538,251,164
Less Exemptions:					
Residential Homestead	\$ 4,555,276,200	\$ 4,112,597,287 ^(A)	\$ 1,612,594,751 ^(B)	\$ 956,066,923	\$ 926,936,930
10% Residential Homestead Cap	1,441,696,988	3,006,965,903	1,600,011,354	127,738,458	66,844,810
20% Non-Homestead Property Cap	136,758,518 ^(C)	-	-	-	-
Over 65	147,654,580	136,430,710	135,280,460	126,256,288	120,425,441
Disabled Persons	3,486,139	3,899,015	3,877,543	4,344,260	4,066,059
Disabled/Deceased Veterans	441,506,343	331,235,592	285,879,881	233,870,249	185,443,579
Freeport	489,166,525	409,565,876	280,629,436	276,319,619	293,880,453
Pollution Control	35,909,261	36,321,724	40,173,900	28,377,026	31,972,561
Productivity Loss	1,247,455,388	1,330,853,539	1,026,004,431	878,292,524	856,558,020
Other	1,213,636	968,965	659,561	1,572,886	676,875
Total Exemptions	\$ 8,500,123,578	\$ 9,368,838,611	\$ 4,985,111,317	\$ 2,632,838,233	\$ 2,486,804,728
Taxable Assessed Valuation	\$ 34,988,324,969	\$ 31,791,626,154	\$ 28,397,614,473	\$ 24,238,406,773	\$ 22,051,446,436

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

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

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

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

Table 10
PERCENTAGE OF TOTAL ASSESSED VALUATION BY CATEGORY

Property Use Category	2024/25	2023/24	2022/23	2021/22	2020/21
Real Property:					
Single-Family Residential	65.52%	66.11%	64.74%	61.82%	60.21%
Multi-Family Residential	9.19%	8.81%	8.95%	9.12%	9.32%
Vacant Lots/Tracts	1.55%	1.84%	1.94%	2.03%	2.11%
Acreage (Land Only)	2.93%	3.29%	3.16%	3.38%	3.61%
Farm and Ranch Improvements	1.99%	1.89%	2.05%	1.91%	1.71%
Commercial and Industrial	11.70%	11.07%	11.82%	13.34%	14.25%
Inventory	1.09%	1.37%	1.18%	1.33%	1.28%
Minerals, Oil and Gas	0.10%	0.28%	0.28%	0.18%	0.17%
Tangible Personal Property:					
Business	4.99%	4.44%	4.91%	5.69%	6.13%
Other	0.12%	0.08%	0.10%	0.13%	0.14%
Real and Tangible Personal Property:					
Utilities	0.81%	0.82%	0.88%	1.08%	1.07%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Denton Central Appraisal District.

Table 11
OUTSTANDING UNLIMITED TAX DEBT SERVICE ^(A)

Year ^(B)	Outstanding Debt Requirements		Plus: The Bonds - Debt Requirements ^(C)		Plus: Unlimited Tax School Building Bonds, Series 2025-A - Debt Requirements		Total	Percent
	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service Requirements	Of Principal Retired
2024/25	\$ 62,627,487.80	\$ 106,895,146.35	\$ -	\$ 511,306.25	\$ -	\$ 1,163,784.03	\$ 171,197,724.43	
2025/26	59,315,000.00	95,747,750.82	-	8,765,250.00	310,000.00	8,550,250.00	172,688,250.82	
2026/27	65,105,000.00	89,957,250.82	-	8,765,250.00	9,810,000.00	8,534,750.00	182,172,250.82	
2027/28	72,270,000.00	82,792,250.82	-	8,765,250.00	10,300,000.00	8,044,250.00	182,171,750.82	
2028/29	68,145,000.00	79,417,750.82	-	9,739,500.00	6,165,000.00	7,529,250.00	170,996,500.82	14.33%
2029/30	71,555,000.00	76,010,500.82	-	9,739,500.00	6,470,000.00	7,221,000.00	170,996,000.82	
2030/31	75,125,000.00	72,436,650.82	-	9,739,500.00	6,800,000.00	6,897,500.00	170,998,650.82	
2031/32	78,405,000.00	69,155,539.36	-	9,739,500.00	7,140,000.00	6,557,500.00	170,997,539.36	
2032/33	80,850,000.00	66,713,163.76	-	9,739,500.00	7,495,000.00	6,200,500.00	170,998,163.76	
2033/34	75,850,000.00	64,206,082.70	-	9,739,500.00	3,725,000.00	5,825,750.00	159,346,332.70	31.07%
2034/35	75,610,000.00	61,262,292.40	-	9,739,500.00	7,095,000.00	5,639,500.00	159,346,292.40	
2035/36	78,350,000.00	58,520,761.40	-	9,739,500.00	7,325,000.00	5,284,750.00	159,220,011.40	
2036/37	81,360,000.00	55,509,545.50	-	9,739,500.00	7,695,000.00	4,918,500.00	159,222,545.50	
2037/38	77,730,000.00	52,272,130.00	-	9,739,500.00	14,950,000.00	4,533,750.00	159,225,380.00	
2038/39	64,055,000.00	49,042,559.60	-	9,739,500.00	14,360,000.00	3,786,250.00	140,983,309.60	48.41%
2039/40	67,105,000.00	46,240,696.60	-	9,739,500.00	14,835,000.00	3,068,250.00	140,988,446.60	
2040/41	70,245,000.00	43,366,441.40	-	9,739,500.00	15,310,000.00	2,326,500.00	140,987,441.40	
2041/42	73,440,000.00	40,463,198.40	-	9,739,500.00	15,725,000.00	1,561,000.00	140,928,698.40	
2042/43	80,810,000.00	37,360,818.60	-	9,739,500.00	12,250,000.00	774,750.00	140,935,068.60	
2043/44	82,465,000.00	33,866,206.40	10,715,000.00	9,739,500.00	3,245,000.00	162,250.00	140,192,956.40	66.47%
2044/45	86,095,000.00	30,237,862.40	14,460,000.00	9,203,750.00	-	-	139,996,612.40	
2045/46	89,805,000.00	26,528,350.00	15,085,000.00	8,480,750.00	-	-	139,899,100.00	
2046/47	93,850,000.00	22,483,700.00	15,840,000.00	7,726,500.00	-	-	139,900,200.00	
2047/48	98,085,000.00	18,249,100.00	16,630,000.00	6,934,500.00	-	-	139,898,600.00	
2048/49	50,010,000.00	13,816,500.00	14,880,000.00	6,103,000.00	-	-	84,809,500.00	86.50%
2049/50	52,510,000.00	11,316,000.00	15,625,000.00	5,359,000.00	-	-	84,810,000.00	
2050/51	55,135,000.00	8,690,500.00	16,410,000.00	4,577,750.00	-	-	84,813,250.00	
2051/52	57,890,000.00	5,933,750.00	17,230,000.00	3,757,250.00	-	-	84,811,000.00	
2052/53	60,785,000.00	3,039,250.00	18,090,000.00	2,895,750.00	-	-	84,810,000.00	
2053/54	-	-	19,425,000.00	1,991,250.00	-	-	21,416,250.00	99.17%
2054/55	-	-	20,400,000.00	1,020,000.00	-	-	21,420,000.00	100.00%
TOTAL	\$ 2,104,582,487.80	\$ 1,421,531,749.79	\$ 194,790,000.00	\$ 240,688,556.25	\$ 171,005,000.00	\$ 98,580,034.03	\$ 4,231,177,827.87	

^(A) Preliminary, subject to change. This table includes the District's Series 2025-A Bonds which were offered pursuant to a separate official statement and were delivered on June 26, 2025.

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

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

Note: Table 11 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of \$12,604,388 for debt service in year 2024/25 and received State financial assistance in the amount of \$13,710,126 for fiscal year ended June 30, 2024. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 11 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").

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

Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2025.....		\$	146,343,711 ^(B)
Interest and Sinking Fund Balance at June 30, 2024.....	\$	121,479,934	
Capitalized Interest on the Series 2025-A Bonds.....		1,163,784	
Estimated State Assistance.....		12,604,388	
Local Taxes and Other Revenues.....		<u>158,158,573</u>	<u>\$ 293,406,679</u>
Projected Interest and Sinking Fund Balance at June 30, 2025.....			<u>\$ 147,062,968 ^(C)</u>

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

^(B) Reflects the District's debt service payments in August 2024 and February 2025. Includes estimated paying agent/registrar fees and other bond related expenses.

^(C) The District's projected Interest & Sinking Fund balance as of June 30, 2025 will be reduced by approximately \$125,065,616 in August 2025 to make the District's scheduled debt service payments in August 2025.

Table 13
AUTHORIZED BUT UNISSUED BONDS

After the issuance of the Bonds and the Series 2025-A Bonds, the District will have no authorized but unissued bonds remaining from an election held on May 6, 2023. Except for possible refundings for debt service savings, the District does not anticipate the issuance of additional unlimited tax bonds within the next 12 months.

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

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

Year 2024/25 Principal And Interest Requirements.....	\$	171,197,724	
\$0.4938 Tax Rate At 99.09% Collections Produces.....	\$	171,200,120 ^(B)	
Maximum Principal And Interest Requirements, Year 2026/27.....	\$	182,172,251	
\$0.5255 Tax Rate At 99.09% Collections Produces.....	\$	182,190,489 ^(B)	

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

^(B) Based upon 2024/25 taxable assessed valuation of \$34,988,324,969.

Note: Table 14 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of \$12,604,388 for debt service in year 2024/25 and received State financial assistance in the amount of \$13,710,126 for fiscal year ended June 30, 2024. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 14 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").

Table 15
COMMITMENTS UNDER LEASES

In May 2020, GASB issued Statement No. 96 - Subscription-Based Information Technology Arrangements (SBITAs). This statement increases the usefulness of the District's financial statements by requiring recognition of right-to-use subscription assets - an intangible asset - and a corresponding subscription liability, where applicable, for payments that previously were classified as operating expenditures and recognized as outflows of resources based on the payment provisions of the arrangements. The requirements of this Statement were effective for years beginning after June 15, 2022.

The District has entered into long-term arrangements for the right to use certain information technology through subscription or license agreements. Current agreements are for various periods of more than 12 months ranging from July 2022 to June 2029. Each SBITA asset will be amortized over the life of the subscription agreement. As of June 30, 2024, the District has recognized \$8,974,006 of SBITA assets with \$6,318,935 of amortization to date.

The District measured the SBITA liability, where applicable, at the present value of the original unpaid SBITA payments, discounted using the District's estimated incremental borrowing rate of 8.00%. As of June 30, 2024, the District has SBITA liabilities of \$1,626,842.

Below is a summary of the SBITA activity for the fiscal year:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
Right-to-Use Asset	\$ 6,461,189	\$ 2,512,817	\$ -	\$ 8,974,006
Less: Accumulated Amortization	(4,145,782)	(2,173,153)	-	(6,318,935)
Total Right-to-Use Asset, Net	<u>\$ 2,315,407</u>	<u>\$ 339,664</u>	<u>\$ -</u>	<u>\$ 2,655,071</u>

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
Subscription Liability	\$ 1,561,291	\$ 2,542,516	\$ (2,476,965)	\$ 1,626,842
Total Subscription Liability	<u>\$ 1,561,291</u>	<u>\$ 2,542,516</u>	<u>\$ (2,476,965)</u>	<u>\$ 1,626,842</u>

Future payment requirements under the subscription liabilities as of June 30, 2024, are as follows:

Year Ended June 30	Principal	Interest	Total Requirements
2025	\$ 645,591	\$ 60,513	\$ 706,104
2026	306,747	78,500	385,247
2027	238,555	53,961	292,516
2028	209,591	34,876	244,467
2029	226,358	18,109	244,467
Thereafter	-	-	-
TOTAL	<u>\$ 1,626,842</u>	<u>\$ 245,959</u>	<u>\$ 1,872,801</u>

Source: District's Audited Financial Statements.

Table 16
COMBINED GENERAL FUND BALANCE SHEET

	Fiscal Years Ending June 30, 2020 - 2024				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:					
Cash and Cash Equivalents	\$ 80,283,476	\$ 139,577,253	\$ 117,218,617	\$ 117,434,862	\$ 124,131,005
Property Taxes - Delinquent	3,554,894	4,057,859	3,233,382	3,760,198	3,638,099
Allowance for Uncollected Taxes (Credit)	(129,171)	(106,120)	(125,563)	(127,593)	(128,660)
Due from Other Governments	27,345,529	5,381,484	14,312,753	16,109,093	12,109,510
Due from Other Funds	9,236,401	6,442,580	13,071,051	7,790,431	113,177
Other Receivables	448,807	1,903,870	463,394	6,698,300	172,211
Inventories	104,044	129,483	160,619	194,871	101,678
Prepayments	194,299	181,259	165,473	289,410	239,492
Total Assets	<u>\$ 121,038,279</u>	<u>\$ 157,567,668</u>	<u>\$ 148,499,726</u>	<u>\$ 152,149,572</u>	<u>\$ 140,376,512</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
<i>Liabilities:</i>					
Accounts Payable	\$ 3,493,960	\$ 3,308,059	\$ 4,077,606	\$ 4,927,230	\$ 3,139,397
Payroll Deductions and Withholdings Payable	2,911,367	1,510,199	2,929,244	2,638,875	2,533,665
Accrued Wages Payable	32,383,781	30,597,533	29,559,228	28,912,956	28,552,252
Due to Other Funds	113,758	11,785	803,736	810,091	564,359
Due to Student Groups	68,592	-	-	-	-
Unearned Revenue	15,331	23,184,403	84,307	3,769,807	-
Total Liabilities	<u>\$ 38,986,789</u>	<u>\$ 58,611,979</u>	<u>\$ 37,454,121</u>	<u>\$ 41,058,959</u>	<u>\$ 34,789,673</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenue - Property Taxes	\$ 3,502,335	\$ 3,049,010	\$ 2,363,563	\$ 2,504,953	\$ 2,818,429
Total Deferred Inflows of Resources	<u>\$ 3,502,335</u>	<u>\$ 3,049,010</u>	<u>\$ 2,363,563</u>	<u>\$ 2,504,953</u>	<u>\$ 2,818,429</u>
<i>Fund Balances:</i>					
Nonspendable Fund Balance:					
Inventories	\$ 104,044	\$ 129,483	\$ 160,619	\$ 194,871	\$ 101,678
Prepaid Items	194,299	181,259	165,473	289,410	239,492
Assigned Fund Balance:					
Other Purposes	35,567,279	33,237,113	25,429,850	27,522,800	25,086,894
Unassigned Fund Balance:	42,683,533	62,358,824	82,926,100	80,578,579	77,340,346
Total General Fund Balances ^(A)	<u>\$ 78,549,155</u>	<u>\$ 95,906,679</u>	<u>\$ 108,682,042</u>	<u>\$ 108,585,660</u>	<u>\$ 102,768,410</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 121,038,279</u>	<u>\$ 157,567,668</u>	<u>\$ 148,499,726</u>	<u>\$ 152,149,572</u>	<u>\$ 140,376,512</u>

^(A) The District estimates that its Total General Fund Balance as of June 30, 2025 will be approximately \$58 million due to increased operational costs from inflation and student growth, coupled with no increase in the Basic Allotment component of State funding since 2019. The District is exploring all options to increase revenues and reduce expenditures.

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

Table 17
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ending June 30, 2020 - 2024				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning General Fund Balance	\$ 95,906,679	\$ 108,682,042	\$ 108,585,660	\$ 102,768,410	\$ 101,665,770
Revenues:					
Local and Intermediate Sources	\$ 212,446,117	\$ 247,376,439	\$ 209,217,170	\$ 198,918,044	\$ 203,640,656
State Program Revenues	113,780,572	64,211,012	94,002,127	92,415,719	87,099,704
Federal Program Revenues	5,560,766	11,704,460	10,869,757	7,443,507	5,255,575
Total Revenues	\$ 331,787,455	\$ 323,291,911	\$ 314,089,054	\$ 298,777,270	\$ 295,995,935
Expenditures:					
Instruction	\$ 207,892,341	\$ 200,360,467	\$ 191,483,133	\$ 179,114,014	\$ 179,926,103
Instructional Resources and Media Services	5,301,465	5,074,449	4,706,621	4,756,722	4,610,391
Curriculum and Instructional Staff Development	5,647,487	6,246,290	5,836,788	5,804,290	5,013,442
Instructional Leadership	4,599,464	4,943,463	4,179,232	3,562,786	3,714,548
School Leadership	20,043,847	19,260,065	18,224,399	17,008,581	16,346,742
Guidance, Counseling and Evaluation Services	12,792,525	12,463,457	12,980,395	12,095,667	12,001,523
Social Work Services	920,547	835,207	803,435	713,955	625,083
Health Services	3,619,596	3,539,655	3,294,248	3,085,683	2,892,235
Student (Pupil) Transportation	9,681,376	8,094,107	7,554,794	6,489,709	11,218,499
Food Services	412,777	392,605	554,599	270,542	305,449
Extracurricular Activities	8,909,457	8,783,482	7,705,331	6,880,575	7,035,929
General Administration	11,428,423	11,350,788	10,037,092	9,969,135	9,408,437
Facilities Maintenance and Operations	39,631,434	40,820,561	31,366,731	28,737,742	26,910,585
Security and Monitoring Services	3,249,051	2,384,138	1,897,003	1,846,895	1,398,393
Data Processing Services	6,551,840	7,185,659	8,244,986	6,911,610	6,474,101
Community Services	4,737,205	3,769,757	3,381,463	2,519,557	2,402,905
Debt Service	-	1,158,606	70,218	-	-
Facilities Acquisition and Construction	141,746	391,661	780,389	1,521,393	1,000,440
Payments to Fiscal Agent/Member Districts of SSA	788,000	642,000	553,400	520,800	532,200
Intergovernmental Charges	2,282,874	2,005,987	1,784,910	1,761,715	1,706,090
Total Expenditures	\$ 348,631,455	\$ 339,702,404	\$ 315,439,167	\$ 293,571,371	\$ 293,523,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (16,844,000)</u>	<u>\$ (16,410,493)</u>	<u>\$ (1,350,113)</u>	<u>\$ 5,205,899</u>	<u>\$ 2,472,840</u>
Other Resources and (Uses):					
Other Resources	\$ 1,339,099	\$ 1,660,460	\$ 2,257,408	\$ 1,810,594	\$ 2,142,451
Other Uses	(1,971,595)	(364,689)	(4,272,439)	(11,372,496)	(3,507,651)
Total Other Resources (Uses)	\$ (632,496)	\$ 1,295,771	\$ (2,015,031)	\$ (9,561,902)	\$ (1,365,200)
Special/Extraordinary Items	<u>\$ 118,972</u>	<u>\$ 2,339,359</u>	<u>\$ 3,663,750</u>	<u>\$ 10,173,253</u>	<u>\$ (5,000)</u>
Net Change in General Fund Balance	<u>\$ (17,357,524)</u>	<u>\$ (12,775,363)</u>	<u>\$ 298,606</u>	<u>\$ 5,817,250</u>	<u>\$ 1,102,640</u>
Prior Period Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (202,224) ^(C)</u>	<u>\$ -</u>	<u>\$ -</u>
Ending General Fund Balance ^{(A)(B)}	\$ 78,549,155	\$ 95,906,679	\$ 108,682,042	\$ 108,585,660	\$ 102,768,410

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

^(B) The District estimates that its Ending General Fund Balance as of June 30, 2025 will be approximately \$58 million due to increased operational costs from inflation and student growth, coupled with no increase in the Basic Allotment component of State funding since 2019. The District is exploring all options to increase revenues and reduce expenditures.

^(C) Prior Period Adjustment for the portion of a state grant recorded as a receivable and revenue in the prior fiscal year but which was ultimately not received.

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

Table 18
CHANGE IN NET POSITION ^(A)

	Fiscal Years Ending June 30, 2020 - 2024				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues:					
Program Revenues					
Charges for Services	\$ 15,940,870	\$ 21,852,588	\$ 15,146,134	\$ 10,236,290	\$ 11,605,485
Operating Grants and Contributions	87,349,413	70,324,040	74,354,051	76,940,288	49,004,122
Total Program Revenues	\$ 103,290,283	\$ 92,176,628	\$ 89,500,185	\$ 87,176,578	\$ 60,609,607
General Revenues					
Maintenance and Operations Taxes	\$ 198,632,118	\$ 236,343,647	\$ 203,695,071	\$ 195,923,985	\$ 198,469,772
Debt Service Taxes	140,311,435	130,995,194	110,611,653	101,273,736	96,071,515
State Aid - Formula Grants	95,127,193	46,988,962	78,239,148	76,355,595	72,060,766
Grants and Contributions Not Restricted	-	-	-	-	32,908
Gifts and Bequests	1,627,368	-	-	-	-
Investment Earnings	57,808,521	14,490,616	974,121	591,139	9,550,994
Miscellaneous Local and Intermediate Revenue	706,276	807,464	1,070,579	227,014	304,827
Gain (Loss) on Sale of Capital Assets	-	(3,448,855)	-	-	963,425
Total General Revenues	\$ 494,212,911	\$ 426,177,028	\$ 394,590,572	\$ 374,371,469	\$ 377,454,207
Total Revenues.....	<u>\$ 597,503,194</u>	<u>\$ 518,353,656</u>	<u>\$ 484,090,757</u>	<u>\$ 461,548,047</u>	<u>\$ 438,063,814</u>
Expenses					
Instruction	\$ 266,842,907	\$ 244,332,808	\$ 236,213,495	\$ 238,790,511	\$ 226,046,466
Instruction Resources and Media Services	6,578,566	5,955,089	5,421,448	5,506,295	5,469,381
Curriculum and Instructional Staff Development	12,949,910	12,718,868	10,306,704	9,948,051	9,307,021
Instructional Leadership	5,795,734	5,689,573	4,897,197	4,290,651	4,617,660
School Leadership	24,489,700	22,338,817	20,744,882	20,945,880	19,621,069
Guidance, Counseling and Evaluation Services	22,432,182	20,179,014	18,203,774	18,264,972	18,325,344
Social Work Services	1,240,658	1,100,916	1,013,466	969,094	852,523
Health Services	4,445,869	4,008,870	4,789,811	4,847,576	3,448,496
Student (Pupil) Transportation	12,073,252	9,188,319	8,459,042	6,922,568	7,602,634
Food Services	22,223,979	19,884,117	17,154,898	822,365	2,471,414
Extracurricular Activities	12,201,320	11,293,499	9,325,923	8,089,402	9,225,503
General Administration	14,442,999	12,422,376	11,465,984	11,964,555	10,810,255
Facilities Maintenance and Operations	41,920,033	46,878,836	31,287,153	28,682,865	26,802,105
Security and Monitoring Services	3,465,057	2,384,138	1,966,658	2,327,128	1,398,619
Data Processing Services	7,656,994	7,969,436	8,680,070	7,672,193	7,272,216
Community Services	6,130,239	5,509,587	4,561,177	3,072,022	2,791,688
Debt Service - Interest on Long-Term Debt	78,952,627	41,782,437	19,784,057	17,005,916	41,605,410
Debt Service - Bond Issuance Cost and Fees	11,791,022	11,753,506	10,330,453	10,297,992	4,742,583
Capital Outlay	7,058,756	-	6,345,982	2,780,128	4,477,557
Payments Related to Shared Services Arrangements	788,000	642,000	553,400	520,800	532,200
Other Intergovernmental Charges	2,282,874	2,005,987	1,784,910	1,761,715	1,706,090
Business-Type Activities	162,196	182,886	144,985	12,508,460	12,872,478
Total Expenses.....	<u>\$ 565,924,874</u>	<u>\$ 488,221,079</u>	<u>\$ 433,435,469</u>	<u>\$ 417,991,139</u>	<u>\$ 421,998,712</u>
Increase/(Decrease) in Net Position	\$ 31,578,320	\$ 30,132,577	\$ 50,655,288	\$ 43,556,908	\$ 16,065,102
Beginning Net Position	83,444,106	53,222,236	2,769,172	(40,787,736)	(56,852,838)
Prior Period Adjustment	22,573,225 ^(B)	89,293 ^(C)	(202,224) ^(D)	-	-
Ending Net Position.....	<u>\$ 137,595,651</u>	<u>\$ 83,444,106</u>	<u>\$ 53,222,236</u>	<u>\$ 2,769,172</u>	<u>\$ (40,787,736)</u>

^(A) Financial operations for all governmental activities in accordance with GASB Statement No. 34.

^(B) Prior Period Adjustment due to the adoption of GASB Implementation Guide Number 2021-1 by the District. The net prior period adjustment was the result of an increase in capital assets of \$29,053,367 offset by an increase in accumulated depreciation of \$6,480,142.

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

^(D) Prior Period Adjustment due to the adoption of GASB Statement Number 75 by the District.

Source: District's Audited Financial Statements.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

The Denton Independent School District (the “District”) is located in North Central Texas at the apex of the Dallas-Fort Worth-Denton industrial triangle approximately 40 miles northwest of Dallas and 38 miles northeast of Fort Worth. The District is comprised of approximately 169 square miles. The District is governed by a seven-member Board of Trustees (the “Board”). Board members are elected at large and serve without compensation. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

The District offers a fully accredited comprehensive EE-12 educational program. While the District is recognized in teaching the fundamentals of reading, writing and mathematics, a comprehensive educational program including fine arts, vocational education, special education, and gifted and advance level programs are available to meet the individual needs of students. The following summarizes the District’s current schools in operation:

Alternative Programs and Special Education Facilities	6
Elementary Schools	26
Middle Schools	9
High Schools	<u>4</u>
Total	<u>45</u>

DISTRICT ENROLLMENT INFORMATION

SCHOLASTIC ENROLLMENT HISTORY

<u>YEAR</u>	<u>ENROLLMENT</u>	<u>INCREASE/ (DECREASE)</u>	<u>PERCENT CHANGE</u>
2014/15	27,020	708	2.69%
2015/16	27,559	539	1.99%
2016/17	28,628	1,069	3.88%
2017/18	29,420	792	2.77%
2018/19	30,169	749	2.55%
2019/20	30,919	750	2.49%
2020/21	30,267	(652)	(2.11%)
2021/22	31,951	1,684	5.56%
2022/23	32,521	570	1.78%
2023/24	32,866	345	1.06%
2024/25 ^(A)	33,320	454	1.38%

^(A) Enrollment as of May 5, 2025.

Source: District records.

PROJECTED STUDENT ENROLLMENT

<u>YEAR</u>	<u>ENROLLMENT</u>	<u>INCREASE/ (DECREASE)</u>	<u>PERCENT CHANGE</u>
2025/26	33,653	333	1.00%
2026/27	33,990	337	1.00%
2027/28	34,330	340	1.00%
2028/29	34,673	343	1.00%
2029/30	35,020	347	1.00%

Source: District projections.

STUDENT ENROLLMENT BY GRADES – YEARS 2014/15 – 2024/25

<u>YEAR</u>	<u>EE</u>	<u>PK</u>	<u>K</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>TOTAL</u>
2014/15	112	951	2,068	2,099	2,178	2,166	2,082	2,133	2,075	2,052	1,973	2,042	1,873	1,665	1,551	27,020
2015/16	114	1,029	1,954	2,143	2,088	2,190	2,152	2,115	2,154	2,128	2,094	2,091	1,985	1,756	1,566	27,559
2016/17	112	1,016	2,066	2,044	2,194	2,181	2,231	2,219	2,159	2,202	2,175	2,293	2,084	1,967	1,685	28,628
2017/18	96	1,048	2,081	2,100	2,119	2,230	2,251	2,300	2,264	2,232	2,203	2,346	2,245	2,018	1,887	29,420
2018/19	78	1,082	2,177	2,117	2,182	2,136	2,274	2,303	2,335	2,328	2,312	2,371	2,313	2,173	1,988	30,169
2019/20	103	1,084	2,157	2,280	2,154	2,225	2,179	2,323	2,333	2,417	2,399	2,548	2,390	2,220	2,107	30,919
2020/21	92	978	2,062	2,115	2,213	2,092	2,198	2,120	2,273	2,319	2,402	2,455	2,402	2,324	2,222	30,267
2021/22	113	1,197	2,343	2,289	2,259	2,376	2,230	2,317	2,223	2,378	2,440	2,599	2,512	2,423	2,252	31,951
2022/23	137	1,234	2,278	2,478	2,370	2,289	2,434	2,330	2,314	2,306	2,427	2,512	2,595	2,475	2,342	32,521
2023/24	144	1,337	2,328	2,372	2,492	2,402	2,358	2,457	2,325	2,375	2,353	2,533	2,531	2,473	2,386	32,866
2024/25 ^(A)	202	1,550	2,371	2,424	2,399	2,578	2,412	2,380	2,490	2,379	2,407	2,483	2,455	2,458	2,332	33,320

^(A) Enrollment as of May 5, 2025.

Source: District records.

STUDENT ENROLLMENT BY SCHOOL TYPE

<u>YEAR</u>	<u>ELEMENTARY SCHOOL (GRADES EE-5)</u>	<u>MIDDLE SCHOOL (GRADES 6-8)</u>	<u>HIGH SCHOOL (GRADES 9-12)</u>	<u>TOTAL ENROLLMENT</u>
2014/15	13,789	6,100	7,131	27,020
2015/16	13,785	6,376	7,398	27,559
2016/17	14,063	6,536	8,029	28,628
2017/18	14,225	6,699	8,496	29,420
2018/19	14,349	6,975	8,845	30,169
2019/20	14,505	7,149	9,265	30,919
2020/21	13,870	6,994	9,403	30,267
2021/22	15,124	7,041	9,786	31,951
2022/23	15,550	7,047	9,924	32,521
2023/24	15,890	7,053	9,923	32,866
2024/25 ^(A)	16,316	7,276	9,728	33,320

^(A) Enrollment as of May 5, 2025.

Source: District records.

EMPLOYMENT OF THE DISTRICT

<u>STAFF INFORMATION</u>	<u>DISTRICT EMPLOYEES NUMBER</u>	<u>PERCENTAGE</u>
Teachers	2,750	53.74%
Administrators	473	9.24%
Teacher Aides & Secretaries	1,187	23.20%
Auxiliary Staff	522	10.20%
Other Professional Support	185	3.62%
Total Number of Employees	<u>5,117</u>	<u>100.00%</u>

The District employs a staff of approximately 5,117. Beginning with the 2024/25 school year, entry level teachers without advanced degrees earn \$59,000 annually. Teachers with longevity or advanced degrees can earn between \$59,350 and \$81,950 annually. All teachers receive life and health insurance benefits worth approximately \$260.98 monthly.

Source: District records.

PRESENT SCHOOL FACILITIES

<u>LOCATION</u>	<u>GRADES SERVED</u>	<u>FUNCTIONAL CAPACITY^(A)</u>	<u>PRESENT ENROLLMENT^(B)</u>	<u>FUNCTIONAL CAPACITY LESS PRESENT ENROLLMENT</u>
Braswell High School	9 – 12	2,800	2,723	77
Denton High School	9 – 12	2,400	2,039	361
Guyer High School	9 – 12	2,800	2,543	257
Ryan High School	9 – 12	2,400	2,030	370
HIGH SCHOOL TOTAL		<u>10,400</u>	<u>9,335</u>	<u>1,065</u>
Calhoun Middle School	6 – 8	1,000	840	160
Cheek Middle School	6 – 8	1,000	870	130
Crownover Middle School	6 – 8	1,000	884	116
Harpool Middle School	6 – 8	1,000	855	145
McMath Middle School	6 – 8	1,000	629	371
Myers Middle School	6 – 8	1,000	854	146
Navo Middle School	6 – 8	1,000	700	300
Rodriguez Middle School	6 – 8	1,000	617	383
Strickland Middle School	6 – 8	1,000	970	30
MIDDLE SCHOOL TOTAL		<u>9,000</u>	<u>7,219</u>	<u>1,781</u>
Adkins Elementary School	PK – 5	740	460	280
Alexander Elementary School	PK – 5	740	580	160
Bell Elementary School	PK – 5	740	561	179
Blanton Elementary School	PK – 5	740	474	266
Borman Elementary School	PK – 5	740	524	216
Cross Oaks Elementary School	PK – 5	740	612	128
E.P. Rayzor Elementary School	PK – 5	740	504	236
Evers Park Elementary School	K – 5	740	742	(2)
Ginnings Elementary School	PK – 5	740	612	128
Hawk Elementary School	PK – 5	740	616	124
Hodge Elementary School	PK – 5	740	684	56
Houston Elementary School	PK – 5	740	517	223
McNair Elementary School	PK – 5	740	547	193
Nelson Elementary School	PK – 5	740	598	142
Martinez Elementary School	PK – 5	740	542	198
Newton Rayzor Elementary School	PK – 5	740	691	49
Paloma Creek Elementary School	PK – 5	740	497	243
Pecan Creek Elementary School	PK – 5	740	647	93
Providence Elementary School	PK – 5	740	696	44
Rivera Elementary School	PK – 5	740	634	106
Sandbrock Ranch Elementary School	PK – 5	740	807	(67)
Savannah Elementary School	PK – 5	740	728	12
Shultz Elementary School	PK – 5	740	749	(9)
Stephens Elementary School	PK – 5	740	439	301
Union Park Elementary School	PK – 5	740	736	4
W.S. Ryan Elementary School	PK – 5	740	550	190
ELEMENTARY SCHOOL TOTAL		<u>19,240</u>	<u>15,747</u>	<u>3,493</u>
Gonzalez School For Young Children	EE – PK	740	266	474
Windle School For Young Children	EE – PK	740	292	448
Davis School DAEP	K – 12	60	93	(33)
Joe Dale Sparks Campus	4 – 12	84	69	15
Fred Moore High School	9 – 12	135	76	59
LaGrone Academy	9 – 12	1,250	209	1,041
Juvenile Justice Alternative Education Program	---	---	14	(14)
OTHER PROGRAMS TOTAL		<u>3,009</u>	<u>1,019</u>	<u>1,990</u>
TOTALS		<u>41,649</u>	<u>33,320</u>	<u>8,329</u>

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

^(B) Enrollment as of May 5, 2025.

Source: District records.

SCHOOLS UNDER CONSTRUCTION

<u>NAME OF SCHOOL</u>	<u>PLANNED FUNCTIONAL CAPACITY</u>	<u>GRADES SERVED</u>	<u>ESTIMATED COMPLETION DATE</u>
Hill Elementary School	740	PK – 5	Spring 2025
Reeves Elementary School	740	PK – 5	Summer 2025
High School #5	740	9 – 12	Summer 2027

Source: District records.

THE CITY OF DENTON AND DENTON COUNTY

Denton County (the “County”) is located in north central Texas and encompasses an area of 953 square miles. Denton County contains 41 towns and seventeen school districts within its borders. The County is traversed by Interstate Highway 35, United States Highways 77, 377 and 380 and State Highways 114 and 121. The County’s 2020 census population provided by the U.S. Census Bureau was 906,422, increasing 36.79% since 2010. The County has an estimated 2024 population of 1,045,120.

The city of Denton (the “City”), established in 1857, is the county seat for the County. The City is known as the upper most point of the Dallas-Fort Worth-Denton industrial triangle and is located approximately 37 miles and 35 miles from Dallas and Fort Worth, respectively, on Interstate Highway 35. The City’s 2020 census population provided by the U.S. Census Bureau was 139,869, increasing 23.36% since 2010. The City has an estimated 2024 population of 165,998.

Government Activity

The City is the site of the first Underground Control Center built by the Federal Government in the United States. It consists of an above ground “frangible” building, for entrance and exit during normal operations, and a two-story underground structure, 142 feet wide and 172 feet long. The structure has its own water well, an infirmary, first aid station, and communication headquarters.

The underground center serves as the Region 6 Headquarters for FEMA and is designed to resist nuclear blast and radiation. Region 6 consists of Texas, Oklahoma, Arkansas, Louisiana and New Mexico.

As an emergency operations center, this is where FEMA monitors events such as hurricanes, tornadoes or severe flooding and starts the initial response to an event. In the event of a presidential disaster declaration, this would be the hub of coordinated FEMA and federal government response prior to the establishment of a Joint Field Office at or near the site of the disaster.

Transportation

The Denton Municipal Airport is located within the City’s limits. The city-owned airport, which is controlled by an FAA maintained air traffic control tower, uses a full instrument landing system, Global Positioning System, and VASI. Full aeronautical services are available. In addition, the FAA recently approved plans to add a second runway at the airport.

The City is 22 miles from the Dallas-Fort Worth International Airport, one of the busiest passenger airports in the United States, which offers a variety of flights with direct service to Europe, Mexico, Canada, Central and South America, and Asia. The 2,200-acre Foreign Trade Zone allows goods and materials used in manufacturing to be imported duty free.

Alliance Airport, located in north Fort Worth, is the nation’s first industrial airport designed for cargo and corporate aviation. There are multiple corporate tenants located in the Alliance development, including BNSF Railway, which operates an extensive intermodal hub and rail complex, and Federal Express.

Education

The University of North Texas (“UNT”) was established in 1890 as Texas Normal College and Teacher Training Institute. Today, the University has an enrollment of more than 46,000. While the majority of UNT’s students attend classes on the Denton campus, the University also offers numerous courses at many off-campus sites throughout the Dallas/Fort Worth metroplex. The University currently offers 114 bachelor’s, 97 master’s and 39 doctoral degree programs.

Texas Woman’s University (“TWU”) is the nation’s largest university primarily serving women. A public university, TWU has approximately 15,000 students in Denton, Dallas and Houston. TWU offers more than 100 undergraduate, master’s and doctoral degree programs.

The County’s community college, North Central Texas College (“NCTC”), has its main campus in Gainesville, Texas. NCTC offers technical, occupational and vocational classes at its Denton County campus in Corinth.

Another prominent state-supported institution is the Denton State Supported Living Center for people with intellectual and developmental disabilities. The school is located on a 189-acre site which was contributed to the State by county residents. Present facilities include dormitories that accommodate more than 650 students and a 30-bed acute hospital with supporting facilities.

Healthcare

The City has become a medical services destination serving the North Texas region with two major hospitals: Texas Health Presbyterian Hospital Denton and Medical City Denton.

The Texas Health Presbyterian Hospital Denton facility consists of 255 all-private rooms and a four-story specialty center for women and infants featuring 12 labor and delivery beds, 2 C-section suites along with 6 antepartum and 24 postpartum beds. The Texas Health Presbyterian Hospital Denton facility also includes education and community meeting space and four medical office buildings. The Texas Health Presbyterian Hospital Denton employs over 1,100 individuals with a medical staff of more than 450.

Medical City Denton is a full-service hospital that offers the full spectrum of healthcare including advanced open-heart surgery and trauma programs, with over 200 beds and more than 900 employees and 500 physicians.

LABOR FORCE STATISTICS

MAJOR AREA EMPLOYERS – CITY OF DENTON

<u>COMPANY</u>	<u>PRODUCT/SERVICE</u>	<u>EMPLOYEES</u>
University of North Texas	Higher Education	8,891
Denton Independent School District	Public Education System	5,117
Peterbilt Motors - Headquarters & Plant	Diesel Trucks & Division Headquarters	2,000
Denton County	County Government	1,987
City of Denton	Municipal Government	1,900
Denton State Supported Living Center	MHMR Facility	1,727
Texas Presbyterian Hospital	Health Care	1,100
Texas Woman’s University	Higher Education	1,077
Medical City Denton	Health Care	799
Safran Electrical & Power	Aircraft Equipment Manufacturing	571

Source: District records and City of Denton Annual Comprehensive Financial Report for the Year Ended September 30, 2024.

COMPARATIVE UNEMPLOYMENT RATES

<u>Entity</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025^(A)</u>
City of Denton	7.0%	4.7%	3.4%	3.6%	3.8%	3.4%
Denton County	6.6	4.5	3.3	3.6	3.7	3.3
State of Texas	7.7	5.6	3.9	4.0	4.1	3.7
United States of America	8.1	5.3	3.6	3.6	4.0	3.9

^(A) As of April 2025.

Source: Labor Market Information Department, Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.*

[Issuance Date]

§ _____
**DENTON INDEPENDENT SCHOOL DISTRICT
VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS
SERIES 2025-B
DATED JULY 1, 2025**

AS BOND COUNSEL for the DENTON INDEPENDENT SCHOOL DISTRICT, the Issuer (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or prior redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing on the dates and subject to redemption as specified in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number TR-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law, and that said Bonds, except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, without limit as to rate or amount, on all taxable property within the Issuer.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith, the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, and the covenant that the Issuer obtain an opinion of nationally recognized bond counsel on an interest mode conversion date to the effect that the conversion of the interest rate on the Bonds will not have an adverse effect on the exclusion from federal income tax of the interest on the Bonds. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

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

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

Respectfully,

APPENDIX D

EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

The information contained in this Appendix consists of excerpts from the Denton 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 Annual Financial Report for further information.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report

Denton Independent School District
Denton, Texas

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denton Independent School 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financials section of our report. We are required to be independent of Denton Independent School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters 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 on pages 19 through 27 and the Teacher Retirement System schedules on page 82 through 90 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 Denton Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2024 on our consideration of Denton Independent School District's internal control over financial reporting and on our tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Denton Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denton Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough

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

November 12, 2024

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**DENTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024
(UNAUDITED)**

As management of Denton Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2024. Please read this narrative in conjunction with the independent auditors' report on page 15, and the District's Basic Financial Statements that begin on page 29.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Denton Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year resulting in a net position of \$137,595,651.
- The District's total net position increased by \$31,540,947 during the current fiscal year from the result of current year operations and \$22,573,225 from a prior period adjustment related to a change regarding the District's fixed asset capitalization threshold.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$1,115,968,002. \$42,680,533 of this total amount is unassigned and available for use within the District's commitments and assignment policies.
- At the end of the current fiscal period, the unassigned fund balance of the general fund of \$42,683,533 was 12.24% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 29 through 31). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 32) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 45) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 29. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

The fund financial statements begin on page 32 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains thirty-seven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other thirty-four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 32 through 38 of this report.
- **Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs and the print shop.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a separate statement of changes in fiduciary fund net position that can be found on pages 43 and 44. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the District's governmental activities increased from \$83,397,602 at June 30, 2023 to \$137,511,234 at June 30, 2024. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit of \$173,861,156 at June 30, 2024. The increase of \$31,540,947 from current year operations was the result of several factors. First, the District's revenues exceeded expenditures by \$95,347,394 (as adjusted for the effects of capital outlay and debt service principal payments.) However, the District recorded depreciation expense, which is a non-cash expense that reduces the carrying value of District assets, in the amount of \$60,018,862. Changes in the net pension and OPEB activity decreased net position by \$3,761,042, while various other adjustments for prepaid expenses, interest accruals and tax revenues earned during the period under the full accrual method of accounting decreased net position by \$26,543.

Governmental Activities

Net Position. The net position of the District's governmental activities at June 30, 2024 was \$137,511,234. Investment in capital assets (e.g. land, building, furniture, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was \$182,608,809 at June 30, 2024. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's governmental activities net position (\$128,763,581) represents resources that are subject to external restrictions on how they may be used.

Changes in Net Position. The District's total revenues of its governmental activities were \$597,303,625. A significant portion, approximately 56.7%, of the revenue comes from property taxes. Another 15.9% comes from state aid - formula grants while only 2.6% relates to charges for services. This reflects a \$79.1 million or 15.3% increase in revenues from 2022-2023. The total revenues were used to fund the cost of all programs and services in the amount of \$565,762,678, and to pay down the District's debt. This reflects a \$77.7 million or 15.9% increase in expenses from 2022-2023, primarily due to increased expenses among most categories.

Governmental Activities. The District's total net position of its governmental activities increased \$31,540,947 from the results of current year operations. The total cost of all government activities for the fiscal year ended June 30, 2024 was \$565,762,678. Funding for these governmental activities is by specific program revenue or through general revenues such as property taxes, state aid and investment earnings. Program revenues directly attributable to specific activities funded some of the governmental activities costs. These program revenues amounted to \$103,090,714 (grant revenues, tuition and facility leasing, for example). The remaining cost of governmental activities not directly funded by program revenues was \$462,671,964, which were primarily funded by property taxes in the amount of \$338,943,553 and state revenue of \$95,127,193.

Business-type Activities

Net Position. The net position of the District's business-type activities at June 30, 2024 was \$84,417. Investment in capital assets (e.g. furniture, vehicles and equipment) was \$27,906 at June 30, 2024.

Changes in Net Position. The District's total revenues of its business-type activities were \$199,569. The revenues come from charges for services for stadium concession activities. The total revenues were used to fund program costs that totaled \$162,196.

Business-type Activities. The District's total net position of its business-type activities increased \$37,373 from the results of current year operations. The total cost of all business-type activities for the fiscal year ended June 30, 2024 was \$162,196. Funding for this business-type activity is primarily by specific program revenue. Program revenues directly attributable to the activity funded virtually of the costs. These program revenues amounted to \$199,569. The volume of activity in the District's business-type activity during the year was comparable to the prior year.

Table I
NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2024	2023	2024	2023	2024
Current and other assets	\$ 361,881,020	\$ 1,213,034,830	\$ 39,882	\$ 58,049	\$ 361,920,902	\$ 1,213,092,879
Capital assets	1,391,927,134	1,588,939,959	9,042	27,906	1,391,936,176	1,588,967,865
Total assets	1,753,808,154	2,801,974,789	48,924	85,955	1,753,857,078	2,802,060,744
Deferred outflows of resources	177,085,465	168,935,643	-	-	177,085,465	168,935,643
Total assets and deferred outflows of resources	1,930,893,619	2,970,910,432	48,924	85,955	1,930,942,543	2,970,996,387
Long-term liabilities	1,630,680,951	2,621,994,086	-	-	1,630,680,951	2,621,994,086
Other liabilities	115,255,798	124,457,068	1,880	1,538	115,257,678	124,458,606
Total liabilities	1,745,936,749	2,746,451,154	1,880	1,538	1,745,938,629	2,746,452,692
Deferred inflows of resources	101,559,808	86,948,044	-	-	101,559,808	86,948,044
Total liabilities and deferred inflows of resources	1,847,496,557	2,833,399,198	1,880	1,538	1,847,498,437	2,833,400,736
Net Position:						
Net investments in capital assets	130,293,801	182,608,809	9,042	27,906	130,302,843	182,636,715
Restricted	102,768,780	128,763,581	-	-	102,768,780	128,763,581
Unrestricted	(149,665,519)	(173,861,156)	38,002	56,511	(149,627,517)	(173,804,645)
Total Net Position	\$ 83,397,062	\$ 137,511,234	\$ 47,044	\$ 84,417	\$ 83,444,106	\$ 137,595,651

Table II
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2024	2023	2024	2023	2024
Revenues:						
Program Revenues:						
Charges for services	\$21,656,428	\$ 15,741,301	\$ 196,160	\$ 199,569	\$ 21,852,588	\$ 15,940,870
Operating grants and contributions	70,324,040	87,349,413	-	-	70,324,040	87,349,413
General Revenues:						
Maintenance and operations taxes	236,343,647	198,632,118	-	-	236,343,647	198,632,118
Debt service taxes	130,995,194	140,311,435	-	-	130,995,194	140,311,435
State aid - formula grants	46,988,962	95,127,193	-	-	46,988,962	95,127,193
Gifts and bequests	-	1,627,368	-	-	-	1,627,368
Interest earnings	14,490,616	57,808,521	-	-	14,490,616	57,808,521
Miscellaneous	807,464	706,276	-	-	807,464	706,276
Loss on disposition of capital assets	(3,448,855)	-	-	-	(3,448,855)	-
Total Revenue	<u>518,157,496</u>	<u>597,303,625</u>	<u>196,160</u>	<u>199,569</u>	<u>518,353,656</u>	<u>597,503,194</u>
Expenses:						
Instruction, curriculum and media services	263,006,765	286,371,383	-	-	263,006,765	286,371,383
Instructional and school leadership	28,028,390	30,285,434	-	-	28,028,390	30,285,434
Student support services	34,477,119	40,191,961	-	-	34,477,119	40,191,961
Food services	19,884,117	22,223,979	-	-	19,884,117	22,223,979
Cocurricular activities	11,293,499	12,201,320	182,886	162,196	11,476,385	12,363,516
General administration	12,422,376	14,442,999	-	-	12,422,376	14,442,999
Plant maintenance, security and data processing	57,232,410	60,100,840	-	-	57,232,410	60,100,840
Community services	5,509,587	6,130,239	-	-	5,509,587	6,130,239
Debt services	53,535,943	90,743,649	-	-	53,535,943	90,743,649
Intergovernmental charges	2,647,987	3,070,874	-	-	2,647,987	3,070,874
Total Expenses	<u>488,038,193</u>	<u>565,762,678</u>	<u>182,886</u>	<u>162,196</u>	<u>488,221,079</u>	<u>565,924,874</u>
Increase (Decrease) in Net Position	30,119,303	31,540,947	13,274	37,373	30,132,577	31,578,320
Net Position - beginning of year	53,188,466	83,397,062	33,770	47,044	53,222,236	83,444,106
Prior period adjustment	89,293	22,573,225	-	-	89,293	22,573,225
Net Position - end of year	<u>\$83,397,062</u>	<u>\$ 137,511,234</u>	<u>\$ 47,044</u>	<u>\$ 84,417</u>	<u>\$ 83,444,106</u>	<u>\$137,595,651</u>

The cost of all governmental activities for the current fiscal period was \$565,762,678. However, as shown in the Statement of Activities on pages 30 and 31, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$338,943,553 because some of the costs were paid by those who directly benefited from the programs (\$15,741,301) or by State equalization funding (\$95,127,193).

THE DISTRICT'S FUNDS

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,115,968,002 an increase of \$857,418,334 from the prior year. Approximately 8% of this total amount (\$86,553,001) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$121,479,934), food service (\$4,266,412), or for capital projects (\$902,489,171), or for playground equipment (\$13,247), or already spent on prepaid items (\$798,432), inventories (\$366,805) or endowment principal (\$1,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$42,683,533, while the total fund balance was \$78,549,155. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 12.24% of the total general fund expenditures, while the total fund balance represents 22.53% of that same amount.

The fund balance of the District's general fund decreased by \$17,357,524 during the current fiscal year, compared to a \$12,775,363 decrease in the previous year. Key factors related to this change are as follows:

- A \$37,479,407 decrease in property tax revenues offset by a \$48,147,277 increase in state per capita and foundation revenue contributed to a \$8,495,544 overall increase in total revenues. However, expenditures increased \$8,929,051 due primarily to an \$7,531,874 increase in instructional expenditures.

The debt service fund has a total fund balance of \$121,479,934, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$25,750,629, compared to a \$2,044,491 increase in the previous year. Tax revenues were \$9,204,099 higher than the previous year and State EDA revenue was \$10,866,800 higher than the previous year. Debt service expenditures were comparable to the previous year.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased \$847,116,823 due primarily to \$1,036,485,000 proceeds from a bond issuance less \$236,525,455 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 5 to the financial statements.

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

The District's General Fund balance of \$78,549,155 reported on page 35 differs from the General Fund's budgetary fund balance of \$68,614,018 reported in the budgetary comparison schedule on page 81. For the year ended June 30, 2024, actual general fund expenditures on a budgetary basis were \$348,631,455, above the original budget expenditures of \$333,079,765 and below the revised final budget of \$356,253,591. The majority of the actual variance of \$7,622,136 consists of savings achieved in payroll costs in the instructional area. Actual revenue on a budgetary basis was \$331,787,455 compared to the original budget of \$314,229,362 and a revised budget of \$328,531,877. The actual variance of \$3,255,578 was due primarily to higher than expected state funding.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the District had \$1,588,939,959 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$174,439,600, or 12.33% above last year.

This fiscal year's major additions included:

Continuing construction costs on a new elementary school, paid for with proceeds of general obligation bonds issued in a prior year.	\$ 43,136,697
Continuing construction costs on a new elementary school, paid for with proceeds of general obligation bonds issued in a prior year.	43,113,462
Continuing construction costs on a new elementary school, paid for with proceeds of general obligation bonds issued in a prior year.	11,409,577
Continuing construction costs on renovations to an existing middle school, paid for with proceeds of general obligation bonds.	14,218,574
Initial construction costs on a new elementary school, paid for with proceeds of general obligation bonds.	12,382,995
Initial construction costs on a high school addition, paid for with proceeds of general obligation bonds.	5,246,519
Initial construction costs on new middle school track facilities, paid for with proceeds of general obligation bonds.	5,248,313
Totaling	<u>\$134,756,137</u>

In addition, at June 30, 2024 the District has \$27,906 (net of accumulated depreciation) invested in equipment in its business-type activity. There were no additions during the current fiscal year.

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

Debt Administration

At year-end, the District had \$2,162,906,252 in bonds outstanding (including accreted interest on bonds) versus \$1,268,946,411 last year—an increase of 70.45%. New bonded debt incurred during the current fiscal period consisted of the issuance of \$949,075,000 in school building bonds. The District's underlying rating for unlimited tax bonds is "AA" by S&P, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

Other obligations include subscription liabilities and accrued vacation. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees approved a maintenance and operation property tax rate of \$0.6792 and a debt service rate of \$0.48 for the fiscal year 2023-2024, making the total tax rate necessary to fund the 2023-2024 budget \$1.1592. This represents a decrease of \$0.1854 from the prior year.

This change in the tax rate was due to the implementation of House Bill 3 (HB3) approved during the 86th Legislative Session. Beginning in the 2019 tax year HB3 requires a school district's Tier I M & O tax rate to be the lesser of \$1.00 or the total number of cents levied by the district for the M & O rate in 2018 multiplied by the state compression percentage of 93 percent. In 2018, the District's Tier I M & O rate was \$1.00, reducing the rate to \$0.93. The voter approval tax rate is set to the sum of \$0.93 plus: the greater of 4 cents or the district's enrichment tax rate after tax compression. In 2019, the enrichment tax rate was \$0.0231. HB 3 made no changes to the calculation of a district's debt service tax rate.

The District continues to experience an increase in property values over the prior year. The actual increase in certified and under review values for the 2023 tax year was \$3,703,498,931 or 14.90%.

The Board of Trustees of the District adopted a total tax rate of \$1.1569 per \$100 of assessed value for 2024-2025. The M & O tax rate will decrease to \$.6769, and the debt service tax rate will remain at \$0.48 for a total rate of \$1.1569. The district's certified values increased \$3,037,920,896 or 10.97% for 2024.

State funding for 2024-2025 is projected to be \$88,228,122 or 27.39% of the total budget compared to \$49,957,272 or 15.85% for 2023-2024.

The passage of HB 3 during the 86th Legislative session was a significant step toward enhancing public education funding in Texas, with a strong emphasis on improving equity and lowering property tax rates. However, the funding formula, which remains reliant on student attendance, has presented challenges, especially since the basic allotment has not increased since 2019, despite a notable rise in inflation of over 19%.

Denton ISD, recognized as a rapidly growing district, faces unique challenges stemming from a decline in attendance following the pandemic and high mobility rates among families within the District. With an enrollment of 32,866 students and an estimated Average Daily Attendance (ADA) of 30,292 for the 2023-24 school year, projections for the 2024-25 budget are based on conservative estimates. Although demographic models suggest an increase in total enrollment to 33,596 students, the district is opting for an initial ADA projection of 31,075.

The complexities of Texas school funding indicate that while local appraised property values may increase, this does not necessarily lead to a corresponding rise in general fund revenue. This is because the state offsets those increases, resulting in a reduced amount of state revenue sent to the district to maintain the same funding level per student. Ongoing legislative discussions and decisions are crucial for ensuring the future financial stability of public schools in Texas. As Denton ISD continues to track the revenues and expenditures during the 2024-25 school year, it will also have an eye on the future of the 2025-26 budget as it will be essential to closely monitor economic conditions and the outcomes of state funding decisions.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Denton Independent School District, 1307 North Locust, Denton, Texas 76201, (940) 369-0000.

BASIC FINANCIAL STATEMENTS

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 618,222,619	\$ 58,049	\$ 618,280,668
1120	Current Investments	270,689,987	-	270,689,987
1220	Property Taxes - Delinquent	5,704,324	-	5,704,324
1230	Allowance for Uncollectible Taxes	(199,083)	-	(199,083)
1240	Due from Other Governments	42,846,505	-	42,846,505
1250	Accrued Interest	4,566,191	-	4,566,191
1290	Other Receivables, Net	573,040	-	573,040
1300	Inventories	373,774	-	373,774
1410	Prepayments	805,965	-	805,965
1470	Capital Assets-Nondepreciable:	-	-	-
1490	Land	119,734,104	-	119,734,104
1910	Construction in Progress	256,444,244	-	256,444,244
Capital Assets:				
1520	Buildings, Net	1,149,223,516	-	1,149,223,516
1530	Furniture and Equipment, Net	60,883,024	27,906	60,910,930
1553	SBITA Assets, Net	2,655,071	-	2,655,071
1990	Other Assets	269,451,508	-	269,451,508
1000	Total Assets	2,801,974,789	85,955	2,802,060,744
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	93,691,998	-	93,691,998
1705	Deferred Outflow Related to TRS Pension	53,817,131	-	53,817,131
1706	Deferred Outflow Related to TRS OPEB	21,426,514	-	21,426,514
1700	Total Deferred Outflows of Resources	168,935,643	-	168,935,643
LIABILITIES				
2110	Accounts Payable	47,852,965	1,538	47,854,503
2150	Payroll Deductions and Withholdings	2,910,997	-	2,910,997
2160	Accrued Wages Payable	34,868,926	-	34,868,926
2180	Due to Other Governments	5,653	-	5,653
2190	Due to Student Groups	68,592	-	68,592
2200	Accrued Expenses	34,780,126	-	34,780,126
2300	Unearned Revenue	3,969,809	-	3,969,809
Noncurrent Liabilities:				
2501	Due Within One Year: Loans, Note, Leases, etc.	62,321,367	-	62,321,367
	Due in More than One Year:			
2502	Bonds, Notes, Loans, Leases, etc.	2,365,001,230	-	2,365,001,230
2540	Net Pension Liability (District's Share)	138,961,878	-	138,961,878
2545	Net OPEB Liability (District's Share)	55,709,611	-	55,709,611
2000	Total Liabilities	2,746,451,154	1,538	2,746,452,692
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflow Related to TRS Pension	5,966,487	-	5,966,487
2606	Deferred Inflow Related to TRS OPEB	80,981,557	-	80,981,557
2600	Total Deferred Inflows of Resources	86,948,044	-	86,948,044
NET POSITION				
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	182,608,809	27,906	182,636,715
	Restricted:			
3820	Restricted for Federal and State Programs	4,266,412	-	4,266,412
3850	Restricted for Debt Service	121,479,934	-	121,479,934
3870	Restricted for Campus Activities	3,002,988	-	3,002,988
3880	Restricted (expendable) for Playground Equipment	13,247	-	13,247
3890	Restricted (nonexpendable) for Corpus	1,000	-	1,000
3900	Unrestricted	(173,861,156)	56,511	(173,804,645)
3000	Total Net Position	\$ 137,511,234	\$ 84,417	\$ 137,595,651

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 266,842,907	\$ 1,057,956	\$ 30,297,221
12 Instructional Resources and Media Services	6,578,566	-	507,105
13 Curriculum and Instructional Staff Development	12,949,910	-	6,305,982
21 Instructional Leadership	5,795,734	-	332,605
23 School Leadership	24,489,700	-	1,404,174
31 Guidance, Counseling, and Evaluation Services	22,432,182	-	7,574,832
32 Social Work Services	1,240,658	-	167,715
33 Health Services	4,445,869	1,762,205	336,280
34 Student (Pupil) Transportation	12,073,252	-	3,472,637
35 Food Services	22,223,979	5,582,334	15,348,789
36 Extracurricular Activities	12,201,320	657,483	2,600,588
41 General Administration	14,442,999	2,711,978	282,040
51 Facilities Maintenance and Operations	41,920,033	434,519	1,027,036
52 Security and Monitoring Services	3,465,057	-	96,165
53 Data Processing Services	7,656,994	-	75,402
61 Community Services	6,130,239	3,534,826	700,311
72 Debt Service - Interest on Long-Term Debt	78,952,627	-	14,005,815
73 Debt Service - Bond Issuance Cost and Fees	11,791,022	-	-
81 Capital Outlay	7,058,756	-	2,814,716
93 Payments Related to Shared Services Arrangements	788,000	-	-
99 Other Intergovernmental Charges	2,282,874	-	-
[TG] Total Governmental Activities:	565,762,678	15,741,301	87,349,413
BUSINESS-TYPE ACTIVITIES:			
01 Stadium Concessions	162,196	199,569	-
[TB] Total Business-Type Activities:	162,196	199,569	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 565,924,874	\$ 15,940,870	\$ 87,349,413
Data			
Control	General Revenues:		
Codes	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
GC	Gifts and Bequests		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
TR	Total General Revenues		
CN	Change in Net Position		
NB	Net Position - Beginning		
PA	Prior Period Adjustment		
NE	Net Position - Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (235,487,730)	\$ -	\$ (235,487,730)
(6,071,461)	-	(6,071,461)
(6,643,928)	-	(6,643,928)
(5,463,129)	-	(5,463,129)
(23,085,526)	-	(23,085,526)
(14,857,350)	-	(14,857,350)
(1,072,943)	-	(1,072,943)
(2,347,384)	-	(2,347,384)
(8,600,615)	-	(8,600,615)
(1,292,856)	-	(1,292,856)
(8,943,249)	-	(8,943,249)
(11,448,981)	-	(11,448,981)
(40,458,478)	-	(40,458,478)
(3,368,892)	-	(3,368,892)
(7,581,592)	-	(7,581,592)
(1,895,102)	-	(1,895,102)
(64,946,812)	-	(64,946,812)
(11,791,022)	-	(11,791,022)
(4,244,040)	-	(4,244,040)
(788,000)	-	(788,000)
(2,282,874)	-	(2,282,874)
(462,671,964)	-	(462,671,964)
-	37,373	37,373
-	37,373	37,373
(462,671,964)	37,373	(462,634,591)
198,632,118	-	198,632,118
140,311,435	-	140,311,435
95,127,193	-	95,127,193
1,627,368	-	1,627,368
57,808,521	-	57,808,521
706,276	-	706,276
494,212,911	-	494,212,911
31,540,947	37,373	31,578,320
83,397,062	47,044	83,444,106
22,573,225	-	22,573,225
\$ 137,511,234	\$ 84,417	\$ 137,595,651

DENTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 80,283,476	\$ 116,737,554	\$ 405,501,271
1120 Investments - Current	-	-	269,711,394
1220 Property Taxes - Delinquent	3,554,894	2,149,430	-
1230 Allowance for Uncollectible Taxes	(129,171)	(69,912)	-
1240 Due from Other Governments	27,345,529	4,760,077	-
1250 Accrued Interest	-	-	4,566,043
1260 Due from Other Funds	9,236,401	-	-
1290 Other Receivables	448,807	-	64,307
1300 Inventories	104,044	-	-
1410 Prepayments	194,299	-	581,852
1900 Other Assets	-	-	269,451,508
1000 Total Assets	<u>\$ 121,038,279</u>	<u>\$ 123,577,149</u>	<u>\$ 949,876,375</u>
LIABILITIES			
2110 Accounts Payable	\$ 3,493,960	\$ -	\$ 43,806,381
2150 Payroll Deductions and Withholdings Payable	2,911,367	-	-
2160 Accrued Wages Payable	32,383,781	-	-
2170 Due to Other Funds	113,758	-	-
2180 Due to Other Governments	-	-	-
2190 Due to Student Groups	68,592	-	-
2300 Unearned Revenue	15,331	-	-
2000 Total Liabilities	<u>38,986,789</u>	<u>-</u>	<u>43,806,381</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	3,502,335	2,097,215	-
2600 Total Deferred Inflows of Resources	<u>3,502,335</u>	<u>2,097,215</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	104,044	-	-
3425 Endowment Principal	-	-	-
3430 Prepaid Items	194,299	-	581,852
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	902,489,171
3480 Retirement of Long-Term Debt	-	121,479,934	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	35,567,279	-	2,998,971
3600 Unassigned Fund Balance	42,683,533	-	-
3000 Total Fund Balances	<u>78,549,155</u>	<u>121,479,934</u>	<u>906,069,994</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 121,038,279</u>	<u>\$ 123,577,149</u>	<u>\$ 949,876,375</u>

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

Other Funds	Total Governmental Funds
\$ 13,843,605	\$ 616,365,906
978,593	270,689,987
-	5,704,324
-	(199,083)
10,726,021	42,831,627
148	4,566,191
110,339	9,346,740
57,991	571,105
262,761	366,805
22,281	798,432
-	269,451,508
<u>\$ 26,001,739</u>	<u>\$ 1,220,493,542</u>
\$ 455,039	\$ 47,755,380
(370)	2,910,997
2,485,038	34,868,819
9,232,982	9,346,740
5,653	5,653
-	68,592
3,954,478	3,969,809
<u>16,132,820</u>	<u>98,925,990</u>
-	5,599,550
-	5,599,550
262,761	366,805
1,000	1,000
22,281	798,432
4,266,412	4,266,412
-	902,489,171
-	121,479,934
13,247	13,247
5,306,218	5,306,218
-	38,566,250
(3,000)	42,680,533
<u>9,868,919</u>	<u>1,115,968,002</u>
<u>\$ 26,001,739</u>	<u>\$ 1,220,493,542</u>

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DENTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2024

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 1,115,968,002
1 Assets and liabilities of the internal service funds are not included in the fund financial statements.	1,501,818
2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	2,140,668,409
3 Accumulated depreciation is not reported in the fund financial statements.	(551,728,450)
4 Bonds payable are not reported in the fund financial statements.	(2,142,646,665)
5 Bond premiums and discounts are not recognized in the fund financial statements.	(261,819,635)
6 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(34,780,126)
7 Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	5,599,550
8 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$138,961,878, a Deferred Resource Inflow related to TRS in the amount of \$5,966,487, and a Deferred Resource Outflow related to TRS in the amount of \$53,817,131. This amounted to a decrease in Net Position in the amount of \$91,111,234.	(91,111,234)
9 Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$55,709,611, a Deferred Resource Inflow related to TRS OPEB in the amount of \$80,981,557, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$21,426,514. This amounted to a decrease in Net Position in the amount of \$115,264,654.	(115,264,654)
10 Accrued vacation benefits have not been recorded in the fund financial statements.	(681,350)
11 Deferred charge on bond refundings is not recognized in the fund financial statements.	93,691,998
12 Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.	(20,259,587)
13 Subscription liabilities for SBITA assets used in governmental activities are not recognized in the fund financial assets.	(1,626,842)
29 Net Position of Governmental Activities	\$ 137,511,234

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 212,446,117	\$ 143,330,015	\$ 47,361,735
5800 State Program Revenues	113,780,572	13,710,126	-
5900 Federal Program Revenues	5,560,766	-	-
5020 Total Revenues	331,787,455	157,040,141	47,361,735
EXPENDITURES:			
Current:			
0011 Instruction	207,892,341	-	-
0012 Instructional Resources and Media Services	5,301,465	-	-
0013 Curriculum and Instructional Staff Development	5,647,487	-	-
0021 Instructional Leadership	4,599,464	-	-
0023 School Leadership	20,043,847	-	-
0031 Guidance, Counseling, and Evaluation Services	12,792,525	-	-
0032 Social Work Services	920,547	-	-
0033 Health Services	3,619,596	-	-
0034 Student (Pupil) Transportation	9,681,376	-	-
0035 Food Services	412,777	-	-
0036 Extracurricular Activities	8,909,457	-	-
0041 General Administration	11,428,423	-	-
0051 Facilities Maintenance and Operations	39,631,434	-	-
0052 Security and Monitoring Services	3,249,051	-	-
0053 Data Processing Services	6,551,840	-	-
0061 Community Services	4,737,205	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	-	44,118,618	-
0072 Interest on Long-Term Liabilities	-	88,886,572	-
0073 Bond Issuance Cost and Fees	-	25,463	5,449,599
Capital Outlay:			
0081 Facilities Acquisition and Construction	141,746	-	236,525,455
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	788,000	-	-
0099 Other Intergovernmental Charges	2,282,874	-	-
6030 Total Expenditures	348,631,455	133,030,653	241,975,054
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,844,000)	24,009,488	(194,613,319)
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued	-	-	949,075,000
7912 Sale of Real and Personal Property	236,639	-	-
7915 Transfers In	1,102,460	-	987,007
7916 Premium or Discount on Issuance of Bonds	-	667,445	92,859,599
7949 Other Resources	-	1,073,696	-
8911 Transfers Out (Use)	(1,971,595)	-	(1,191,464)
7080 Total Other Financing Sources (Uses)	(632,496)	1,741,141	1,041,730,142
EXTRAORDINARY ITEMS:			
7919 Extraordinary Item - Resource	126,872	-	-
8913 Extraordinary Item - (Use)	(7,900)	-	-
1200 Net Change in Fund Balances	(17,357,524)	25,750,629	847,116,823
0100 Fund Balance - July 1 (Beginning)	95,906,679	95,729,305	58,953,171
3000 Fund Balance - June 30 (Ending)	\$ 78,549,155	\$ 121,479,934	\$ 906,069,994

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

		Total	
Other		Governmental	
Funds		Funds	
\$	13,740,457	\$	416,878,324
	5,470,350		132,961,048
	35,690,138		41,250,904
	54,900,945		591,090,276
	14,694,221		222,586,562
	260,331		5,561,796
	5,006,544		10,654,031
	177,823		4,777,287
	401,975		20,445,822
	5,631,951		18,424,476
	107,192		1,027,739
	46,083		3,665,679
	723,352		10,404,728
	19,341,835		19,754,612
	1,948,660		10,858,117
	4,457		11,432,880
	71,529		39,702,963
	96,165		3,345,216
	63,507		6,615,347
	608,809		5,346,014
	-		44,118,618
	-		88,886,572
	-		5,475,062
	2,814,716		239,481,917
	-		788,000
	-		2,282,874
	51,999,150		775,636,312
	2,901,795		(184,546,036)
	-		949,075,000
	139		236,778
	22,801		2,112,268
	-		93,527,044
	-		1,073,696
	(1,016,329)		(4,179,388)
	(993,389)		1,041,845,398
	-		126,872
	-		(7,900)
	1,908,406		857,418,334
	7,960,513		258,549,668
\$	9,868,919	\$	1,115,968,002

DENTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 857,418,334
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	235,774,812
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(60,018,862)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(17,234,114)
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	960,774
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a change in long-term debt in the government-wide financial statements.	13,050,297
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as a change in long-term debt in the government-wide financial statements.	10,996,541
The net profit (loss) of internal service funds is not included in the fund financial statements but is reported with governmental activities in the government-wide financial statements.	518,828
Current year issuances of bonds are shown as other resources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(949,075,000)
The premium on the current year issuance of bonds is recorded as an other resource in the fund financial statements, but is capitalized in the government-wide financial statements.	(93,527,044)
Current year principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	44,118,618
Current year principal payments on subscription liabilities are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	2,476,965
Current year net decreases in accrued vacation benefit obligations and special termination benefit obligations are shown as expenditures in the fund financial statements but are shown as reductions of long-term debt in the government-wide financial statements.	16,666

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

DENTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

EXHIBIT C-4

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2023 caused the ending net position to increase in the amount of \$9,099,548. Contributions made before the measurement but during the 2023 FY were also de-expended and recorded as a reduction in the net pension liability for the District. This also caused an increase in the net position in the amount of \$1,645,864. These contributions were replaced with the District's pension expense for the year of \$25,480,966, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$14,735,554.	(14,735,554)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made during the current fiscal year caused the ending net position to increase in the amount of \$2,231,847. These contributions were replaced with the District's OPEB expense for the year, which was \$(13,206,359) and caused an increase in net position. The impact of both of these is to increase net position by \$10,974,512.	10,974,512
Proceeds from subscription liabilities are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(2,542,516)
The basis of capital asset dispositions do not affect the fund financial statements but are shown as a reduction of capital assets in the government-wide financial statements.	(1,316,350)
Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.	(6,315,960)
Change in Net Position of Governmental Activities	<u><u>\$ 31,540,947</u></u>

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 58,049	\$ 1,856,713
Due from Other Governments	-	14,878
Other Receivables	-	1,935
Inventories	-	6,969
Prepayments	-	7,533
Total Current Assets	<u>58,049</u>	<u>1,888,028</u>
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment, Net	27,906	118,057
SBITA Asset, Net	-	2,655,071
Total Noncurrent Assets	<u>27,906</u>	<u>2,773,128</u>
Total Assets	<u>85,955</u>	<u>4,661,156</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,538	97,585
Accrued Wages Payable	-	107
Claims Liability	-	200,000
Total Current Liabilities	<u>1,538</u>	<u>297,692</u>
Noncurrent Liabilities:		
SBITA Liability	-	1,626,842
Claims Liability	-	88,518
Total Noncurrent Liabilities	<u>-</u>	<u>1,715,360</u>
Total Liabilities	<u>1,538</u>	<u>2,013,052</u>
NET POSITION		
Net Investment in Capital Assets	27,906	1,146,286
Unrestricted Net Position	56,511	1,501,818
Total Net Position	<u>\$ 84,417</u>	<u>\$ 2,648,104</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 199,569	\$ 3,233,208
Total Operating Revenues	199,569	3,233,208
OPERATING EXPENSES:		
Payroll Costs	71,828	262,140
Professional and Contracted Services	60	779,885
Supplies and Materials	82,234	402,222
Other Operating Costs	4,392	690,881
Depreciation Expense	3,682	2,216,291
Debt Service	-	121,847
Total Operating Expenses	162,196	4,473,266
Operating Income (Loss)	37,373	(1,240,058)
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	17,050
Total Nonoperating Revenues (Expenses)	-	17,050
Income Before Transfers	37,373	(1,223,008)
Transfers In	-	3,169,580
Transfers Out	-	(1,102,460)
Change in Net Position	37,373	844,112
Total Net Position - July 1 (Beginning)	47,044	1,640,776
Prior Period Adjustment	-	163,216
Total Net Position - June 30 (Ending)	\$ 84,417	\$ 2,648,104

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from District	\$ -	\$ 2,599,598
Cash Received from Charges and Fees	211,962	617,038
Cash Payments for Payroll Costs	(71,828)	(262,033)
Cash Payments for Purchased Services	(60)	(747,747)
Cash Payments for Supplies and Materials	(86,968)	(424,950)
Cash Payments for Interest	-	(121,847)
Cash Payments for Claims	-	(782,382)
Net Cash Provided by Operating Activities	53,106	877,677
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Transfers In	-	3,169,580
SBITA Proceeds	-	2,542,516
SBITA Principal Payments	-	(2,480,884)
Purchase of Capital Assets	(22,546)	(2,512,817)
Transfer Out	-	(1,102,460)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(22,546)	(384,065)
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	-	17,050
Net Increase in Cash and Cash Equivalents	30,560	510,662
Cash and Cash Equivalents at Beginning of Year	27,489	1,346,051
Cash and Cash Equivalents at End of Year	\$ 58,049	\$ 1,856,713
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income (Loss):	\$ 37,373	\$ (1,240,058)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,682	2,216,291
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	12,393	(16,572)
Decrease (increase) in Inv./Prepayments	-	3,834
Increase (decrease) in Accounts Payable	(342)	10,398
Increase (decrease) in Accrued Wages Payable	-	107
Increase (decrease) in Accrued Expenses	-	(96,323)
Net Cash Provided by Operating Activities	\$ 53,106	\$ 877,677

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2024

	Total Custodial Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 229,960
Total Assets	<u>229,960</u>
LIABILITIES	
Accounts Payable	<u>3,363</u>
Total Liabilities	<u>3,363</u>
NET POSITION	
Unrestricted Net Position	<u>226,597</u>
Total Net Position	<u><u>\$ 226,597</u></u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Total Custodial Funds
ADDITIONS:	
Received from Student Groups	\$ 263,982
Total Additions	<u>263,982</u>
DEDUCTIONS:	
Student Groups	<u>279,268</u>
Total Deductions	<u>279,268</u>
Change in Fiduciary Net Position	(15,286)
 Total Net Position - July 1 (Beginning)	 <u>241,883</u>
 Total Net Position - June 30 (Ending)	 <u><u>\$ 226,597</u></u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

Based on the aforementioned criteria, Denton Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

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

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

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Enterprise Fund** - The District utilizes enterprise funds to account for the Districts' activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District uses this fund to account for its athletic stadium concessions, because this program is self-supporting and does not require subsidies from the general fund.
3. **Internal Service Funds** - The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service funds for its health and workers compensation self-insurance plans in addition to its print shop.
4. **Permanent Fund** - The District utilizes a permanent fund to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes to support the District's programs. The District uses this fund to account for the Lewis Price Memorial Fund, the earnings on which are to be used for playground equipment.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

- 5. Fiduciary Funds** - The District reports Custodial Funds as Fiduciary Funds. Custodial Funds are custodial in nature and account for activities of student groups. Custodial Funds exist with the explicit approval of, and are subject to revocation by, the Board.

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

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

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

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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

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

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

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

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Child Nutrition Fund. The special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	June 30, 2024
	<u>Fund Balance</u>
Appropriated Budget Funds	\$4,529,173
Nonappropriated Budget Funds	<u>5,325,499</u>
All Special Revenue Funds	<u>\$9,854,672</u>

**DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

E. CASH AND CASH EQUIVALENTS

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

The cash equivalents portion of this caption is comprised of investments in state investment pools. All daily receipts are deposited to demand accounts until the funds are invested under the terms of the District's depository contract.

All District's deposits and investments, other than the state investment pool, are legally insured by the Federal Deposit Insurance Corporation and additionally protected by appropriate pledges of securities issued by the State of Texas, other Texas municipalities or the Federal government.

F. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no significant encumbrances at June 30, 2024 that were provided for in the subsequent year's budget.

G. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and prepaid items are shown as nonspendable fund balance to signify that they are not available for other subsequent expenditures. Prepaid balances are reported using the consumption method, in which the prepaid item is recorded as an asset when paid and is charged to expenditure or expense each fiscal year in an amount equal to the related benefits received that year.

H. INVENTORIES

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

The amount of unused commodities at balance sheet date is also reported as inventory and unearned revenue. Commodities on hand at June 30, 2024 totaled \$127,424.

I. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances" and "internal advances".

**DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

J. CAPITAL ASSETS

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

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

Buildings	20-40 Years
Furniture and Equipment	5-10 Years

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

K. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. CASH EQUIVALENTS

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with maturity within one year or less.

M. NET POSITION

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

N. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at June 30, 2024 was \$93,691,998.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 5.6705 years.

A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the statement of net position for deferred pension expenses at June 30, 2024 was \$53,817,131.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.2215 years. The amount of deferred outflows reported in the statement of net position for deferred OPEB expense at June 30, 2024 was \$21,426,514.

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2024 was \$5,599,550.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five-year period. In fiscal year 2024, the District reported deferred inflows of resources for pensions in the statement of net position in the amount of \$5,966,487.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.2215 years for the 2023 measurement year). In fiscal year 2024, the District reported deferred inflows of resources for OPEB in the statement of net position in the amount of \$80,981,557.

P. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2024, the district purchased commercial insurance to cover general liabilities. 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.

Q. ESTIMATES

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

R. DATA CONTROL CODES

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

NOTE 2. FUND BALANCE

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

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

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- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash and has classified the Lewis Price Memorial Fund principal as being nonspendable as these funds are contractually required to remain intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2024 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees may assign amounts for specific purposes but it has also delegated authority to assign fund balance to the Superintendent and the Assistant Superintendent of Administrative Services. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of June 30, 2024 for several purposes as detailed below.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

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

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

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 22 and 23) and are described below:

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General Fund

The General Fund has unassigned fund balance of \$42,683,533 at June 30, 2024. Deferred expenditures (prepaid items) of \$194,299 and inventories of \$104,044 are considered nonspendable fund balance. The District has assigned general fund fund balance resources for the following purposes as of June 30, 2024:

2024-2025 Projected Deficit Budget	\$19,917,396
Extended School Day program	5,014,535
Non-bond new campus startup	229,346
Transportation	1,829,068
Per pupil campus allotment	2,699,632
Secondary curriculum	138,005
Career and Technology program	1,298,760
Bilingual program	14,102
Fine Arts program	184,824
Major maintenance projects	67,838
Technology	353,636
Athletics	1,507,557
Insurance deductibles	1,355,617
Vehicles/buses/equipment	956,963
	<u>\$35,567,279</u>

Other Major Funds

The Debt Service Fund has restricted funds of \$121,479,934 at June 30, 2024 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$902,489,171 at June 30, 2024 consisting of unspent bond funds and \$2,998,971 of non-bond funds assigned for future capital replacement projects. Deferred expenditures (prepaid items) of \$581,852 are considered nonspendable fund balance.

Other Funds

In the Food Service Fund, inventories of \$262,761 are considered nonspendable fund balance. The remainder of the Food Service Fund fund balance of \$4,266,412 is shown as restricted for food service operations. The fund balance of \$3,002,988 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The fund balance of District Local Programs, Community Partner Donations, and Local Grants (all special revenue funds) consisted of funds donated for specific purposes that are committed to those purposes. The Lewis Trust Memorial Fund permanent endowment fund principal of \$1,000 is shown as nonspendable at June 30, 2024, while the accumulated unspent earnings of \$13,247 are shown as restricted fund balance.

NOTE 3. DEPOSITS AND INVESTMENTS

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

DENTON INDEPENDENT SCHOOL DISTRICT
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1. Cash Deposits:

At June 30, 2024, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$7,989,760 and the bank balance was \$9,293,266. The District's cash deposits at June 30, 2024 and at all times during the fiscal year were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

A reconciliation of cash and cash equivalents to the financial statements is as follows:

Petty cash	\$ 500
Checking accounts and interest-bearing savings accounts	7,989,760
Investment pools	419,440,780
US Government securities	141,721,700
US Treasury notes	358,750,630
Commercial paper	39,669,164
Money market funds	<u>191,079,589</u>
Total	<u>\$1,158,652,123</u>
 Governmental funds	 \$1,156,507,401
Enterprise funds	58,049
Internal service funds	1,856,713
Fiduciary funds	<u>229,960</u>
Total	<u>\$1,158,652,123</u>

2. Investments:

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

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2024, the District's cash balances totaled \$9,327,899. This entire amount was either secured by pledged securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.

DENTON INDEPENDENT SCHOOL DISTRICT
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- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2024, the District held all of its investments in five public funds investment pools (TexPool, Lone Star, Texas Range, Texas Class and TexStar). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. **Credit Risk -** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool, Texas Range, Texas Class and TexStar at year-end was AAAM (Standard & Poor's), and the credit quality rating for Lone Star was AAf (Standard & Poor's).
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, TexStar, Texas Range, Texas Class and Lone Star investments is less than 60 days.
- e. **Foreign Currency Risk -** This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2024, the District was not exposed to foreign currency risk.
- f. **Concentration of Credit Risk -** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District's investments in Pools at June 30, 2024, are shown below:

Name	Carrying Amount	Fair Value
TexPool	\$ 46,882,892	\$ 46,882,892
TexStar	50,411,936	50,411,936
Lone Star	223,267,191	223,267,191
Texas Range	70,745,893	70,745,893
Texas Class	<u>28,132,868</u>	<u>28,132,868</u>
Total	<u>\$419,440,780</u>	<u>\$419,440,780</u>

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Fair Value Measurements

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

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

The District's investment in Texpool, TexStar, Texas Range, Texas Class and Lone Star (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

<u>Fair Value Measurements Using</u>				
	Balance at	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value level:</u>	<u>6/30/24</u>			
US Government Securities	\$141,721,700	\$141,721,700	\$ -	\$ -
Commercial Paper	39,669,164	-	39,669,164	-
Money Market Funds	191,079,589	191,079,589	-	-
US Treasury Notes	<u>358,750,630</u>	<u>358,750,630</u>	-	-
Total	<u>\$731,221,083</u>	<u>\$691,551,919</u>	<u>\$39,669,164</u>	<u>\$ -</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
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NOTE 4. CAPITAL ASSETS

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

	Balance July 1	Additions/ Completions	Retirement/ Adjustments	Balance June 30
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 113,650,130	\$ 6,083,974	\$ -	\$ 119,734,104
Construction in Progress	461,724,645	186,679,992	(391,960,393)	256,444,244
Total capital assets, not being depreciated	575,374,775	192,763,966	(391,960,393)	376,178,348
Capital assets, being depreciated:				
Buildings and Improvements	1,226,387,474	402,220,805	-	1,628,608,279
Furniture and Equipment	105,004,182	30,237,617	(8,334,023)	126,907,776
SBITA Assets	6,461,189	2,512,817	-	8,974,006
Total capital assets, being depreciated	1,337,852,845	434,971,239	(8,334,023)	1,764,490,061
Less accumulated depreciation for:				
Buildings and Improvements	(433,495,277)	(45,833,485)	(56,001)	(479,384,763)
Furniture and Equipment	(61,086,202)	(12,012,224)	7,073,674	(66,024,752)
SBITA Assets	(4,145,782)	(2,173,153)	-	(6,318,935)
Total accumulated depreciation	(498,727,261)	(60,018,862)	7,017,673	(551,728,450)
Total capital assets being depreciated, net	839,125,584	374,952,377	(1,316,350)	1,212,761,611
Governmental activities capital assets, net	\$1,414,500,359	\$567,716,343	\$(393,276,743)	\$1,588,939,959
Business-type activities:				
Furniture and Equipment	\$ 41,691	\$ 22,546	\$ -	\$ 64,237
Totals at historic cost	41,691	22,546	-	64,237
Less accumulated depreciation for:				
Furniture and Equipment	(32,649)	(3,682)	-	(36,331)
Total accumulated depreciation	(32,649)	(3,682)	-	(36,331)
Business-type activities capital assets, net	\$ 9,042	\$ 18,864	\$ -	\$ 27,906

Construction in progress includes the following construction contracts in progress as of June 30, 2024:

Project	Estimated Cost to Complete	Expended to Date	Balance to Complete
Elementary School Construction	\$ 37,327,458	\$ 36,409,855	\$ 917,603
Elementary School Construction	52,635,194	45,803,470	6,831,724
Elementary School Construction	52,439,630	45,135,110	7,304,520
Elementary School Construction	52,512,680	12,382,995	40,129,685
High School Addition	33,994,875	1,194,478	32,800,397
High School Addition	19,976,362	5,246,519	14,729,843
Middle School Renovation	36,835,323	36,427,707	407,616
High School Athletic Additions	25,449,845	4,229,173	21,220,672
Technology Center Addition	16,615,113	16,079,673	535,440
Transportation Facility Construction	14,204,082	13,822,323	381,759
Middle School Track Facilities	10,660,780	5,248,313	5,412,467
Elementary School Renovation	14,613,925	7,499,813	7,114,112
Total	\$367,265,267	\$229,479,429	\$137,785,838

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

Governmental activities:	
Instruction	\$39,022,369
Instructional Resources & Media Services	914,112
Curriculum & Instructional Staff Development	1,755,313
Instructional Leadership	954,057
School Leadership	3,626,963
Guidance, Counseling & Evaluation Services	3,199,468
Social Work Services	187,742
Health Services	659,468
Student (Pupil) Transportation	1,668,524
Child Nutrition	1,845,909
Cocurricular/Extracurricular Activities	1,095,093
General Administration	1,898,248
Plant Maintenance and Operations	1,264,231
Security and Monitoring Services	119,841
Data Processing Services	1,061,364
Community Services	796,160
Total depreciation expense-Governmental activities	<u>\$60,018,862</u>
Business-type activities:	
Stadium Concessions	\$ 3,682
Total depreciation expense Business-type activities	<u>\$ 3,682</u>

NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, compensated absences, interest rate swap agreements, special termination benefits, and subscription liabilities. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

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

**DENTON INDEPENDENT SCHOOL DISTRICT
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The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2024:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amount Original Issue</u>	<u>Amounts Outstanding 7/1/2023</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 6/30/2024</u>	<u>Due Within One Year</u>
Bonded Indebtness:							
2014A Building	1.25-5.00%	75,055,000	\$ 5,570,000	\$ -	\$ 1,760,000	\$ 3,810,000	\$ 1,855,000
2014B Building	2.00%	69,075,000	49,120,000	-	7,535,000	41,585,000	-
2015 Refunding	3.00-5.00%	118,775,000	22,415,000	-	7,140,000	15,275,000	7,445,000
2015A Building	2.00-5.00%	164,580,000	7,800,000	-	1,805,000	5,995,000	1,900,000
2016 Refunding	2.00-5.00%	117,200,000	116,705,000	-	-	116,705,000	-
2016 Refunding CAB	1.47-2.24%	1,549,104	490,283	-	268,618	221,665	159,177
2018 Building	3.00-5.00%	400,125,000	376,975,000	-	2,530,000	374,445,000	6,160,000
2020 Building	1.75-5.00%	278,025,000	240,580,000	-	12,755,000	227,825,000	9,285,000
2020A Refunding	1.577-5.00%	265,570,000	265,570,000	-	-	265,570,000	-
2020A Refunding CAB	.312-1.391%	3,875,000	210,000	-	155,000	55,000	35,000
2021 Refunding	1.967-5.00%	87,465,000	85,715,000	-	-	85,715,000	-
2022A Refunding	4.00-5.00%	34,650,000	32,795,000	-	1,935,000	30,860,000	2,020,000
2022B Refunding	3.00-5.00%	26,280,000	26,160,000	-	650,000	25,510,000	735,000
2022C Refunding	1.25%	7,585,000	7,585,000	-	7,585,000	-	-
2023 Building	5.00%	949,075,000	-	949,075,000	-	949,075,000	6,045,000
Total Bonded Indebtness			<u>1,237,690,283</u>	<u>949,075,000</u>	<u>44,118,618</u>	<u>2,142,646,665</u>	<u>35,639,177</u>
Accreted Interest	4.10-5.20%		31,256,128	725,664	11,722,205	20,259,587	11,945,242
Premiums on Bond Issuance			181,342,888	93,527,044	13,050,297	261,819,635	13,050,297
Subscription Liability	8.00%		1,561,291	2,542,516	2,476,965	1,626,842	648,133
Accrued Vacation Benefits			<u>698,016</u>	<u>960,824</u>	<u>977,490</u>	<u>681,350</u>	<u>950,000</u>
Total Other Obligations			<u>214,858,323</u>	<u>97,756,048</u>	<u>28,226,957</u>	<u>284,387,414</u>	<u>26,593,672</u>
Total Obligations of District			<u>\$ 1,452,548,606</u>	<u>\$ 1,046,831,048</u>	<u>\$ 72,345,575</u>	<u>\$ 2,427,034,079</u>	<u>\$ 62,232,849</u>

A summary of maturity dates for debt service obligations is as follows:

<u>Description</u>	<u>Maturity Date</u>
2014A Building	8/15/26
2014B Building	8/1/44
2015 Refunding	8/15/33
2015A Building	8/15/32
2016 Refunding	8/15/38
2016 Refunding CAB	8/15/25
2018 Building	8/15/48
2020 Building	8/15/48
2020A Refunding	8/15/45
2020A Refunding CAB	8/15/26
2021 Refunding	8/15/33
2022A Refunding	8/15/35
2022B Refunding	8/15/35
2023 Building	8/15/53

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

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Accrued vacation benefits have typically been liquidated with general fund revenues in prior years.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2024.

NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2025	\$ 35,639,177	\$ 110,867,549	\$ 146,506,726
2026	46,137,488	105,387,063	151,524,551
2027	57,260,000	94,846,276	152,106,276
2028	62,945,000	89,016,401	151,961,401
2029	70,005,000	81,902,276	151,907,276
2030-2034	360,925,000	361,977,397	722,902,397
2035-2039	392,735,000	292,292,775	685,027,775
2040-2044	390,370,000	211,557,038	601,927,038
2045-2049	450,300,000	121,340,365	571,640,365
2050-2054	<u>276,330,000</u>	<u>35,887,750</u>	<u>312,217,750</u>
	<u>\$2,142,646,665</u>	<u>\$1,505,074,890</u>	<u>\$3,647,721,555</u>

NOTE 7. DEFEASED BONDS OUTSTANDING

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

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On June 30, 2024, \$89,785,000 of bonds outstanding are considered defeased.

NOTE 8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May 2020, GASB issued Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITAs). This statement increases the usefulness of the District's financial statements by requiring recognition of right-to-use subscription assets – an intangible asset – and a corresponding subscription liability, where applicable, for payments that previously were classified as operating expenditures and recognized as outflows of resources based on the payment provisions of the arrangements. The requirements of this Statement were effective for years beginning after June 15, 2022.

The District has entered into long-term arrangements for the right to use certain information technology through subscription or license agreements. Current agreements are for various periods of more than 12 months ranging from July 2022 to June 2029. Each SBITA asset will be amortized over the life of the subscription agreement. As of June 30, 2024, the District has recognized \$8,974,006 of SBITA assets with \$6,318,935 of amortization to date.

The District measured the SBITA liability, where applicable, at the present value of the original unpaid SBITA payments, discounted using the District's estimated incremental borrowing rate of 8.00%. As of June 30, 2024, the District has SBITA liabilities of \$1,626,842.

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Below is a summary of the SBITA activity for the fiscal year:

	Balance 7/1/2023	Additions	Retirements	Balance 6/30/2024
Right-to-Use Asset	\$ 6,461,189	\$ 2,512,817	\$ -	\$ 8,974,006
Less Accumulated Amortization	<u>(4,145,782)</u>	<u>(2,173,153)</u>	<u>-</u>	<u>(6,318,935)</u>
Total Right-to-Use Asset, Net	<u>\$ 2,315,407</u>	<u>\$ 339,664</u>	<u>\$ -</u>	<u>\$ 2,655,071</u>

	Balance 7/1/2023	Additions	Retirements	Balance 6/30/2024
Subscription Liability	<u>\$ 1,561,291</u>	<u>\$ 2,542,516</u>	<u>\$ (2,476,965)</u>	<u>\$ 1,626,842</u>
Total Subscription Liability	<u>\$ 1,561,291</u>	<u>\$ 2,542,516</u>	<u>\$ (2,476,965)</u>	<u>\$ 1,626,842</u>

Future payment requirements under the subscription liabilities as of June 30, 2024, are as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 645,591	\$ 60,513	\$ 706,104
2026	306,747	78,500	385,247
2027	238,555	53,961	292,516
2028	209,591	34,876	244,467
2029	226,358	18,109	244,467
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,626,842</u>	<u>\$245,959</u>	<u>\$1,872,801</u>

NOTE 9. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

On resignation, retirement or death of certain employees, the District pays any accrued, unused vacation leave in a lump cash payment to such employee or his/her estate. The District's liability is considered a long-term liability and is recorded in the Statement of Net Position as a long-term debt payable.

A summary of changes in the accumulated vacation leave liability is as follows:

Balance, July 1, 2023	\$ 698,016
Additions – New Entrants and Salary Increments	960,824
Deductions – Payments to Participants	<u>(977,490)</u>
Balance, June 30, 2024	<u>\$ 681,350</u>

On retirement of an employee, the District pays to the employee lump cash payment equal to one-tenth of the employee's annual salary, if the employee has accumulated a minimum amount of unused sick leave. It is impractical to estimate the amount of future liability because of uncertainty of the number of such employees who will remain with the District until retirement. Accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of compensated absences when actually paid to employees.

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NOTE 10. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District (DCAD) is responsible for the appraisal of property for all taxing units in Denton County, including the District. Under the terms of a contract for appraisal services, the District paid DCAD \$2,282,874 in fiscal year 2024 for appraising property.

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2023-24 fiscal year was based was \$29,321,679,693. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2024, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.6792 and \$0.48 per \$100 valuation, respectively, for a total of \$1.1592 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2024 were 99.15% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2024, property taxes receivable, net of estimated uncollectible taxes, totaled \$3,425,723 and \$2,079,518 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and deferred inflows of resources at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

NOTE 11. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

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

	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2024</u>
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Denton ISD FY2024 Employer Contributions		\$ 10,745,412
Denton ISD FY2024 Member Contributions		\$ 21,966,094
Denton ISD FY2024 NECE On-Behalf Contributions		\$ 13,327,829

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.

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- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- All public schools must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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

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

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

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

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

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

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

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Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.0%	1.00%
Non-U.S. Developed	13%	4.5%	0.90%
Emerging Markets	9%	4.8%	0.70%
Private Equity	14%	7.0%	1.50%
Stable Value			
Government Bonds	16%	2.5%	0.50%
Absolute Return ⁴	0%	3.6%	0.00%
Stable Value Hedge Funds	5%	4.1%	0.20%
Real Return			
Real Estate	15%	4.9%	1.10%
Energy, Natural Resources	6%	4.8%	0.40%
Commodities	0%	4.4%	0.00%
Risk Parity			
Risk Parity	8%	4.5%	0.40%
Leverage			
Cash	2%	3.7%	0.00%
Asset Allocation Leverage	-6%	4.4%	-0.10%
Inflation Expectation	-		2.30%
Volatility Drag ³	-		-0.90%
Total	<u>100%</u>		<u>8.00%</u>

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Denton ISD's proportionate share of the net pension liability:	\$207,755,697	\$138,961,878	\$81,759,768

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2024, Denton Independent School District reported a liability of \$138,961,878 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Denton Independent School District. The amount recognized by Denton Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Denton Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$138,961,878
State's proportionate share that is associated with the District	<u>178,103,259</u>
Total	<u>\$317,065,137</u>

¹ Target allocations are based on the FY23 policy model.

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

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

⁴ Absolute Return includes credit sensitive investments.

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

At August 31, 2023 the employer's proportion of the collective net pension liability was 0.2023018899%, an increase of 1.84% from its proportionate share of 0.1986432867% at August 31, 2022.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation.

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

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

The amount of pension expense recognized by Denton Independent School District in the reporting period was \$16,559,879.

For the year ended June 30, 2024 Denton Independent School District recognized pension expense of \$26,892,051 and revenue of \$26,892,051 for support by the State.

At June 30, 2024, Denton Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,951,259	\$1,682,676
Changes in actuarial assumptions	13,143,072	3,216,409
Difference between projected and actual investment earnings	20,222,326	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	6,400,926	1,067,402
Contributions paid to TRS subsequent to the measurement date	9,099,548	-
Total	\$53,817,131	\$5,966,487

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

Year ended June 30:	Pension Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2025	\$ 8,480,669	\$ 30,270,427
2026	5,367,235	24,903,192
2027	18,298,613	6,604,579
2028	5,893,014	711,565
2029	711,565	-
Thereafter	-	-

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NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

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

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

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

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

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of salary. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

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	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2024</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
 Denton ISD FY24 Employer Contributions	 \$2,231,847	
Denton ISD FY24 Member Contributions	\$1,743,199	
Denton ISD FY24 NECE On-behalf Contributions	\$2,634,057	

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

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

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

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

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

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

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

DENTON INDEPENDENT SCHOOL DISTRICT
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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	4.13%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	2.95% to 8.95%, including inflation
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65
Ad hoc post-employment benefit changes	None

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

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

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

	1% Decrease in Discount Rate (3.13%)	Current Single Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District’s proportionate share of the Net OPEB Liability:	\$65,614,321	\$55,709,611	\$47,627,134

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB Liability:	\$45,874,076	\$55,709,611	\$68,363,052

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2024, the District reported a liability of \$55,709,611 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

**DENTON INDEPENDENT SCHOOL DISTRICT
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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	\$ 55,709,611
State's proportionate share that is associated with the District	<u>\$ 67,222,208</u>
Total	<u><u>\$122,931,819</u></u>

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

At August 31, 2023 the employer's proportion of the collective Net OPEB Liability was 0.2516435219%, an increase of 0.08% compared to the August 31, 2022 proportionate share of 0.2514330147%.

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

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

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

The amount of OPEB expense recognized by the District in the reporting period was \$3,879,564.

For the year ended August 31, 2023, the District recognized OPEB expense of \$(14,370,689) and revenue of \$(14,370,689) 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 related to OPEB from the following sources (the amounts shown below will be the cumulative layers for the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,520,438	\$46,869,085
Changes in actuarial assumptions	7,603,956	34,112,472
Difference between projected and actual investment earnings	24,070	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	9,393,034	-
Contributions paid to TRS subsequent to the measurement date	1,885,016	-
Total	\$21,426,514	\$80,981,557

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

**DENTON INDEPENDENT SCHOOL DISTRICT
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Year ended June 30:	OPEB Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2025	\$ (13,344,741)	\$ (48,095,318)
2026	(10,789,594)	(37,305,724)
2027	(7,330,370)	(29,975,354)
2028	(9,591,153)	(20,384,201)
2029	(8,146,230)	(12,237,971)
Thereafter	(12,237,971)	-

NOTE 13. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2024, the contribution made on behalf of the District was \$1,517,780.

NOTE 14. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2024, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund:		
Head Start	\$ 307,771	\$ -
ESEA Title I	829,562	-
IDEA-B Formula	1,198,281	-
IDEA-B Preschool	4,341	-
ESEA II Training and Recruiting	338,702	-
English Language Acquisition	58,799	-
Medicaid Admin Claim	53,884	-
SSA Adult Basic Education	249,486	-
Title IV, Community Learning	22,687	-
National Breakfast and Lunch	835,334	110,339
Emergency Connectivity Fund	2,384,460	-
School Safety Standards	54,693	-
ESSER III	1,130,209	-
SPED Capacity	83,155	-
ESEA IV Part A	135,542	-
SSA Career and Technical	157,399	-
Safe Cycle I	192,740	-
Texas Clean School Bus Program	666,500	-
SPED Autism	317,925	-
Silent Panic Alert	81,901	-
SSA Regional Day School-Deaf	125,169	-
Dyslexia	4,442	-
Special Revenue Fund:		
General Fund	<u>113,758</u>	<u>9,236,401</u>
TOTAL	<u>\$9,346,740</u>	<u>\$9,346,740</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Interfunds transfers for the year ended June 30, 2024 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Capital Projects Fund	\$ 987,007	\$ -
Internal Service Fund	984,589	1,102,460
Capital Projects Fund:		
General Fund	-	987,007
Internal Service Fund	1,191,464	-
Special Revenue Fund:		
General Fund	22,801	22,801
Internal Service Fund	993,527	-
Internal Service Fund:		
General Fund	1,102,460	984,589
Special Revenue Fund	-	993,527
Capital Projects Fund	-	1,191,464
TOTAL	<u>\$5,281,848</u>	<u>\$5,281,848</u>

The \$987,007 transfer from the general fund to the capital projects fund consists of \$955,507 of e-rate funds received in the current fiscal year that was a reimbursement for costs of a project paid for with bond funds in a prior fiscal year, and \$31,500 transferred for payment of capital outlay expenditures paid out of the capital projects fund but funded by the general fund budget. The \$984,589 transfer from the general fund to the internal service fund consists of three transfers. \$388,041 of general fund SBITA activity transferred to the SBITA internal service fund, \$339,513 of flexible spending account forfeitures transferred to the healthcare trust internal service fund to help fund the operating costs of the wellness clinic, and \$257,035 transferred to the healthcare trust internal service fund to cover the remaining operating costs of the wellness clinic. The \$1,102,460 transfer from the workers compensation internal service fund to the general fund is to transfer excess funds to help subsidize the general fund budget. The \$1,191,464 transfer from the capital projects fund to the internal service fund is to transfer capital projects SBITA activity to the SBITA internal service fund. The \$993,527 transfer from the special revenue fund to the internal service fund is to transfer special revenue fund SBITA activity to the SBITA internal service fund.

NOTE 15. HEALTH CARE

During the year ended June 30, 2024, employees of Denton Independent School District were covered by a health insurance plan (the Plan). The District contributed \$260 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully-funded plan.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 16. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2024, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 3,554,894	\$ 27,345,529	\$ 9,236,401	\$ 448,807	\$ 40,585,631
Debt Service Fund	2,149,430	4,760,077	-	-	6,909,507
Capital Projects Fund	-	-	-	64,307	64,307
Special Revenue Fund	-	10,726,021	110,339	57,991	10,894,351
Total - Governmental Activities	<u>\$ 5,704,324</u>	<u>\$ 42,831,627</u>	<u>\$ 9,346,740</u>	<u>\$ 571,105</u>	<u>\$ 58,453,796</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 199,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,083</u>
Business-type Activities:					
Enterprise Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Service Fund	-	14,878	-	1,935	16,813
Total Business-type Activities	<u>\$ -</u>	<u>\$ 14,878</u>	<u>\$ -</u>	<u>\$ 1,935</u>	<u>\$ 16,813</u>

Payables at June 30, 2024, were as follows:

	Accounts	Salaries and Benefits	Due to Other Funds	Other	Total Payables
Governmental Activities:					
General Fund	\$ 3,493,960	\$ 35,295,148	\$ 113,758	\$ -	\$ 38,902,866
Capital Projects Fund	43,806,381	-	-	-	43,806,381
Special Revenue Funds	455,039	2,484,668	9,232,982	-	12,172,689
Total - Governmental Activities	<u>\$ 47,755,380</u>	<u>\$ 37,779,816</u>	<u>\$ 9,346,740</u>	<u>\$ -</u>	<u>\$ 94,881,936</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:					
Enterprise Fund	\$ 1,538	\$ -	\$ -	\$ -	\$ 1,538
Internal Service Fund	97,585	107	-	288,518	386,210
Total Business-type Activities	<u>\$ 99,123</u>	<u>\$ 107</u>	<u>\$ -</u>	<u>\$ 288,518</u>	<u>\$ 387,748</u>

NOTE 17. SELF-INSURED WORKERS' COMPENSATION

During the year ended August 31, 1992, the District established a workers compensation self-insurance fund for District employees to minimize the total cost of workers compensation to the District. All premiums were paid to a third party administrator acting on behalf of a self-funded pool. Like the health care self-insurance fund, the District has retained the risk of loss, and thus uses an Internal Service Fund to account for the activity. The District records activities of the plan in accordance with governmental accounting standards. These costs are reported as interfund services provided and used to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund. Additional payments, if any, to the self-insurance funds are treated as an equity transfer. Advanced Risk Management Techniques, Inc., through an actuarial review of the self-insurance program, projected an estimated outstanding loss of \$288,518 as of June 30, 2024. Claims administration is provided by TASB.

DENTON INDEPENDENT SCHOOL DISTRICT
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This estimated outstanding loss is the actuarially-estimated cost of unpaid claims, including case reserves, the development of known claims, incurred but not reported claims, and allocated loss adjustment expenses. It represents the discounted present value of estimated future cash payments, less anticipated investment income, required to meet unpaid claims. It was calculated based on a 5% yield on investments.

The accrued liability for Workers' Compensation self-insurance of \$288,518 includes incurred but not reported claims. This liability reported in the fund at June 30, 2024, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is a probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked was the present value of the estimate of the actuary. Aggregate stop-loss coverage for 2024 was \$500,000.

Changes in the workers' compensation claims liability amounts in fiscal 2023 and 2024 are represented below:

	Year Ended June 30, 2023	Year Ended June 30, 2024
Unpaid claims, beginning of year	\$906,269	\$384,841
Incurred claims (including IBNR'S)	327,292	686,059
Claim payments	<u>848,720</u>	<u>782,382</u>
Unpaid claims, end of fiscal year	<u>\$384,841</u>	<u>\$288,518</u>

The amount of claims and judgments due within one year is estimated to be \$200,000.

NOTE 18. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2024, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Grant & Entitlements	Federal Grants	Local Governments	Total
General	\$ 27,215,124	\$ -	\$ 130,405	\$ 27,345,529
Debt Service	4,760,077	-	-	4,760,077
Special Revenue	1,611,936	9,113,885	200	10,726,021
Total	<u>\$ 33,587,137</u>	<u>\$ 9,113,885</u>	<u>\$ 130,605</u>	<u>\$ 42,831,627</u>

NOTE 19. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, is not known until as long as five years from the bond issuance date. At June 30, 2024, the estimated rebate liability on outstanding bond series was \$14,107,555.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 20. LITIGATION AND CONTINGENCIES

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

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

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

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

NOTE 21. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property taxes	\$ 197,097,937	\$ -	\$ 139,354,392	\$ -	\$ 336,452,329
Investment income	6,920,757	230,166	3,526,029	47,361,735	58,038,687
Food sales	-	5,582,334	-	-	5,582,334
Penalties, interest and other tax related income	1,080,856	-	449,594	-	1,530,450
Co-curricular student activities	657,483	3,671,966	-	-	4,329,449
Tuition and fees	4,592,782	1,388,919	-	-	5,981,701
Gifts and bequests	30,849	2,867,072	-	-	2,897,921
Facilities rentals	396,545	-	-	-	396,545
Insurance recovery	37,974	-	-	-	37,974
E-rate revenue	955,507	-	-	-	955,507
FSA forfeitures	339,513	-	-	-	339,513
Other	335,914	-	-	-	335,914
Total	<u>\$ 212,446,117</u>	<u>\$ 13,740,457</u>	<u>\$ 143,330,015</u>	<u>\$ 47,361,735</u>	<u>\$ 416,878,324</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 22. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Fund	Total
Tuition	\$ 15,331	\$ -	\$ -	\$ 15,331
Lunchroom Receipts	-	-	349,480	349,480
Food Commodities	-	-	127,424	127,424
State Textbook Fund	-	-	2,519,218	2,519,218
Ready to Read	-	-	332	332
Advanced Placement Incentives	-	-	127,306	127,306
Raising Blended Learners	-	-	123,568	123,568
Deaf Ed Mgmt Board	-	-	707,150	707,150
Total	<u>\$ 15,331</u>	<u>\$ -</u>	<u>\$ 3,954,478</u>	<u>\$ 3,969,809</u>

NOTE 23. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>ALN Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
Impact Aid	84.041	\$ 295,689	\$ 295,689
Excise Tax Refunds	N/A	559,018	559,018
Medicaid Reimbursement	N/A	1,762,205	1,762,205
Junior ROTC	12.000	280,212	280,212
Indirect Costs	N/A	<u>2,663,642</u>	<u>2,663,642</u>
Total for General Fund		<u>\$5,560,766</u>	<u>\$5,560,766</u>

NOTE 24. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in two functional categories in the general fund and one functional category in the child nutrition fund for the year ended June 30, 2024.

NOTE 25. SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides a regional day school for the deaf to various member districts. All services are provided by the fiscal agent. The member districts and the State provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Funds No. 315, 340, 435 and 446 and such activities have been accounted for using Model 3 in the SSA section of the Resource Guide. During the year ended June 30, 2024, the District contributed \$788,000 to the SSA.

In a manner similar to that described above, the District is also the fiscal agent for an adult education SSA accounted for in Special Revenue Fund No. 309 and a vocational education SSA accounted for in Special Revenue Fund No. 331.

DENTON INDEPENDENT SCHOOL DISTRICT
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The District participates in a shared services arrangement for juvenile justice alternative education services with ten other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Denton ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended June 30, 2024, the District had no students in the program for whom it was required to make contributions.

NOTE 26. SUBSEQUENT EVENT

On July 1, 2024 the District issued \$39,160,000 unlimited tax refunding bonds to refund \$41,585,000 Series 2014-B variable rate building bonds whose rate was scheduled to reset on August 1, 2024.

NOTE 27. LEASES

In June 2017, GASB issued Statement No. 87 - Leases. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The initial adoption date was postponed to fiscal years beginning after June 15, 2021 (FY2022) by GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance, which was issued in May of 2020.

Per review of the agreements identified by the District as potential leases, the leases were determined to either not meet the definition of a lease or were immaterial to the financial statements.

NOTE 28. PRIOR PERIOD ADJUSTMENTS

As described in Note 1, during the current fiscal year the District implemented GASB Implementation Guide No. 2021-1 which updated guidance concerning the capitalization of purchases of group of assets with individual values less than the District's capitalization threshold. As part of the implementation, the District recorded a prior period adjustment for \$22,573,225 increasing the beginning Governmental Activities net position. The net prior period adjustment was the result of an increase in capital assets of \$29,053,367 offset by an increase in accumulated depreciation of \$6,480,142.

In addition, in the prior fiscal year the District recorded SBITA right-to-use assets and SBITA liabilities both in the governmental activities capital assets and in the SBITA internal service proprietary fund. During the current fiscal year, the District transferred all SBITA assets and liabilities to the SBITA internal service fund. The District recorded a \$163,216 prior period adjustment in the SBITA internal service fund to record the net SBITA assets that had been recorded in the governmental activities capital assets in the prior fiscal year. This amount consists of \$5,069,945 SBITA right-to-use assets less \$3,637,318 accumulated depreciation and \$1,269,411 SBITA liabilities.

NOTE 29. EXPENDITURES BY CHARACTER

Section 21.256, Texas Education Code, requires an annual audit and authorizes the State Board of Education, with the approval of the State Auditor, to prescribe minimum regulations and report forms for the annual audit. The Financial Accounting System Resource Guide of the Texas Education Agency prescribes the forms and formats to be filed with the Texas Education Agency. The prescribed format of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds, requires expenditures to be classified by function, meaning capital outlay directly associated with a particular function is charged to that function.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

Expenditures by fund and character are as follows:

	<u>Governmental Fund Types</u>				Total
	<u>General</u>	<u>Special</u>	<u>Debt</u>	<u>Capital</u>	<u>(Memorandum</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Service</u>	<u>Projects</u>	<u>Only)</u>
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Current	\$342,942,546	\$48,621,162	\$ -	\$ 9,817,540	\$401,381,248
Capital Outlay	5,688,909	3,377,988	-	226,707,915	235,774,812
Debt Service:					
Principal	-	-	44,118,618	-	44,118,618
Interest and Fiscal Charges	-	-	88,912,035	5,449,599	94,361,634
Total Expenditures	<u>\$348,631,455</u>	<u>\$51,999,150</u>	<u>\$133,030,653</u>	<u>\$241,975,054</u>	<u>\$775,636,312</u>

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

While the School District Bond Guarantee Program and the Charter District Bond Guarantee Program relate to different types of bonds issued for different types of Texas public schools, and have different program regulations and requirements, a bond guaranteed under either part of the Guarantee Program has the same effect with respect to the guarantee obligation of the Fund thereto, and all guaranteed

bonds are aggregated for purposes of determining the capacity of the Guarantee Program (see “Capacity Limits for the Guarantee Program”). The Charter District Bond Guarantee Program as enacted by State law has not been reviewed by any court, nor has the Texas Attorney General (the “Attorney General”) been requested to issue an opinion, with respect to its constitutional validity.

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

	Annual Distributions to the Available School Fund⁽¹⁾									
<u>Fiscal Year Ending</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023⁽²⁾</u>	<u>2024</u>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156
PSF(SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	-	-	-	-	300	600	600 ⁽³⁾	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	432	440	430

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

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

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

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

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2024 and 2023				
Asset Class	August 31, 2024	August 31, 2023	Amount of Increase (Decrease)	Percent Change
Equity				
Domestic Small Cap	\$3,651.3	\$ 2,975.1	\$ 676.2	22.7%
Domestic Large Cap	<u>8,084.6</u>	<u>7,896.5</u>	<u>188.1</u>	<u>2.4%</u>
Total Domestic Equity	11,735.9	10,871.6	864.3	8.0%
International Equity	<u>4,131.1</u>	<u>7,945.5</u>	<u>(3,814.4)</u>	<u>(48.0%)</u>
Total Equity	15,867.0	18,817.1	(2,950.1)	(15.7%)
Fixed Income				
Domestic Fixed Income	-	5,563.7	-	-
U.S. Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market Debt	-	<u>869.7</u>	-	-
Total Fixed Income	13,415.2	8,602.5	4,812.7	55.9%
Alternative Investments				
Absolute Return	3,106.0	3,175.8	(69.8)	(2.2%)
Real Estate	6,101.0	6,525.2	(424.2)	(6.5%)
Private Equity	8,958.8	8,400.7	558.1	6.6%
Emerging Manager Program	-	134.5	-	-
Real Return	-	1,663.7	-	-
Private Credit	2,257.9	-	-	-
Real Assets	<u>4,648.1</u>	<u>4,712.1</u>	<u>(64.0)</u>	<u>(1.4%)</u>
Total Alternative Investments	25,071.8	24,612.0	459.8	1.9%
Unallocated Cash	<u>2,583.2</u>	<u>348.2</u>	<u>2,235</u>	<u>641.9%</u>
Total PSF(CORP) Investments	56,937.2	\$ 52,379.8	\$ 4,557.4	8.7%

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

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

Investment Schedule – PSF(SLB)⁽¹⁾	
	<u>Fair Value (in millions) August 31, 2024</u>
<u>Investment Type</u>	<u>As of</u>
Investments in Real Assets	<u>8-31-24</u>
Sovereign Lands	\$ 277.47
Discretionary Internal Investments	457.01
Other Lands	153.15
Minerals ⁽²⁾⁽³⁾	<u>4,540.61</u> ⁽⁶⁾
Total Investments ⁽⁴⁾	5,428.23
Cash in State Treasury ⁽⁵⁾	—
Total Investments & Cash in State Treasury	\$ 5,428.23

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

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

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

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

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

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

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

The School District Bond Guarantee Program

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

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

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

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

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

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

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

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes

in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

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

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

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

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

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

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

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾						
<u>School District Bonds</u>			<u>Charter District Bonds</u>		<u>Totals</u>	
<u>Fiscal Year</u> <u>Ended 8/31</u>	<u>Number</u> <u>of Issues</u>	<u>Principal</u> <u>Amount</u>	<u>Number</u> <u>of Issues</u>	<u>Principal</u> <u>Amount</u>	<u>Number</u> <u>of Issues</u>	<u>Principal</u> <u>Amount</u>
2020	3,296	\$ 87,800,478,245	64	\$ 2,536,202,000	3,360	\$ 90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682
2024 ⁽²⁾	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603

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

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

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

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

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

Effective February 1, 2024, Texas PSF transitioned into a new strategic asset allocation. The new allocation of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include private credit, absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the

accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2024 Annual Report which is included by reference herein.

PSF Returns Fiscal Year Ended 8-31-2024⁽¹⁾

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

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

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

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

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

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves

reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

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

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

amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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