

CUSIP Number - 253363UD5⁽¹⁾

NOT A NEW ISSUE: BOOK-ENTRY-ONLY

See "OTHER INFORMATION- Ratings" and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

On July 31, 2013, the original issue date for the Bonds, Hunton Andrews Kurth LLP, Houston, Texas (formerly Andrews Kurth LLP) rendered an opinion (the "Original Opinion") to the effect that, as of such date, under existing law, interest on the Bonds was excludable from gross income for federal income tax purposes. See "APPENDIX C – FORM OF BOND COUNSEL'S OPINION AT INITIAL ISSUANCE." See "TAX EXEMPTION" herein for a discussion of the Original Opinion. **Except for the Opinion of Bond Counsel delivered to the Paying Agent/Registrar and the Remarketing Agent in connection with the conversion of the Bonds to the New Rate Period, no additional opinion of Bond Counsel will be delivered in connection with the remarketing of the Bonds.** See "THE BONDS – Determination of Interest Rates; Rate Mode Changes" for a description of the circumstances when an Opinion of Bond Counsel (as defined in the Original Order) is required as a condition for any future interest rate mode conversion with respect to the Bonds.

\$27,940,000

DICKINSON INDEPENDENT SCHOOL DISTRICT

(Galveston County, Texas)

VARIABLE RATE UNLIMITED TAX REFUNDING BONDS, SERIES 2013

Interest Accrual Date: August 1, 2025 (Conversion Date)

Mandatory Tender Date: August 2, 2027 (Due: August 1, 2037)

The Dickinson Independent School District (the "District") is remarketing its \$27,940,000 Variable Rate Unlimited Tax Refunding Bonds, Series 2013 (the "Bonds"), which were issued pursuant to the Constitution and laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, an order adopted by the District's Board of Trustees (the "Board") on June 17, 2013 and an officer's pricing certificate executed pursuant to such order (collectively, the "Original Order"). Such bonds currently bear interest in a Term Rate Period that expires on July 31, 2025. Pursuant to an order of the Board adopted on May 12, 2025 and a pricing certificate to be executed by an authorized official of the District in connection with such order (collectively, the "Conversion Order"), the Board authorized the conversion of the Bonds on August 1, 2025 (the "2025 Conversion Date") to the New Rate Period (defined below). The Original Order, together with the Conversion Order, are referred to herein as the "Order." Terms not otherwise defined herein have the meaning ascribed thereto in the Order.

The definitive Bonds were initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. The Bonds are being remarketed in principal denominations of \$5,000 or any multiple thereof. Upon subsequent remarketing, the Bonds will be sold in principal denominations of \$100,000 and any integral multiples of \$5,000 in excess thereof while bearing interest at a Weekly Rate and principal denominations of \$5,000 or any integral multiple thereof while bearing interest at a Fixed Rate or a Term Rate. **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 "THE BONDS – Book-Entry-Only System" herein. The Tender Agent and Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS – General."

The Bonds were issued as a single Term Bond scheduled to mature on August 1, 2037 and are subject to optional and mandatory redemption prior to maturity, in whole or in part, as described herein. See "THE BONDS – Optional Redemption" and "– Mandatory Redemption."

The Bonds are being remarketed for a new Term Rate Period beginning on the 2025 Conversion Date and ending August 1, 2027 (such period being the "New Rate Period"), with interest to accrue from August 1, 2025 through and including August 1, 2027. Thereafter, on August 2, 2027, the Bonds are expected to convert to and bear interest at a new Term Rate determined by the Remarketing Agent; provided, however, that the interest rate mode applicable to the Bonds may be (a) changed to a Weekly Rate, or (b) converted to a Fixed Rate until stated maturity (as such terms are defined and described herein). During the New Rate Period, 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 February 1 and August 1, commencing February 1, 2026 and on the next occurring Conversion Date (as defined herein), if such date is not a regular interest payment date. The Remarketing Agent will determine the new Term Rate for the New Rate Period on or before July 25, 2025.

The Bonds are subject to mandatory tender without the right of retention at the end of the New Rate Period on August 2, 2027. During the New Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket the Bonds subject to mandatory tender on the Conversion Date at the end of the New Rate Period will result in the rescission of the notice of mandatory tender with respect to the Bonds subject to the failed remarketing only, and the District will not have any obligation to purchase such Bonds at that time. 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 7.00% per annum, calculated on the basis of a 360-day year of twelve 30-day months. See "THE BONDS – Tender Provisions" herein.

Subsequent to the New Rate Period, registered owners of the Bonds ("Owners") will (a) on the next occurring Conversion Date, be required to tender their Bonds without right of retention (i.e. such Bonds will again be subject to mandatory tender and rescission of such mandatory tender upon a failed remarketing as described above) if the Bonds are then in a Term Rate mode and are not benefited by a liquidity facility provided by a third party; (b) if the District has acquired a liquidity facility in accordance with the provisions of the Order and the Bonds are at such time subject to the benefit of a liquidity facility provided by a third party, have the option 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) unless an election to retain Bonds is made available by the District and exercised by the Bondholder, be required to tender their Bonds upon a conversion from a Variable Rate mode to a different Variable Rate mode; and (d) be required to tender their Bonds for purchase, without right of retention, on the Fixed Rate Conversion Date. Pursuant to the Original Order, Variable Rate modes applicable to the Bonds consist of a Weekly Rate and a Term Rate. All tenders of Bonds must be made to the Tender Agent at its designated office in Houston, Texas.

The District has contracted with Jefferies LLC to serve as the remarketing agent (the "Remarketing Agent") for the Bonds. Bonds in a Variable Rate mode tendered for purchase will be bought from the proceeds derived solely from the remarketing of the Bonds, if any. If the Bonds are converted to a Variable Rate mode other than a Term Rate mode, 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.

Proceeds from the sale of the Bonds were used to (i) refund all of the District's outstanding Variable Rate Unlimited Tax Schoolhouse Bonds, Series 2008A (the "Refunded Bonds"), and (ii) pay the costs of issuing the Bonds and refunding the Refunded Bonds.

The Bonds were initially delivered on July 31, 2013 and were approved by the Attorney General of the State of Texas and Hunton Andrews Kurth LLP (formerly Andrews Kurth LLP), Houston, Texas, Bond Counsel. **Except for the Opinion of Bond Counsel delivered to the Paying Agent/Registrar and the Remarketing Agent, no additional opinion of Bond Counsel will be delivered in connection with the remarketing of the Bonds.** The District has engaged Hunton Andrews Kurth LLP to serve as special counsel in connection with the remarketing of the Bonds. Certain legal matters will also be passed upon for the Remarketing Agent by Orrick Herrington & Sutcliffe LLP, Houston, Texas.

Jefferies LLC
As Remarketing Agent

⁽¹⁾ The CUSIP Number has been assigned to the Bonds by CUSIP Global Services and is included solely for the convenience of the purchasers of the Bonds. The District shall not be responsible for the selection or correctness of the CUSIP Number set forth above. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services.

USE OF INFORMATION IN REMARKETING MEMORANDUM

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

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Remarketing Agent. This Remarketing Memorandum contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Remarketing Memorandum 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.

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 THEREOF.

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENT 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 REMARKETING AGENT MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS REMARKETING MEMORANDUM REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY DESCRIBED IN "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Memorandum. The Remarketing Agent has reviewed the information in this Remarketing Memorandum in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Remarketing Memorandum nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE REMARKETING MEMORANDUM, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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 Remarketing Memorandum for any purposes.

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

REMARKETING MEMORANDUM SUMMARY

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

The District	The Dickinson Independent School District is a political subdivision located in Galveston County, Texas. The District is approximately 61 square miles in area. See “INTRODUCTION – Description of the District.”
The Bonds	The Bonds being remarketed by this Remarketing Memorandum consist of \$27,940,000 Variable Rate Unlimited Tax Refunding Bonds, Series 2013, maturing on August 1, 2037. See “THE BONDS – General.”
Rate Periods	The Bonds are being remarketed and converted into a new Term Rate period beginning August 1, 2025 (the “2025 Conversion Date”) and ending August 1, 2027 (such period being the “New Rate Period”), with interest to accrue from August 1, 2025 through and including August 1, 2027. Thereafter, on August 2, 2027, the Bonds will bear interest at a Term Rate determined by the Remarketing Agent; provided, however, that the interest rate mode applicable to the Bonds may be (a) changed to a Weekly Rate; or (b) converted to a Fixed Rate until stated maturity (as such terms are defined and described herein). During the New Rate Period, 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 February 1 and August 1, commencing February 1, 2026 and on the next occurring Conversion Date, if such date is not a regular interest payment date. The Remarketing Agent is required to determine the new Term Rate for the New Rate Period, and an authorized representative of the District will execute a pricing certificate approving such rate, on or before July 25, 2025. See “THE BONDS – Determination of Interest Rates; Rate Mode Changes.”
Paying Agent/Registrar and Tender Agent	The Paying Agent/Registrar and Tender Agent is The Bank of New York Mellon Trust Company, N.A., Houston, Texas.
Payment of Interest	Interest on the Bonds accrues from the 2025 Conversion Date, and is payable on each February 1 and August 1, commencing February 1, 2026 and on the next occurring Conversion Date, if such date is not a regular interest payment date, until stated maturity or prior redemption. See “THE BONDS – General,” “– Optional Redemption,” and “– Mandatory Redemption.”
Authority for Issuance	The Bonds were originally issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including Chapters 1207 and 1371, Texas Government Code; an order adopted by the Board of the District on June 17, 2013 and an officer’s pricing certificate executed pursuant to such order (collectively, the “Original Order”). See “THE BONDS - Authority for Issuance.” Pursuant to an order of the Board adopted on May 12, 2025 and a pricing certificate to be executed by an authorized official of the District in connection with such order (collectively, the “Conversion Order” and together with the Original Order, the “Order”), the Board authorized the conversion of the Bonds on the 2025 Conversion Date to the New Rate Period.
Security for the Bonds	The Bonds constitute direct obligations of the District, payable from the proceeds of a continuing ad valorem tax levied without legal limit as to rate or amount against all taxable property within the District. Additionally, the payment of the Bonds is guaranteed by the Permanent School Fund of the State of Texas. See “THE BONDS – Security” and “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.”
Permanent School Fund Guarantee	The Bonds are 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 and does not support the payment of the Purchase Price of tendered Bonds. See “THE BONDS – Security” and “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.”

Optional and Mandatory Redemption

During the New Rate Period, the Bonds are not subject to optional or mandatory redemption. After the New Rate Period 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 “– Mandatory Redemption.”

Tender Provisions

The Bonds are required to be tendered for purchase to the Tender Agent without the right of retention at the end of the New Rate Period. During the New Rate Period, the Bonds are not provided liquidity support and investors have no right to optionally tender the Bonds. Accordingly, a failure by the Remarketing Agent to remarket any Bonds on the Conversion Date at the end of the New Rate Period would result in the rescission of the notice of mandatory tender with respect to all Bonds, and neither the Remarketing Agent (defined below) nor the District will have any obligation to purchase such Bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order or the Bonds. In the event of a failed remarketing, the Bonds shall bear interest at the “Stepped Rate,” which is defined herein to mean 7.00% per annum, calculated on the basis of a 360-day year of twelve 30-day months, until the Bonds are remarketed or redeemed. See “THE BONDS – Tender Provisions.”

Tax Exemption

On July 31, 2013, the original issue date for the Bonds, Hunton Andrews Kurth LLP, Houston, Texas (formerly Andrews Kurth LLP) rendered an opinion (the “Original Opinion”) to the effect that, as of such date, under existing law, interest on the Bonds was excludable from gross income for federal income tax purposes. See “APPENDIX C – FORM OF BOND COUNSEL’S OPINION AT INITIAL ISSUANCE.” See “TAX EXEMPTION” herein for a discussion of the Original Opinion. Pursuant to the terms of the Original Order, an Opinion of Bond Counsel (as defined in the Order) was delivered by Hunton Andrews Kurth LLP to the Paying Agent/Registrar and the Remarketing Agent in connection with the conversion of the Bonds to the New Rate Period. **Except for the Opinion of Bond Counsel delivered to the Paying Agent/Registrar and the Remarketing Agent, no additional opinion of Bond Counsel will be delivered in connection with the remarketing of the Bonds.** See “THE BONDS – Determination of Interest Rates; Rate Mode Changes” for a description of the circumstances when an Opinion of Bond Counsel (as defined in the Order) is required as a condition for any future interest rate mode conversion with respect to the Bonds.

Use of Proceeds

Proceeds from the sale of the Bonds were used to (i) refund all of the District’s outstanding Variable Rate Unlimited Tax Schoolhouse Bonds, Series 2008A (the “Refunded Bonds”) and (ii) pay the costs of issuing the Bonds and refunding the Refunded Bonds. See “THE BONDS – Purpose.”

Ratings

The Bonds are rated “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) and “AAA” by S&P Global Ratings, a division of S&P Global (“S&P”) by virtue of the guarantee by the Permanent School Fund of the State of Texas. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.” The presently outstanding unenhanced tax-supported debt of the District is rated “Aa3” by Moody’s and “A” by S&P. See “OTHER INFORMATION – Ratings.”

Book-Entry-Only System

The definitive Bonds were initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000. Subsequent to the New Rate Period, the Bonds will be sold in principal denominations of \$100,000 or in integral multiples of \$5,000 in excess thereof while bearing interest at a Weekly Rate and principal denominations of \$5,000 and any integral multiple thereof while bearing interest at a Fixed Rate or a Term Rate. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”

Payment Record

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated District Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year	Tax Supported Debt Per Capita	Ratio of Tax Supported Debt to Taxable Assessed Valuation
2021	61,753	\$ 5,001,522,498	\$ 80,992	\$ 373,055,000	\$ 6,041	7.46%
2022	63,291	5,943,730,817	93,911	362,190,000	5,723	6.09%
2023	64,650	6,606,402,796	102,187	453,820,000	7,020	6.87%
2024	66,030	6,611,112,393	100,123	448,075,000	6,786	6.78%
2025	65,746	7,333,589,749	111,544	435,580,000 ⁽³⁾	6,625 ⁽³⁾	5.94% ⁽³⁾

(1) Source: Municipal Advisory Council of Texas.

(2) Established by Galveston Central Appraisal District. Net of exemptions. Subject to change during ensuing year.

(3) Projected.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended August 31,				
	2024	2023	2022	2021	2020
Beginning Balance	\$ 29,089,336	\$ 38,119,881	\$ 49,072,013	\$ 55,921,475	\$ 56,034,139
Total Revenue	132,218,901	121,523,800	112,769,365	112,304,765	107,645,905
Total Expenditures	135,965,852	131,598,843	123,846,038	119,287,344	107,760,788
Other Financing Sources	(23,210)	44,346	124,541	133,117	2,219
Extraordinary Items	-	1,000,152	-	-	-
Ending Balance ⁽¹⁾	<u>\$ 25,319,175</u>	<u>\$ 29,089,336 ⁽²⁾</u>	<u>\$ 38,119,881 ⁽³⁾</u>	<u>\$ 49,072,013</u>	<u>\$ 55,921,475</u>

Source: The District's audited financial statements.

(1) The District's budget for the 2023-2024 school year includes the expected use of approximately \$4 million of General Fund balance.

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

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

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Elected Officials

<u>Board of Trustees</u>	<u>Office</u>	<u>Length of Service</u>	<u>Term Expires (May)</u>
Corey Magliolo	President	5 years	2028
Jessica Rodriguez	Vice President	5 years	2028
Veanna Veasey	Secretary	7 years	2026
Mary Anthamatten	Member	2 years	2028
Mike Mackey	Member	12 years	2026
Kenna Cotton	Member	1 year	2027
Jonathan Mills	Member	1 year	2027

Selected Administrative Staff

<u>Name</u>	<u>Position</u>	<u>Length of Service with the District</u>
Dr. Rebecca Brown	Superintendent	1 year
Ryan Boone	Deputy Superintendent for Business and Operations	13 years
Kelly Logsdon	Executive Director for Business and Operations	16 years

Consultants and Advisors

Auditors	Mays & Associates, PLLC Baytown, Texas
Bond Counsel	Hunton Andrews Kurth LLP Houston, Texas
Financial Advisor	Post Oak Municipal Advisors LLC Houston, Texas

For additional information regarding the District, please contact:

Dr. Rebecca Brown Superintendent of Schools Dickinson Independent School District 2218 FM 517 East Dickinson, Texas 77539 (281) 229-6100 Phone	or	Mr. Terrell Palmer President Post Oak Municipal Advisors LLC 820 Gessner Road, Suite 1350 Houston, Texas 77024 (713) 328-0990 Phone
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REMARKETING MEMORANDUM

\$27,940,000

DICKINSON INDEPENDENT SCHOOL DISTRICT

(Galveston County, Texas)

VARIABLE RATE UNLIMITED TAX REFUNDING BONDS, SERIES 2013

INTRODUCTION

This Remarketing Memorandum (the “Remarketing Memorandum”), which includes the cover page and appendices hereto, provides certain information regarding the remarketing of \$27,940,000 Dickinson Independent School District Variable Rate Unlimited Tax Refunding Bonds, Series 2013 (the “Bonds”).

There follows in this Remarketing Memorandum descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Post Oak Municipal Advisors LLC, Houston, Texas.

Description of the District

The Dickinson Independent School District (the “District”) is a political subdivision located in Galveston County, Texas. The District is governed by a seven-member Board of Trustees (the “Board”) who serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District consists of approximately 61 square miles in Galveston County, encompassing the City of Dickinson. The District currently serves an enrollment of approximately 12,000 students. The District currently has one early education center, seven elementary schools, three middle schools, three junior high schools, one high school and three alternative education centers.

THE BONDS

Authority for Issuance

The Bonds were issued pursuant to authority conferred by the Constitution and the laws of the State of Texas, including Chapters 1207 and 1371, Texas Government Code, and an order adopted by the District’s Board of Trustees (the “Board”) on June 17, 2013 and an officer’s pricing certificate executed pursuant to such order (collectively, the “Original Order”). Pursuant to an order of the Board adopted on May 12, 2025 and a pricing certificate to be executed by an authorized official of the District in connection with such order (collectively, the “Conversion Order”), the Board authorized the conversion of the Bonds on the 2025 Conversion Date to the New Rate Period (defined below). The Original Order, together with the Conversion Order, are referred to herein as the “Order.” Terms not otherwise defined herein have the meaning ascribed thereto in the Order.

Purpose

Proceeds from the sale of the Bonds were used (i) to refund all of the District’s outstanding Variable Rate Unlimited Tax Schoolhouse Bonds, Series 2008A (the “Refunded Bonds”) and (ii) to pay the costs of issuing the Bonds and refunding the Refunded Bonds.

General

The Bonds are being remarketed in a Term Rate period beginning August 1, 2025 (the “2025 Conversion Date”), and ending August 1, 2027 (such period being the “New Rate Period”), with interest to accrue from August 1, 2025 through and including August 1, 2027. Thereafter, on August 2, 2027, the Bonds are expected to convert to and bear interest at a new Term Rate determined by the Remarketing Agent; provided, however, that the interest rate mode applicable to the Bonds may be (a) changed to a Weekly Rate, or (b) converted to a Fixed Rate until stated maturity (as such terms are defined and described herein). During the New Rate Period, 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 February 1 and August 1, commencing February 1, 2026 and on the next occurring Conversion Date, if such date is not a regular interest payment date. Jefferies LLC (the “Remarketing Agent”) is required to determine the Term Rate for the New Rate Period, and an

authorized representative of the District will execute a pricing certificate approving such rates, on or before July 25, 2025.

The Bonds are subject to mandatory tender without the right of retention at the end of the New Rate Period on August 2, 2027. During the New Rate Period, the Bonds are not expected to be subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket any Bonds on the Conversion Date at the end of the New Rate Period would result in the rescission of the notice of mandatory tender with respect to all Bonds, and neither the Remarketing Agent nor the District will have any obligation to purchase such Bonds at that time. The occurrence of the foregoing will not result in an event of default under the Original Order or the Bonds. In the event of a failed remarketing, the Bonds shall bear interest at the “Stepped Rate,” which is defined to mean 7.00% per annum, calculated on the basis of a 360-day year of twelve 30-day months, until the Bonds are remarketed or redeemed. See “THE BONDS – Tender Provisions” and “THE BONDS – Permanent School Fund Guarantee” herein.

Authorized Denominations. The Bonds were initially issued in principal denominations of \$5,000 or integral multiples thereof. Subsequent to the New Rate Period, the Bonds will be sold in principal denominations of \$100,000 and any integral multiples of \$5,000 in excess thereof while bearing interest at a Weekly Rate and principal denominations of \$5,000 or any integral multiple thereof while bearing interest at a Fixed Rate or a Term Rate.

Calculation of Interest. During the New Rate Period, interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds bearing interest at a Weekly Rate will be calculated on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed. Interest on the Bonds bearing interest at a Term Rate, Stepped Rate or Fixed Rate will be calculated on the basis of a 360-day year of twelve 30-day months.

Interest Payment Methods. The terms of this paragraph will apply if the book-entry-only system is discontinued. See “– Book-Entry-Only System” Interest on the Bonds during a Weekly Rate mode will be paid (a) by check mailed to the registered owners of the Bonds (“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 a Term Rate, Stepped 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.

Book-Entry System of Registration and Payment. The Bonds were issued as Book-Entry-Only securities through The Depository Trust Company, New York, New York (“DTC”). Use of the DTC Book-Entry-Only System will affect the timing and receipt of payment of interest on and principal of the Bonds. See “– Book-Entry-Only System.”

Interest Payment Dates. Interest on the Bonds will be paid as indicated in the table under the heading “THE BONDS – Summary of Certain Provisions of the Bonds.” Interest accrued on Bonds during the New Rate Period will be paid on each February 1 and August 1, commencing February 1, 2026. While Bonds bear interest at a Weekly Rate, interest will be paid on the first Business Day of each calendar month. While Bonds bear interest at a Term Rate, interest will be paid on each February 1 and August 1 beginning the first such date occurring after the commencement of such Term Rate and on the next occurring Conversion Date, if such date is not a regular interest payment date.

While Bonds bear interest at a Fixed Rate, interest will be paid on each February 1 and August 1, beginning the first such date occurring after the Fixed Rate Conversion Date.

Paying Agent/Registrar. The Bank of New York Mellon Trust Company, N.A., Houston, Texas serves as paying agent/ registrar (the “Paying Agent/ Registrar”) for the Bonds. In the Original Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Tender Agent. The Bank of New York Mellon Trust Company, N.A., Houston, Texas, serves as the tender agent (the “Tender Agent”) for the Bonds. All notices required to be delivered to the Tender Agent shall be delivered to The Bank of New York Mellon Trust Company, National Association, Attn: Corporate Trust Department, 601 Travis

Street, 16th Floor, Houston, Texas 77002. In the event that the Book-Entry-Only System herein is discontinued, and registered bonds are issued, all Bonds are required to be delivered to The Bank of New York Mellon Trust Company, National Association, Attn: Corporate Trust Department, 601 Travis Street, 16th Floor, Houston, Texas 77002.

Remarketing Agent and Remarketing Agreement. Jefferies LLC has been appointed to serve as the remarketing agent for the Bonds. Jefferies LLC may be removed as Remarketing Agent and a successor may be appointed in accordance with the Original Order and the Remarketing Agreement between the Remarketing Agent and the District. The address of Jefferies LLC, for purposes of its duties as Remarketing Agent, is 520 Madison Avenue, 7th Floor, New York, New York 10022, Attn: Municipal Short-Term Desk.

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, at a price of par plus accrued interest (if any), the Bonds that have been tendered by the holders thereof pursuant to the Original Order and to perform the other obligations of the Remarketing Agent for the Bonds as set forth in the Original Order.

Legality. The Bonds were initially delivered on July 31, 2013 and were approved as to legality by the Attorney General of the State of Texas and were approved as to legality and certain other legal matters by Hunton Andrews Kurth LLP (formerly Andrews Kurth LLP), Houston, Texas, Bond Counsel.

Except for the Opinion of Bond Counsel delivered to the Paying Agent/Registrar and the Remarketing Agent in connection with the conversion of the Bonds to the New Rate Period, no additional opinion of Bond Counsel will be delivered in connection with the remarketing of the Bonds. See “OTHER INFORMATION – Legal Matters” and “APPENDIX C – FORM OF BOND COUNSEL’S OPINION AT INITIAL ISSUANCE” herein.

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

Interest Rate Modes

Prior to conversion of the interest rate on the Bonds to a Fixed Rate, Bonds may be converted, at the option of the District, to a Variable Rate mode (i.e. either a Weekly Rate or a Term Rate) effective for applicable periods (“Variable Rate Periods”). The rate of interest to be borne by the Bonds during any particular Variable Rate Period will be determined by the Remarketing Agent as described herein under “– Determination of Interest Rates; Rate Mode Changes.” The Bonds may bear interest as follows:

Variable Rate Modes. In accordance with the Original Order, the Bonds may bear interest at a Variable Rate or on a Weekly or Term 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 rate of interest on the Bonds will be determined on the Business Day prior to the first day of the Weekly Rate Period to which it relates. The first day of the Weekly Rate Period shall always be a Thursday, unless such Thursday is not a Business Day, in which case the first day shall be the next Business Day.

Term Rate. While the Bonds bear interest at a Term Rate, the interest rate will be determined no later than the fifth Business Day preceding the commencement date of each Term Rate Period, which rate shall remain in effect for a term of one year or more as determined by the District commencing on the first day of 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 and the Remarketing Agent, in accordance with the Original Order. Notice of changes in interest rate modes will be given as described below. See “– Determination of Interest Rates; Rate Mode Changes.”

Determination of Interest Rates; Rate Mode Changes

New Rate Period. The Bonds will bear interest at the Term Rate determined by the Remarketing Agent on or before July 25, 2025 (as required in the Original Order), from the 2025 Conversion Date and ending on August 1, 2027 (such period being the “New Rate Period”). The Interest Payment Dates during the New Rate Period will be on February 1 and August 1, commencing on February 1, 2026 and on the next occurring Conversion Date, if such date is not a regular interest payment date. Following the New Rate Period, the Bonds will bear interest at a new Term Rate as determined by the Remarketing Agent, unless changed by the District in the manner described below.

Rate Mode Changes after New Rate Period. While the Bonds bear interest at a Variable Rate, 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 below in the table under the caption “– Summary of Certain Provisions of the Bonds.” Each notice of a change between interest rate modes will be sent by first class mail to each Owner’s address as it appears in the registration books of the Paying Agent/Registrar and will state: (a) the effective date and the type of interest rate mode to which the change will be made; (b) the dates by which the Remarketing Agent will determine the Variable Rate and the dates by which the Owners will be notified thereof; (c) if the Bonds will be subject to optional or mandatory tender on the effective date of the change in the interest rate mode, the procedure for such tender, including the date and time that any notices must be received; and (d) the procedure (including form of notice) to be followed if the Owner has the option and desires to retain his Bonds.

Any conversion (a) from a Weekly Rate to a Term Rate; (b) from a Term Rate to a Weekly Rate; or (c) from a Variable Rate 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. The opinion of Bond Counsel given at the time of the initial issuance of the Bonds expresses no opinion as to the effect on excludability from gross income for federal income tax purposes of any action taken after the initial issuance of the bonds which requires the receipt of an opinion of a nationally recognized bond counsel. In accordance with the Original Order, Hunton Andrews Kurth LLP has delivered an Opinion of Bond Counsel (as defined in the Original Order) to the Paying Agent/Registrar and the Remarketing Agent in connection with the conversion of the Bonds to the New Rate Period. The Opinion of Bond Counsel noted that the conversion of the Bonds in accordance with the terms of the Order will not have an adverse effect on the exclusion from federal income tax of the interest on the Bonds and is in compliance with State law. **Otherwise, no additional opinion of Bond Counsel will be delivered in connection with the remarketing of the Bonds.**

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. During each Rate Period after the New Rate Period, the rate of interest on the Bonds will be the rate of interest that the Remarketing Agent determines, under prevailing market conditions on the date of such determination, would result in the price of the Bonds being 100% of the principal amount thereof plus accrued interest, if any.

The determination by the Remarketing Agent of the Variable Rate to be borne by the Bonds will be conclusive and binding on the holders of the Bonds, the District, the Paying Agent/Registrar and the Tender Agent. Failure by the Paying Agent/Registrar to give notice to the Bondholders, or any defect therein, will not affect the interest rate borne by the Bonds or the rights of the Owners thereof. In the event that the Remarketing Agent fails to determine the Variable Rate for any reason, the then current Variable Rate will continue to be such rate in effect for the then current Interest Rate Period. In no event will the interest rate borne by the Bonds exceed the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended (the “Highest Lawful Rate”).

Notice of Rates. Owners will be notified by first-class mail of the Variable Rate applicable to the Bonds at the times described below in the table under the caption “– Summary of Certain Provisions of the Bonds.”

Tender Provisions

During the New Rate Period, the Bonds are not expected to be provided liquidity support pursuant to a Liquidity Facility and are, therefore, not expected to be subject to optional tender during such period. The District, however, has reserved the right to acquire a Liquidity Facility relating to the Bonds, and execute a Liquidity Agreement in connection therewith, in the future. In the event that a Liquidity Facility is acquired, the Bonds will be subject to optional tender in the manner specified in the Original Order and described below.

The Bonds are subject to mandatory tender at the end of the New Rate Period and in certain other instances as set forth herein and in the Original Order; provided, however, that in certain circumstances where there exists no Liquidity Facility relating to the Bonds, which includes the Bonds during the New Rate Period, a failure to remarket Bonds subject to mandatory tender will not constitute an event of default and, in such instance, the mandatory tender will be deemed rescinded for all Bonds 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 the Purchase Price as summarized below in the table under the caption “Summary of Certain Provisions of the Bonds.”

Payment of the Purchase Price of Bonds to be purchased upon an optional tender as described herein will be made by the Tender Agent at its corporate trust office or by bank wire transfer in immediately available funds. **Payment of such Purchase Price is not guaranteed by the Permanent School Fund Guarantee.**

Interest on any Bond that the Owner thereof has elected to tender for purchase and that is not tendered on the identified date of purchase, 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 such identified date of purchase. 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 Tender Agent 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 to the Tender Agent without the right of retention at the end of the New Rate Period for the Bonds. The Bonds are also required to be tendered on the effective date of any change between interest rate modes, subject, however, to the right of Owners to elect to retain their Bonds in certain circumstances, as described below in the table under the caption “– Summary of Certain Provisions of the Bonds.” Any Owner electing to retain Bonds will have no right to tender such Bonds prior to the effective date of the change in interest rate mode, and such election to retain will be irrevocable and binding upon the Owner and all subsequent Owners of such Bonds.

The Bonds are also required to be tendered for purchase to the Tender Agent on the Fixed Rate Conversion Date as described below under “Conversion to Fixed Rate” or upon the occurrence of an event of default under the Liquidity Agreement. Owners of Bonds shall not have the right to elect to retain their Bonds on the Fixed Rate Conversion Date or upon the occurrence of an event of default under any Liquidity Agreement.

Payment of the Purchase Price of Bonds to be purchased upon mandatory tender as described herein will be made by the Tender Agent at its corporate trust office or by wire transfer in immediately available funds. **Payment of such Purchase Price is not guaranteed by the Permanent School Fund Guarantee and is subject to successfully remarketing the Bonds.**

If the Bonds are subject to mandatory tender because of an interest rate conversion occurring at the end of the New Rate Period, or because of a conversion to a new Term Rate Period from an existing Term Rate Period (and there then exists no Liquidity Facility relating to the Bonds and there was no Liquidity Facility upon the commencement of the then-expiring Term Rate Period), then the Bonds shall be subject to mandatory tender on the 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 Original Order or the Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to all Bonds, and the Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of the Bonds, (iii) will bear interest at the Stepped Rate during 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 holders of the Bonds bearing interest at the Stepped Rate), and (v) will be deemed to continue in the then-applicable Variable Rate period for all other purposes of the Original 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 Original Order to cause the Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, in such interest rate mode or modes as the District directs, at a rate not exceeding the Highest Lawful Rate. The Original Order provides that the Stepped Rate means a rate per annum equal to 7.00%, calculated on the basis of a 360-day year of twelve 30 day months.

Interest on any Bond that the Owner has not elected to continue to own after a mandatory purchase date and that is not tendered on the mandatory purchase 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 purchase 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 Original Order. On the mandatory purchase date, the Tender Agent will authenticate and deliver substitute Bonds in lieu of such untendered Bonds.

Remarketing and Purchase. In the event an Owner exercises its right to optionally tender its Bonds, or if any Bonds become subject to mandatory tender, the Remarketing Agent is required to use its best efforts to sell such Bonds at a price equal to 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming optional or mandatory purchase date or as quickly as possible thereafter.

The Purchase Price of Bonds tendered for purchase is required to be paid by the Tender Agent from money derived from the remarketing of such Bonds by the Remarketing Agent. If sufficient funds are not available for the purchase of all tendered Bonds and no Liquidity Facility is in effect, no purchase will be consummated, and such event will not constitute an event of default.

Summary of Certain Provisions of the Bonds

The table below summarizes the following information with respect to Bonds bearing interest at Weekly Rates or Term Rates:

- (a) the dates on which interest will be paid (the “Interest Payment Dates”),
- (b) the date each interest rate will be determined (the “Rate Determination Date”),
- (c) the date each interest rate will become effective (the “Effective Date of Rate”),
- (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 Purchase 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 for Bonds Subject to Optional and 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 (“Mandatory Purchase Date Upon Rate Mode Change”), and
- (i) the provisions relating to each Owner’s right to elect to retain his or her Bonds in the event the Bonds are subject to mandatory tender as described above (the “Owner’s Election to Retain Bonds Upon Rate Mode Change When Converting to Designated Rate”).

All times shown in the following table are Eastern Time. A “Business Day” is defined in the Order to be any day other than a Saturday, Sunday, legal holiday or any other day when banking institutions in New York, New York, or Houston, Texas are authorized or obligated by law or executive order to close or a day when the New York Stock Exchange 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.

	Weekly Rate	Term Rate
Interest Payment Dates	First Business Day of each month.	First calendar day of sixth calendar month after Effective Date of Rate and first day of every sixth month thereafter.
Rate Determination Date	Weekly Rate determined by 12:00 Noon Wednesday, or if Wednesday is not a Business Day, the Business Day immediately preceding the Effective Date of Rate.	Term Rate determined no later than 12:01 PM on the fifth Business Day preceding Effective Date of Rate.
Effective Date of Rate	Thursday following each Rate Determination Date; Weekly Rate effective through Wednesday of next week.	First day of each Term Rate Period and continuing through the date set forth in the pricing certificate for the applicable Term Rate Period, which such period must be for at least one year.
Written Notice of Rate	Paying Agent/Registrar to mail owner monthly confirmation statement within 7 Business Days after each Interest Payment Date.	Paying Agent/Registrar to mail owner notice of Term Rate promptly after Rate Determination Date.
Optional Purchase Dates; Owner's Notice of Optional Tender	Purchase on any Interest Payment Date or immediately succeeding Business Day; Written notice to Tender Agent by owner at or prior to 3:00 PM on any Business Day not less than 7 days prior to optional Purchase Date.	None if there exists no Liquidity Facility; otherwise, first day of next Rate Period; Written notice to Tender Agent by owner at or prior to 3:00 PM on any Business Day at least 7 Business Days prior to optional Purchase Date.
Conversion Date	The day the Bonds first bear interest at a Weekly Rate (the "Weekly Rate Conversion Date").	The day the Bonds first bear interest at a Term Rate (the "Term Rate Conversion Date").
Physical Delivery⁽¹⁾ of and Payment of Bonds Subject to Optional Tender	To Tender Agent by 5:00 PM on Business Day prior to designated purchase date; payment by 2:30 PM on purchase date.	To Tender Agent by 5:00 PM on Business Day prior to designated purchase date; payment by 2:30 PM on purchase date.
Physical Delivery⁽¹⁾ of and Payment of Bonds Subject to Mandatory Tender	To Tender Agent by 5:00 PM on Business Day prior to designated purchase date; payment by 2:30 PM on purchase date.	To Tender Agent by 5:00 PM on Business Day prior to designated purchase date; payment by 2:30 PM on purchase date.
Written Notice of Rate Mode Change	Paying Agent/Registrar to mail notice to owners at least 30 days prior to Effective Date of Rate Mode Change.	Paying Agent/Registrar to mail notice to owners at least 30 days prior to Effective Date of Rate Mode Change.
Mandatory Purchase Date upon Rate Mode Change	Effective Date of Rate Mode Change (the Weekly Rate Conversion Date).	Effective Date of Rate Mode Change (the Term Rate Conversion Date).
Rescission of Mandatory Tender Notice upon failed remarketing; No Event of Default; Bonds bear interest at Stepped Rate during Stepped Rate Period	N/A	Term Rate Mode Bonds subject to mandatory tender because of an interest rate conversion to a new Term Rate Period and there then exists no related Liquidity Facility (nor was there upon the commencement of the then-expiring Term Rate Period).
Owner's Election to Retain⁽²⁾ upon Rate Mode Change when Converting to Designated Rate	Change to Weekly Rate: owner may elect to retain Bonds upon written notice delivered to Tender Agent no later than 3:00 PM on Business Day at least 15 days prior to Conversion Date ⁽²⁾ .	Change to Term Rate: owner may elect to retain Bonds upon written notice delivered to Tender Agent no later than 3:00 PM on Business Day at least 15 days prior to Conversion Date ⁽²⁾ .

(1) Subject to DTC procedures.

(2) Only available if the District enters into a liquidity agreement, which is not expected during the New Rate Period.

Conversion to Fixed Rate

The Original Order provides that at the option of the District the Bonds bearing interest at a Variable Rate may be converted in whole or in part to a Fixed Rate or Rates on any Interest Payment Date. 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. Solely and exclusively with respect to the Remarketing Agent's setting of Fixed Rates on the Bonds to be converted on the Fixed Rate Conversion Date, the Remarketing Agent shall determine the rates for such converted Bonds that will cause such Bonds to have a market value, net of costs of issuance and remarketing fees, at least equal to the principal amount of the Bonds. Upon conversion to a Fixed Rate mode, the Bonds will be sold in authorized denominations of \$5,000 and integral multiples thereof for any one maturity.

To exercise its option, the District must deliver to the Paying Agent/Registrar, the Remarketing Agent, the Tender Agent and the liquidity bank, if any, written notice at least 45 calendar 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 (other than the right of Owners to tender their Bonds for purchase) as set forth in the Original Order with respect to Bonds bearing interest at a Variable Rate. 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 maturities, revised redemption provisions and other terms applicable to the Bonds on and after the Fixed Rate Conversion Date. If the District so elects, the serial maturities for the Bonds converted to a Fixed Rate shall be determined on the basis of providing similar relative principal payments on such Bonds (after giving pro rata effect for any prior sinking fund redemptions of the Bonds, if any, not then converted). In addition, the District must deliver to the Paying Agent/Registrar prior to the Fixed Rate Conversion Date an opinion of nationally recognized bond counsel to the effect that the conversion to the Fixed Rate Mode is authorized under the provisions of the Original 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 Mode not less than 20 calendar days prior to the Fixed Rate Conversion Date. Such notice is required to (a) specify the Fixed Rate Conversion Date and the dates by which the District will determine and the Paying Agent/Registrar will notify the Owners of the Fixed Rate(s); (b) state that the Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date without the right of the Owners to retain their Bonds, and (c) specify any conditions precedent to such conversion.

On or before 12:00 noon, Eastern Time, on 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 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 and the Owners of the Bonds.

After the Fixed Rate Conversion Date, the Owners of converted Bonds will have no right to tender their Bonds for purchase.

Optional Redemption

The Bonds are not subject to optional redemption during the New Rate Period.

After the New Rate Period and prior to the Fixed Rate Conversion Date, the Bonds are subject to redemption at the option of the District on or within 30 days after any Interest Payment Date at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. 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.

Mandatory Redemption

The Bonds are subject to mandatory redemption prior to stated maturity as follows:

<u>Due August 1</u>	<u>Principal Amount</u>
2034	\$7,045,000
2035	7,335,000
2036	7,650,000
2037 (maturity)	5,910,000

To the extent that Bonds have been previously called for redemption or purchased and retired in part and otherwise than from scheduled mandatory redemption payments, future mandatory redemption payments shall be reduced by the principal amount of such Bonds so redeemed or purchased.

In lieu of mandatorily redeeming the Bonds, the District reserves the right to purchase for cancellation Bonds of the same maturity at a price no greater than the applicable redemption price of such Bonds.

The Paying Agent/Registrar will select by lot the specific Bonds (or with respect to Bonds having a denomination in excess of \$5,000, each \$5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Bonds having the same maturity which have been purchased or redeemed by the District as follows, at least 45 days prior to the mandatory redemption date:

- (a) if the District directs the Paying Agent/Registrar to purchase Bonds with money in the debt service fund for the Bonds (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of such Bonds purchased will be made against the next mandatory redemption installment due, or
- (b) if the District purchases or redeems Bonds with other available moneys, then the principal amount of such Bonds will be credited against future mandatory redemption installments in any order, and in any annual amount, that the District may direct.

Notices of Redemption and DTC Notices

The Paying Agent/Registrar is required to cause notice of any redemption of Bonds to be mailed to each 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 10 calendar days prior to the redemption date with respect to Bonds bearing interest at Weekly Rates and at least 15 days prior to the redemption date with respect to Bonds bearing interest at a Term Rate or at least 30 days prior to the redemption date for Bonds 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 corporate trust office of the Paying Agent/Registrar and (b) from the redemption date interest will cease to accrue. 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 maturities 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.

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 Original 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 Original 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 for redemption. See “– Book-Entry-Only System” herein.

Security

The Bonds are payable from a continuing ad valorem tax levied, without limit as to rate or amount, on all taxable property within the District. See “TAX RATE LIMITATIONS” herein. Additionally, the payment of scheduled principal of and interest on the Bonds, when due, is guaranteed by the Permanent School Fund; however, the Permanent School Fund Guarantee is not effective with respect to, and does not guarantee or pay for, the payment of the Purchase Price for optionally or mandatorily tendered Bonds. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM,” “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” herein.

Permanent School Fund Guarantee

The Bonds are guaranteed by the corpus of the Permanent School Fund of the State of Texas in accordance with the terms of the Guarantee Program for School District Bonds. However, the Permanent School Fund guarantee is not effective with respect to, and does not guarantee or pay for, the payment of the Purchase Price of tendered Bonds. In the event of default, Owners will receive all payments due from the corpus of the Permanent School Fund. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund of the State of Texas. See “– Defeasance.”

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited 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 Remarketing Memorandum. The District, the Remarketing Agent, and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Remarketing Memorandum. 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 the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 Bonds documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, principal and interest 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 Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or 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 Tender Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Remarketing Memorandum. In reading this Remarketing Memorandum it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Remarketing Memorandum 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 Remarketing Agent.

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 “THE BONDS – Transfer, Exchange and Registration” below.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, or integral multiples of \$5,000, as appropriate, for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “– Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. 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 30 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same principal amount 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 District and the Paying Agent/Registrar evidence satisfactory to establish to the District and the Paying Agent/Registrar 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 bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

Defeasance

The Original Order provides that the District may discharge its obligations on any or all of the Bonds to pay principal, interest and redemption price thereon in any manner now or hereafter permitted by law.

Amendments

The District may amend the Original Order without the consent of or notice to any registered owner to cure any ambiguity or cure, correct or supplement any defective or inconsistent provision contained in the Original Order or to make any change that does not, in the opinion of bond counsel to the District, in any respect materially and adversely affect the interests of the Owners. Without limiting the foregoing, the District may amend or supplement the Original Order without notice to or the consent of any Owner: (a) to modify the Original 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 Original 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 in Article III and to make corresponding changes to the period for notice of redemption 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 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-Only System for the Bonds; (e) to make any change to the Original 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 has received notice of such amendment or supplement; (f) to provide for the benefit of all of the Bonds a Liquidity Facility (or a substitute Liquidity Facility, as the case may be), which may change the provisions for payment, remedies and other matters in a way which affects the Owners of Bonds; or (g) effective upon any Conversion Date to a new Rate Period to make any amendment affecting only the Bonds being converted.

In addition, the District may amend or supplement the Order, without prior notice to but with the written consent of the holder of at least a majority of aggregate principal amount of the Bonds then Outstanding; except that, without the consent of each registered owner of all of the Outstanding Bonds, no such amendment or supplement may (1) change the sinking fund requirements, if any, interest payment dates, rights to tender or the maturity or maturities of the Outstanding Bonds; (2) reduce the rate of interest borne by any of the Outstanding Bonds; (3) reduce the amount of the principal or purchase price of or premium, if any, payable on the Outstanding Bonds; (4) 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; (5) affect the rights of the Owners of fewer than all of the Outstanding Bonds; or (6) decrease the minimum percentage of the principal amount of Outstanding Bonds necessary for consent to any such amendment.

Record Date for Interest Payment

The record date ("Record Date") for determining the party to whom interest on the Bonds is payable on any Interest Payment Date means (i) with respect to Bonds bearing interest at a Weekly 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 close of business on the last Business Day of the month immediately preceding such Interest Payment Date, and (iii) with respect to Bonds bearing interest at a Term Rate, the close of business on the fifteenth day of the month immediately preceding such Interest Payment Date.

Bondholders' Remedies

The Original Order does not establish specific events of default with respect to the Bonds. Under Texas law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Original Order. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers school districts and relates to contracts entered into by school districts for providing goods or services to school districts. The District is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Chapter 1371, Texas Government Code (“Chapter 1371”), which forms part of the authority for the issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. However, the District has not waived the defense of sovereign immunity with respect to the Bonds. Because it is unclear whether the Texas Legislature has effectively waived the District’s sovereign immunity from a suit for money damages beyond Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants.

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. The opinion of Bond Counsel given at the time of the issuance of the Bonds noted that the rights of bondholders are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein for a description of the procedures to be followed for payment of the principal of and interest on the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

The Court’s decision in *Morath* upheld the constitutionality of the Finance System but noted that the Finance System was “undeniably imperfect.” While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes

in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality “would not, however, affect the district’s authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system’s unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions” (collectively, the “Contract Clauses”), which prohibit the enactment of laws that impair prior obligations of contracts.

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the 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. A school district may not levy an M&O tax rate for the purpose of creating a surplus in M&O tax revenue for the purpose of paying the district’s debt service. 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 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. 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.

2025 Legislative Session

The regular session of the 89th Texas Legislature (the “Legislature”) commenced on January 14, 2025 and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has announced a special session to begin on July 21, 2025. The initial agenda for the special session includes the following items: (i) regulation of products derived from hemp, (ii) real property recording requirements, (iii) impact and production fees for certain water projects and regulations of wells, (iv) affirmative defense to prosecution for victims of human trafficking or compelled prostitution, (v) operations of cement kilns and production of aggregates near

semiconductor facilities, and (vi) the operation and administration of the judicial branch of state government. The Governor may add additional items to the call at any time.

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 the Legislature would increase: (1) the State mandated general homestead exemption from \$100,000 to \$140,000 effective January 1, 2025, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000 effective January 1, 2025, and (3) the exemption for tangible personal property used in the “production of income” from \$2,499 to \$125,000 effective January 1, 2026. Additionally, the Legislature passed legislation that would authorize roughly \$8.5 billion in funding for public schools and would provide districts with a \$55 per-student increase to their base funding, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature 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 the special session, future special sessions or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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

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

During the second called special session, legislation was passed that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately \$0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district general residential homestead exemption from ad valorem taxation from \$40,000 to \$100,000 and 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) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) established a three- year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 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. At an election held on November 7, 2023, voters approved a State constitutional amendment effectuating the legislative changes. The legislation adopted during the second called special session reduces the amount of property taxes paid by homeowners and businesses and increases the State’s share of the cost of funding public education.

Local Funding for School Districts

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

State Compression Percentage. The "State Compression Percentage" or "SCP" is the lesser of three alternative calculations: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2024, the SCP is set at 68.80%.

Maximum Compressed Tax Rate. The "Maximum Compressed Tax Rate" or the "MCR" is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year's MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2023-2024 school year, the Legislature reduced the maximum MCR, establishing \$0.6880 as the maximum rate and \$0.6192 as the floor. For the 2024-2025 school year, \$0.6885 was established as the maximum rate and \$0.6169 as the floor.

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

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

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

State Funding for School Districts

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

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a

guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district to increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as 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 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 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 Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Legislature.

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

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment, and (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 compensation incentive allotment to increase teacher retention in disadvantaged or rural school districts. A school district's total Tier One funding less certain additional allotments 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.

The fast growth allotment weights are 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$320 million for 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, Instructional Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Education Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Education Commissioner. 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 Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the Legislature for the 2024-2025 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2024-2025 State fiscal biennium on new bonds issued by school districts in the 2024-2025 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption from \$40,000 to \$100,000. See "— 2023 Legislative Sessions." Hold-harmless applies only to bonds authorized by voters prior to September 1, 2023.

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

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

Furthermore, "property-wealthy" school districts that received additional State funds under the Finance System prior to the enactment of certain legislation passed during the 86th Texas Legislature are entitled to an equalized wealth transition grant on an annual basis, which will be phased out in 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. Additionally, school districts and open-enrollment charter schools may be entitled to receive an allotment in the form of a formula transition grant, but they will not be

entitled to an allotment beginning with the 2024-2025 school year. This grant is meant to ensure a smooth transition into the funding formulas enacted by the 86th Texas Legislature. Furthermore, 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 Education Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

Local Revenue Level in Excess of Entitlement

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

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2024-2025 school year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

As State funding makes up a larger percentage of school district funding, ADA will become a more significant factor in the amount of funding received by the District. The District anticipates a slight budget surplus for 2024-2025. Attendance has improved in the 2024-2025 school year, and the District is experiencing stabilizing enrollment that is expected to continue over the next ten years. Flattening growth is partly due to the District being mostly built-out.

AD VALOREM TAX PROCEDURES

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

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 Harris Central Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of 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 years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board. See "- District and Taxpayer Remedies").

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

State Mandated Homestead Exemptions

State law grants, with respect to school district taxes imposed for general elementary and secondary public school purposes, (1) a \$100,000 exemption of the appraised value of all homesteads, (2) a \$10,000 exemption of the appraised value of the residence 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 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 an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

State Mandated Tax Ceiling 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 the qualifying exemption. This tax ceiling 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 or disabled if the surviving spouse is over 55 years old at the time of the death of the qualified spouse. For the disabled taxpayer with a tax ceiling, the State Tax Code allows the property owner to keep the tax ceiling but the surviving spouse disabled exemption is valued at zero.

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

Personal Property

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

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. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35 of the Property Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

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” and “DISTRICT APPLICATION OF TAX CODE.”

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Property Tax Code) allows 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 may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district’s property that is not fully taxable is excluded from the school district’s taxable property values. Therefore, a school district will not

be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts.” During the Regular Session of the 88th Texas Legislature, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code (“Chapter 403T”) was enacted into law. Chapter 403T is intended as a replacement of former Chapter 313, Texas Tax Code (“Chapter 313”), but it contains significantly different provisions than the prior program under Chapter 313. Under Chapter 403T, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403T also provides a 100% abatement of 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 403T. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as nonrenewable energy), development of natural resources, critical infrastructure, or research and development for hightech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements.

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.”

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$57,562,331 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.

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.

DISTRICT APPLICATION OF TAX CODE

The District grants the State-mandated general residence homestead exemption of \$100,000 and \$10,000 exemption to the market value of the residence homestead of disabled persons as well as persons 65 years of age or older. The District has not granted an additional exemption of 20% of the market value of residence homesteads. Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt. The District does not tax nonbusiness personal property. The District does not permit split payments, and discounts are not allowed. The District does not tax Freeport Property. The District does not grant a "Goods-in-Transit" exemption. The District does not participate in any tax increment reinvestment zones and has not entered into any abatement agreements.

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 October 14, 1961 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 "– Public Hearing and Voter-Approval Tax Rate" herein and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts."

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 "– 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 threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. The Bonds were issued as refunding bonds pursuant to Chapter 1207, Texas Government Code, and are not subject to the 50-cent Test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

EMPLOYEES' BENEFIT PLANS

Pension Fund. Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). The individual employees contribute a fixed amount of their salary to the System, currently 7.70%, and the State of Texas contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by Federally funded programs. (For more detailed information concerning the retirement plan, see Appendix B, "EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT" – Note 11). The District does not provide post-employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by former employees who elect coverage under the Act, and no direct costs are incurred by the District.

Retiree Healthcare. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS- Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. The State of Texas and active public school employee contribution rates were 1.25% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.75% for fiscal year 2024. For detailed information concerning TRS-Care, including contributions made by the State, the District and District employees for fiscal years 2023 and 2024, see Appendix B, "EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT" – Note 9.

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

In June 2015, Government Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions – which supersedes GASB Statement No. 45) was issued to improve accounting and financial reporting by state and local governments for OPEB. GASB Statement No. 75 requires reporting entities, such as the District, to recognize their proportionate share of the net OPEB liability in the TRS-Care Plan and a deferred outflow for the contributions made by the District subsequent to the measurement date in the Statement of Net Position, a government-wide financial statement. The changes related to OPEB in the Statement of Net Position to implement GASB 75 are reflected in the Statement of Activities, a government-wide financial statement. The changes related to the OPEB affect only the government-wide financial statements and do not affect the General Fund balance. The calculation of OPEB contributions is unaffected by the change. Such

reporting began with the District's fiscal year ended August 31, 2018. To date, the District has met all funding requirements of the TRS-Care Plan.

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

FINANCIAL POLICIES

Basis of Accounting – The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”) promulgated by the Governmental Accounting Standards Board (“GASB”) and other authoritative sources identified in Statement of Auditing Standards No. 69 of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (“FASRG”) and the requirements of contracts and grants of agencies from which it receives funds.

General Fund – The General Fund is used to account for financial resources used for general operations. Any fund balances are considered resources available for current operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other fund are accounted for in this fund.

Debt Service Fund – The Debt Service Fund is used to account for revenues collected to pay interest and related costs and to retire long-term debt.

Special Revenue Funds – Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

Budgetary Procedures – The Board adopts an “appropriated budget” for the General Fund, Debt Service Fund, and the Food Service Fund, which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budgeted to actual revenues and expenditures. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for the subsequent year's budget.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approved of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year and are reflected in the official minutes of the Board.

INVESTMENTS

The District may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the District or obligations under a lease, installment sale, or other agreement of the District) in investments authorized by State law in accordance with investment policies approved by the governing body of the District. Both State law and the District's investment policies are subject to change. See Table 13 in APPENDIX A for a description of the District's investments as of February 28, 2025.

Legal Investments

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

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

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

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

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

Additional Provisions

Under Texas law the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Education; (4) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

WEATHER EVENTS

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

CYBERSECURITY

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

incur other costs related to such legal claims or proceedings. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition.

EXPOSURE TO OIL AND GAS INDUSTRY

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

TAX EXEMPTION

At the time of the Bonds' initial delivery on July 31, 2013, Hunton Andrews Kurth LLP (formerly Andrews Kurth LLP), Houston, Texas, Bond Counsel, delivered its opinion that interest on the Bonds is (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) is not includable in the alternative minimum taxable income of individuals or, except as described below, corporations. **No additional opinion of Bond Counsel will be delivered to Owners in connection with the remarketing of the Bonds.**

The foregoing opinion of Bond Counsel was based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinion, Bond Counsel assumed continuing compliance by the District with certain covenants of the Original Order and relied on representations by the District with respect to matters solely within the knowledge of the District, which Bond Counsel did not independently verify. The covenants and representations related to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the District file an information report with the Internal Revenue Service (the "Service"). If the District should fail to comply with the covenants in the Original Order, or if its representations relating to the Bonds that are contained in the Original Order should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Interest on the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

Except as stated above, Bond Counsel expressed no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Bonds.

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

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion of gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

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 specified material events, to the MSRB. This information will be available free of charge from the MSRB via EMMA system at www.emma.msrb.org. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for a description of the continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State of Texas, as the case may be, and to provide timely notice of specified material events related to the guarantee to certain information vendors.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in APPENDIX A to this Remarketing Memorandum under Tables numbered 1 through 6 and 8 through 13, and in APPENDIX B. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements to such persons when and if the audit report becomes available. Any financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will also provide timely notices of certain events to the MSRB (not in excess of ten (10) days after the occurrence of the event). The District will provide notice of any of the following events with respect to the Bonds: (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; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such 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 the Financial Obligation of the District, any of which reflect financial difficulties. (Neither the Bonds nor the Order make any provision for debt service reserves, redemption provisions, liquidity enhancement, or credit enhancement, except for the Permanent School Fund Guarantee.) In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, 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 order 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.

The term “Financial Obligation” shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12. The District intends to comply with the events in clauses (15) and (16), and the definition of “Financial Obligation”, with reference to Rule 15c2-12, any other applicable federal securities laws, and the guidance provided by the Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Commission or its staff with respect to the amendments to Rule 15c2-12 effected by the 2018 Release.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

Limitations and Amendments

The District has agreed to update information and to provide notices of material 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. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District’s duties under federal or state securities laws.

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the 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 Bondholders of a majority in aggregate principal 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 Bondholders 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 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 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 the type of information and data provided.

Compliance with Prior Undertakings

During the last five (5) years, while filed timely, several filings required under the District’s prior undertakings were, in one or more cases, improperly cross-referenced within EMMA with respect to certain series of bonds. Such filings were corrected to the extent bonds were outstanding.

OTHER INFORMATION

Ratings

The Bonds are rated “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) and “AAA” by S&P Global Ratings, a division of S&P Global (“S&P”), by virtue of the guarantee by the Permanent School Fund. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.” The presently outstanding unenhanced tax-supported debt of the District is rated “Aa3” by Moody’s and “A” by S&P. The District has numerous issues outstanding which are rated “Aaa” by Moody’s and “AAA” by S&P by virtue of the guarantee of the PSF. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant.

The above ratings are not recommendations to buy, sell, or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of either or both ratings may have an adverse effect on the market price of the Bonds.

Effects of Sequestration on Certain Obligations

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending include a reduction to refundable credits under section 6431 of the Internal Revenue Code (the “Code”) applicable to certain qualified bonds, including qualified school construction bonds issued pursuant to sections 54A and 54F of the Code for which an issuer elected to receive a direct credit subsidy payment pursuant to section 6431 of the Code.

For such qualified bonds eligible for the direct credit subsidy payment, the Office of Management and Budget (“OMB”) set a sequester percentage (i.e. reduction) of 5.7%, which applies to any payments processed on or after October 1, 2020 and on or before September 30, 2030, unless and until a law is enacted that cancels or otherwise impacts the sequester. Sequestration may continue past September 30, 2030 and the sequestration percentage may increase or decrease in any fiscal year.

These reductions apply to Build America Bonds, Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds for which an issuer elected to receive a direct credit subsidy pursuant to section 6431 of the Code. Payments to issuers of such bonds are currently subject to a reduction of 5.7% of the amount budgeted for such payments.

The District has previously issued its Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the “Affected Bonds”), which Affected Bonds are outstanding in the principal amount of \$30,000,000. It is anticipated that federal payments to the District for such Affected Bonds will be reduced as described above. Pursuant to the order authorizing the issuance of the Affected Bonds, the District is required to make interest and principal payments on the Affected Bonds regardless of whether any federal funding is received. If the sequestration continues, the District may be required to increase ad valorem tax rates in order to pay additional debt service expenses on the Affected Bonds resulting from decreased federal funding. The District can make no prediction as to the length or long-term effects of the sequestration.

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 statements or operations of the District.

Legal Investments and Eligibility to Secure Public Funds in Texas

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

The 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.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the SEC under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been 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 other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration and 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 in such other jurisdictions.

Legal Matters

Hunton Andrews Kurth LLP, Houston, Texas (“Bond Counsel”), has been engaged to represent the District as bond counsel in connection with the conversion of the Bonds to the New Term Rate Period. Though Bond Counsel represents the Financial Advisor and the Remarketing Agent from time to time in connection with matters unrelated to the Bonds, Bond Counsel was engaged by and only represents the District with respect to the conversion of the Bonds to the New Term Rate Period. Except as noted below, Bond Counsel did not take part in the preparation of the Remarketing Memorandum, 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 or subcaptions, “THE BONDS” (except under the subcaptions “Permanent School Fund Guarantee,” “Book-Entry-Only System” and “Bondholders’ Remedies”) and “CONTINUING DISCLOSURE OF INFORMATION” (except under the subcaption “Compliance With Prior Undertakings”) and such firm is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information appearing under the captions or subcaptions “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” (except under the subcaption “The School Finance System as Applied to the District”), “TAX RATE LIMITATIONS,” “TAX EXEMPTION,” “OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas,” “OTHER INFORMATION – Legal Matters” (except for the last sentence of the first paragraph thereof), and “OTHER INFORMATION –

Registration and Qualification of Bonds for Sale” and such firm is of the opinion that the legal matters contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein.

The legal fee paid to Bond Counsel for services rendered in connection with the conversion of the Bonds is contingent upon the conversion thereof. In connection with the conversion of the Bonds to the New Term Rate Period, certain legal matters will be passed upon for the Remarketing Agent by its counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas. The various legal opinions delivered in conjunction with 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.

Remarketing

Jefferies LLC (the “Remarketing Agent”) will act as Remarketing Agent for the Bonds pursuant to the terms of the Remarketing Agreement between the Remarketing Agent and the District. 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, at a price of par plus accrued interest (if any), the Bonds that have been tendered by the holders thereof pursuant to the Order and to perform the other obligations of the Remarketing Agent for the Bonds as set forth in the Order. The Remarketing Agent is not obligated to purchase any of the Bonds in connection with the remarketing thereof. The District will pay the Remarketing Agent its fees and expenses relating to the remarketing of the Bonds.

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

Jefferies LLC (“Jefferies”) and its 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. Under certain circumstances, Jefferies and its affiliates may have certain creditor and/or other rights against the District and its affiliates in connection with such activities. In the course of their various business activities, Jefferies and its 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. Jefferies and its 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 the clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Remarketing Agent is not acting as a financial advisor to the District in connection with the remarketing of the Bonds.

Financial Advisor

In its role as Financial Advisor, Post Oak Municipal Advisors LLC has relied on the District for certain information concerning the District and the Bonds. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Remarketing Memorandum.

The Financial Advisor has provided the following sentence for inclusion in this Remarketing Memorandum: The Financial Advisor has reviewed the information in this Remarketing Memorandum 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.

Forward Looking Statements

The statements contained in this Remarketing Memorandum, 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 Remarketing Memorandum are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

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

Audited Financial Statements

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

Miscellaneous

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

The Board has adopted an order that approved the form and content of this Remarketing Memorandum, and any addenda, supplement or amendment thereto, and authorized its further use in the remarketing of the Bonds by the Remarketing Agent.

President, Board of Trustees
Dickinson Independent School District

ATTEST:

Secretary, Board of Trustees
Dickinson Independent School District

APPENDIX A
FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 – VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

2024/25 Appraised Valuation Established by the Galveston Central Appraisal District <i>(Excludes Fully Exempt Property)</i>		\$ 10,931,767,887
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap Adjustment	\$ (562,034,461)	
Productivity Loss	(174,665,325)	
Residential Homestead Exemptions	(1,852,517,347)	
Over 65 Homestead Exemptions (State Mandated)	(43,805,181)	
Disabled Persons Exemptions	(4,907,095)	
Pollution Control	(38,229,808)	
Freeport Exemptions	(102,880,000)	
Other Exemptions	<u>(819,138,921)</u>	<u>(3,598,178,138)</u>
2024/25 Taxable Assessed Valuation		\$ 7,333,589,749 ⁽¹⁾
<hr/>		
⁽¹⁾ Includes value of property which is "frozen" at lower levels for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers.		
Debt Payable from Ad Valorem Taxes:		
Outstanding Unlimited Tax Bonds <i>(as of August 1, 2025)</i>	\$ 435,580,000	⁽²⁾
Interest and Sinking Fund Balance <i>(as of August 31, 2025)</i>		\$17,540,539 ⁽³⁾
Ratio of Tax Supported Debt to Taxable Assessed Valuation		5.94%
2024/25 Estimated Population		65,746 ⁽¹⁾
2024/25 Per Capita Taxable Assessed Valuation	\$	111,544
2024/25 Per Capita Tax Supported Debt	\$	6,625

⁽¹⁾ Source: Municipal Advisory Council of Texas.

⁽²⁾ Includes the Bonds.

⁽³⁾ Unaudited projection. See "TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION."

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TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Assessed Value for Fiscal Year Ended August 31,					
	2025 ⁽¹⁾		2024 ⁽¹⁾		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$7,175,480,706	65.64%	\$6,576,513,836	71.81%	\$5,663,071,775	70.37%
Vacant Lots / Tracts	563,365,034	5.15%	228,817,596	2.50%	202,464,456	2.52%
Acreage / Farm & Ranch Improvements	198,892,797	1.82%	275,747,429	3.01%	253,167,830	3.15%
Commercial & Industrial	1,959,483,301	17.92%	1,379,940,608	15.07%	1,356,058,003	16.85%
Utilities	203,549,280	1.86%	187,510,510	2.05%	172,190,699	2.14%
Minerals	9,722,674	0.09%	6,580,796	0.07%	7,971,922	0.10%
Other	821,274,095	7.51%	503,318,114	5.50%	392,741,517	4.88%
Total Appraised Value Before Exemptions	\$10,931,767,887	100.00%	\$9,158,428,889	100.00%	\$8,047,666,202	100.00%
Less: Total Exemptions/Reductions	<u>(3,598,178,138)</u>		<u>(2,547,316,496)</u>		<u>(1,441,263,406)</u>	
Taxable Assessed Value ⁽²⁾	<u>\$7,333,589,749</u>		<u>\$6,611,112,393</u>		<u>\$6,606,402,796</u>	

	Taxable Assessed Value for Fiscal Year Ended August 31,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Residential	\$4,845,645,901	69.82%	\$3,949,501,524	68.04%
Vacant Lots / Tracts	206,470,331	2.97%	203,194,216	3.50%
Acreage / Farm & Ranch Improvements	233,919,687	3.37%	228,679,704	3.94%
Commercial & Industrial	1,061,705,917	15.30%	828,554,042	14.27%
Utilities	152,505,044	2.20%	133,206,240	2.29%
Minerals	3,747,895	0.05%	6,736,851	0.12%
Other	436,404,449	6.29%	454,624,926	7.83%
Total Appraised Value Before Exemptions	\$6,940,399,224	100.00%	\$5,804,497,503	100.00%
Less: Total Exemptions/Reductions	<u>(996,668,407)</u>		<u>(802,975,005)</u>	
Taxable Assessed Value ⁽²⁾	<u>\$5,943,730,817</u>		<u>\$5,001,522,498</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Galveston Central Appraisal District (the "Appraisal District") to the State Comptroller of Public Accounts. Certified values are subject to change as contested values are resolved and the Appraisal District updates its records.

⁽¹⁾ Includes the application of a \$100,000 state mandated general homestead exemption.

⁽²⁾ Includes value of property which is "frozen" at lower levels for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers.

TABLE 3 – VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated District Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2021	61,753	\$5,001,522,498	\$80,992	\$373,055,000	7.46%	\$6,041
2022	63,291	5,943,730,817	93,911	362,190,000	6.09%	5,723
2023	64,650	6,606,402,796	102,187	453,820,000	6.87%	7,020
2024	66,030	6,611,112,393	100,123	448,075,000	6.78%	6,786
2025	65,746	7,333,589,749	111,544	435,580,000 ⁽³⁾	5.94% ⁽³⁾	6,625 ⁽³⁾

⁽¹⁾ Source: Municipal Advisory Council of Texas.

⁽²⁾ Established by the Appraisal District and subject to change during ensuing year.

⁽³⁾ Projected.

TABLE 4 – TAX RATE, LEVY, AND COLLECTION HISTORY

Tax Year	Tax Rate	General Fund ⁽¹⁾	Interest & Sinking Fund	Tax Levy	% Current Tax Collections to Tax Levy	% Total Tax Collections to Tax Levy ⁽¹⁾
2020	\$1.34400	\$0.87400	\$0.47000	\$65,198,153	97.88%	99.67%
2021	1.31200	0.87200	0.44000	74,981,141	98.04%	98.67%
2022	1.29400	0.85400	0.44000	83,151,261	97.72%	98.66%
2023	1.17800	0.73800	0.44000	72,948,691	97.92%	98.56%
2024	1.13600	0.73600	0.40000	77,099,488 ⁽²⁾	91.99%	93.05%

Source: The District's annual audited financial statements.

⁽¹⁾ Excludes penalties and Interest.

⁽²⁾As of April 7, 2025. Unaudited.

TABLE 5 – TEN LARGEST TAXPAYERS ⁽¹⁾

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Galveston Outlets LLC	Shopping Center/Mall	\$106,623,790	1.45%
Texas-New Mexico Power Co.	Electric Utility/Power Plant	83,864,120	1.14%
Topaz Generating LLC	Natural Gas Utility	77,641,690	1.06%
ISP Technologies Inc.	Chemical Plant	73,884,020	1.01%
KV Beacon Lakes Apartments LLC	Apartments	48,650,000	0.66%
Windsor Estates Texas City LLC	Apartments	43,305,320	0.59%
TL II Apartments LLC	Apartments	43,000,100	0.59%
CenterPoint Energy Houston	Electric Utility/Power Plant	38,236,540	0.52%
Balm 348 LLC	Apartments	37,929,120	0.52%
TPI LCTC Retail	Retail	37,655,380	0.51%
		<u>\$590,790,080</u>	<u>8.06%</u>

⁽¹⁾ Source: The Appraisal District.

TABLE 6 – TAX ADEQUACY

2024/25 Principal and Interest Requirements.....	\$31,520,766 ⁽¹⁾
\$0.4432 Tax Rate on 2024/25 Taxable Assessed Valuation at 97% Collection Produces.....	\$31,527,396 ⁽²⁾
Maximum Principal and Interest Requirements (2034/35).....	\$33,562,824 ⁽¹⁾
\$0.4719 Tax Rate on 2024/25 Taxable Assessed Valuation at 97% Collection Produces.....	\$33,568,994 ⁽²⁾
Average Principal and Interest Requirements (2024/25 – 2052/53).....	\$23,350,171 ⁽¹⁾
\$0.3283 Tax Rate on 2024/25 Taxable Assessed Valuation at 97% Collection Produces.....	\$23,353,890 ⁽²⁾

⁽¹⁾ The direct subsidy to the District in connection with the District's Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) has been deducted.

⁽²⁾ Calculation based on 2024/25 net taxable assessed valuation of \$7,333,589,749. Valuations shown are certified taxable assessed values reported by the Galveston Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change as contested values are resolved and the Appraisal District update its records Includes value of property which is "frozen at lower levels for homesteads of taxpayers 65 years or older, their surviving spouse and disabled taxpayers.

TABLE 7 – ESTIMATED OVERLAPPING DEBT

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

Entity	2024/25 Net Taxable Assessed Value	2024/25 Tax Rate	Gross General Obligation Debt as of 5/31/2025	Estimated Overlapping %	Overlapping General Obligation Debt
Dickinson ISD	\$7,333,589,749	\$ 1.1360	\$435,580,000 ⁽¹⁾	100.00%	\$ 435,580,000
Bacliff MUD	610,842,604	0.2278	8,935,000	97.41%	8,703,584
Bay Colony West MUD	395,927,505	0.8900	22,070,000	99.85%	22,036,895
College of the Mainland	20,226,678,846	0.2671	146,565,000	37.89%	55,533,479
Dickinson, City of	1,967,633,797	0.3682	5,410,000	95.67%	5,175,747
Galveston Co	53,410,791,112	0.3335	143,154,091	13.99%	20,027,257
Galveston Co MUD # 14	533,129,920	0.2480	1,900,000	99.87%	1,897,530
Galveston Co MUD # 31	353,158,380	0.8000	21,500,000	100.00%	21,500,000
Galveston Co MUD # 43	203,369,035	0.4500	23,990,000	31.43%	7,540,057
Galveston Co MUD # 44	552,372,743	0.5500	27,415,000	100.00%	27,415,000
Galveston Co MUD # 45	356,988,195	0.7300	48,880,000	0.69%	337,272
Galveston Co MUD # 54	536,960,050	0.5400	19,770,000	100.00%	19,770,000
Galveston Co MUD # 56	172,390,557	0.9400	91,070,000	100.00%	91,070,000
Galveston Co MUD # 59	737,414,101	0.9800	28,465,000	100.00%	28,465,000
Galveston Co MUD # 66	155,682,857	0.9000	11,650,000	70.06%	8,161,990
Galveston Co MUD # 73	169,910,279	1.0000	10,905,000	99.71%	10,873,376
Galveston Co MUD # 79	20,470,882	1.0000	4,440,000	95.39%	4,235,316
Galveston WC&ID # 1	2,128,744,559	0.2570	37,180,000	100.00%	37,180,000
La Marque, City of	1,987,820,185	0.3985	25,002,087	5.38%	1,345,112
League City, City of	13,301,712,708	0.3690	247,670,000	16.24%	40,221,608
San Leon MUD	710,061,857	0.4629	32,825,000	100.00%	32,825,000
Texas City, City of	8,304,822,567	0.4886	9,200,000	25.64%	2,358,880
Total Direct and Overlapping Debt					<u>\$ 882,253,102</u>
Ratio of Direct and Overlapping Debt to 2024/25 Taxable Assessed Valuation					12.03%
Per Capita Direct and Overlapping Debt					\$ 13,419

Source: Municipal Advisory Council of Texas.

⁽¹⁾ Includes the Bonds.

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TABLE 8 – TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt Service			Less:	Net Total	Total
	Principal	Interest ⁽¹⁾	Total	Direct Subsidy ⁽²⁾	Debt Service	Principal Retired
2025	\$ 12,495,000	\$ 19,618,680	32,113,680	\$ (592,914)	\$31,520,766	
2026	14,350,000	17,904,655	32,254,655	(592,914)	\$31,661,741	
2027	14,205,000	17,190,855	31,395,855	(592,914)	\$30,802,941	
2028	14,925,000	16,466,905	31,391,905	(592,914)	\$30,798,991	
2029	15,525,000	15,735,680	31,260,680	(592,914)	\$30,667,766	15.96%
2030	16,245,000	15,010,880	31,255,880	(592,914)	\$30,662,966	
2031	18,295,000	14,258,305	32,553,305	(592,914)	\$31,960,391	
2032	19,085,000	13,474,455	32,559,455	(628,753)	\$31,930,702	
2033	20,555,000	12,662,805	33,217,805	(628,753)	\$32,589,052	
2034	21,305,000	11,919,738	33,224,738	(590,597)	\$32,634,141	37.27%
2035	23,195,000	10,856,480	34,051,480	(488,657)	\$33,562,824	
2036	24,150,000	9,706,787	33,856,787	(357,234)	\$33,499,553	
2037	25,035,000	8,465,887	33,500,887	(218,590)	\$33,282,297	
2038	24,495,000	7,106,530	31,601,530	(73,793)	\$31,527,737	
2039	10,140,000	6,334,119	16,474,119	-	\$16,474,119	61.15%
2040	10,480,000	5,987,969	16,467,969	-	\$16,467,969	
2041	15,080,000	5,544,369	20,624,369	-	\$20,624,369	
2042	15,620,000	4,999,369	20,619,369	-	\$20,619,369	
2043	16,185,000	4,433,669	20,618,669	-	\$20,618,669	
2044	16,770,000	3,846,369	20,616,369	-	\$20,616,369	77.70%
2045	12,230,000	3,339,619	15,569,619	-	\$15,569,619	
2046	12,655,000	2,913,434	15,568,434	-	\$15,568,434	
2047	13,095,000	2,468,081	15,563,081	-	\$15,563,081	
2048	13,560,000	2,005,900	15,565,900	-	\$15,565,900	
2049	14,045,000	1,522,363	15,567,363	-	\$15,567,363	92.33%
2050	10,205,000	1,103,394	11,308,394	-	\$11,308,394	
2051	10,550,000	755,275	11,305,275	-	\$11,305,275	
2052	6,655,000	436,581	7,091,581	-	\$7,091,581	
2053	6,945,000	147,581	7,092,581	-	\$7,092,581	
	<u>\$448,075,000</u>	<u>\$236,216,734</u>	<u>\$684,291,734</u>	<u>\$ (7,136,772)</u>	<u>\$677,154,962</u>	

⁽¹⁾ Interest on the Bonds is estimated at 5.00% after the New Rate Period.

⁽²⁾ Represents a subsidy, estimated at 35% of the interest payments on the District's Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer), that is expected to be paid by the federal government. See "OTHER INFORMATION – EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS." Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, payments to certain state and local government filers claiming payments applicable to certain qualified bonds are subject to sequestration. Payments from the Federal government for Build America Bonds processed on or after October 1, 2020 and on or before September 30, 2030 will be reduced by the fiscal year 2021 sequestration rate of 5.7%. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Interest and Sinking Fund Balance as of August 31, 2024		\$16,256,305 ⁽¹⁾
Plus: Estimated 2024/25 Interest and Sinking Fund Tax Revenue @ 97% Collections	\$27,400,000 ⁽²⁾	
Plus: Estimated 2024/25 Collection of Delinquent Taxes	\$250,000 ⁽²⁾	
Plus: Estimated 2024/25 Penalties and Interest on Delinquent Taxes	200,000 ⁽²⁾	
Plus: Estimated 2024/25 Interest Earnings and Other Local Income	750,000 ⁽²⁾	
Plus: Estimated 2024/25 State Revenue	<u>4,205,000 ⁽²⁾</u>	32,805,000
Less: I&S Fund Tax Supported Debt Service Requirements, Fiscal Year Ending August 31, 2025		<u>(31,520,766) ⁽³⁾</u>
Estimated Interest and Sinking Fund Balance as of August 31, 2025		<u><u>\$17,540,539</u></u>

⁽¹⁾ Source: The District's audited financial statements.

⁽²⁾ Source: The District's adopted budget for the 2024/25 fiscal year.

⁽³⁾ Net of federal subsidy on the District's Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) that is expected to be paid by the Federal government.

TABLE 10 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The District has no authorized but unissued bond authority.

TABLE 11 – OTHER OBLIGATIONS

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

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

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TABLE 12 – CHANGE IN NET POSITION

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

Source: The District's audited financial statements.

TABLE 12A – GENERAL FUND REVENUES AND EXPENDITURES HISTORY

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

Source: The District's audited financial statements.

⁽¹⁾ Reflects purchases of land for future development. The District opted to fund these purchases with a strategic drawdown of its general fund balance.

⁽²⁾ The District's budget for the 2023-2024 school year includes the expected use of approximately \$4 million of General Fund balance.

⁽³⁾ The decline in fund balance was due to lost average daily attendance funding due to a decline in attendance and the hiring of additional staff, particularly mental health professionals and academic tutors, for the purpose of aiding students impacted by the COVID-19 Pandemic. The District is in the process of reducing these additional services but expects to continue to incur expenses for this purpose through the 2023-2024 school year.

⁽⁴⁾ The decline in fund balance was due to the hiring of additional staff, particularly mental health professionals and academic tutors, for the purpose of aiding students impacted by the COVID-19 Pandemic.

TABLE 13 – CURRENT INVESTMENTS

As of February 28, 2025 the District's investable funds were invested in the following categories:

Description	Book Value ⁽¹⁾	Percent of Total Value
Texas FIT	\$ 134,101,617	71.66%
Texas TERM	19,569,369	10.46%
Texas CLASS	22,465,606	12.01%
Certificates of Deposits	5,745,353	3.07%
LOGIC	5,251,631	2.81%
	<u>\$ 187,133,576</u>	<u>100.00%</u>

⁽¹⁾ Unaudited.

APPENDIX B

EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT

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



MAYS & ASSOCIATES^{PLLC}

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, compliance schedules required by the Texas Education Agency, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules required by the Texas Education Agency, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic, financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


Mays & Associates, PLLC

Baytown, Texas
January 13, 2025

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

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

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains individual governmental funds for general, special revenue, debt services, and capital projects funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual funds data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service funds, and National School Breakfast and Lunch Program special revenue fund.

Proprietary Fund

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

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

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

Fiduciary Fund

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

Fund Balance

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

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

Other Information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

Net position is restricted for various purposes as follows:

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

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

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

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

Governmental Activities

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

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

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

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

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

General Fund Budgetary Highlights

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

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

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

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

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

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

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

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

Long-term Liabilities

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

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

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

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

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

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at Dickinson Independent School District, 2218 FM 517, Dickinson, Texas 77539.

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

EXHIBIT A-1

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

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

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

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for	Operating	Primary Gov.
	Expenses	Services	Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 103,906,731	\$ 633,451	\$ 16,003,460	\$ (87,269,820)
12 Instructional Resources and Media Services	1,616,815	-	99,291	(1,517,524)
13 Curriculum and Instructional Staff Development	1,763,163	-	806,109	(957,054)
21 Instructional Leadership	2,210,663	40,486	350,458	(1,819,719)
23 School Leadership	9,274,503	256,909	563,294	(8,454,300)
31 Guidance, Counseling, and Evaluation Services	5,593,817	-	1,025,977	(4,567,840)
32 Social Work Services	235,292	-	103,233	(132,059)
33 Health Services	1,618,592	-	133,320	(1,485,272)
34 Student (Pupil) Transportation	7,704,118	-	306,772	(7,397,346)
35 Food Services	8,647,328	1,528,520	7,336,028	217,220
36 Extracurricular Activities	3,800,630	1,197,360	183,559	(2,419,711)
41 General Administration	3,728,990	-	349,791	(3,379,199)
51 Facilities Maintenance and Operations	25,209,784	65,710	790,647	(24,353,427)
52 Security and Monitoring Services	2,271,345	-	128,424	(2,142,921)
53 Data Processing Services	2,505,138	-	81,343	(2,423,795)
61 Community Services	728,553	-	50,285	(678,268)
72 Debt Service - Interest on Long-Term Debt	5,976,358	-	5,039,970	(936,388)
73 Debt Service - Bond Issuance Cost and Fees	525,877	-	-	(525,877)
81 Capital Outlay	-	-	17,000	17,000
93 Payments Related to Shared Services Arrangements	388,950	-	290,427	(98,523)
95 Payments to Juvenile Justice Alternative Ed. Prg.	157,581	-	-	(157,581)
99 Other Intergovernmental Charges	621,251	-	-	(621,251)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 188,485,479	\$ 3,722,436	\$ 33,659,388	(151,103,655)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			45,630,526
DT	Property Taxes, Levied for Debt Service			27,200,061
SF	State Aid - Formula Grants			70,674,017
GC	Grants and Contributions not Restricted			1,776,903
IE	Investment Earnings			4,533,815
MI	Miscellaneous Local and Intermediate Revenue			4,763,783
TR	Total General Revenues			154,579,105
CN	Change in Net Position			3,475,450
NB	Net Position - Beginning			(70,150,007)
NE	Net Position - Ending			\$ (66,674,557)

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

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

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

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

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

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

EXHIBIT C-1R

Total Fund Balances - Governmental Funds	\$ 176,788,279
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$535,909,261 and the accumulated depreciation is \$239,715,719. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase net position. (See Note II. D.)	296,193,542
2 Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds. The effect of these long-term liabilities is a decrease to net position. (See Note II. E.)	(474,386,814)
3 Recognizing unearned revenue (property taxes) as revenue in the government-wide statements to convert from modified accrual basis of accounting to the accrual basis of accounting. The net effect is an increase to net position.	3,748,718
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$55,019,018, a deferred resource inflow related to TRS in the amount of \$2,032,480 and a deferred resource outflow related to TRS in the amount of \$23,532,224. The net effect of these pension related items is a decrease to net position. (See Note II. H.)	(33,519,274)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$22,748,326, a deferred inflow related to TRS OPEB in the amount of \$33,067,810, and a deferred resource outflow related to TRS OPEB in the amount of \$13,020,965. The net effect of these OPEB related items is a decrease to net position. (See Note II. I.)	(42,795,171)
6 The District uses internal service funds to charge the costs of self-insurance activities to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	2,235,785
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, accrued interest, and recognizing the bond components associated with outstanding debt. Deferred charges on refundings are not financial resources and therefore, are not reported in governmental funds. Deferred charges are amortized over the life of the debt. The net effect is an increase to net position.	5,060,378
29 Net Position of Governmental Activities	\$ (66,674,557)

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 51,994,878	\$ 28,217,334	\$ 1,747,914
5800 State Program Revenues	78,247,633	4,739,015	-
5900 Federal Program Revenues	1,976,390	-	-
5020 Total Revenues	132,218,901	32,956,349	1,747,914
EXPENDITURES:			
Current:			
0011 Instruction	79,694,201	-	-
0012 Instructional Resources and Media Services	1,382,897	-	-
0013 Curriculum and Instructional Staff Development	792,560	-	-
0021 Instructional Leadership	1,633,465	-	-
0023 School Leadership	7,876,291	-	-
0031 Guidance, Counseling, and Evaluation Services	4,179,942	-	-
0032 Social Work Services	113,132	-	-
0033 Health Services	1,380,034	-	-
0034 Student (Pupil) Transportation	7,161,966	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	2,709,224	-	-
0041 General Administration	3,346,477	-	-
0051 Facilities Maintenance and Operations	21,666,853	-	283,608
0052 Security and Monitoring Services	1,999,803	-	-
0053 Data Processing Services	2,329,173	-	-
0061 Community Services	610,672	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	-	11,390,000	-
0072 Interest on Long-Term Liabilities	-	18,777,898	-
0073 Bond Issuance Cost and Fees	-	525,877	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	11,807	-	12,582,760
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	98,523	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	157,581	-	-
0099 Other Intergovernmental Charges	621,251	-	-
6030 Total Expenditures	137,765,852	30,693,775	12,866,368
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,546,951)	2,262,574	(11,118,454)
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	52,855,000	-
7912 Sale of Real and Personal Property	14,434	-	-
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	4,503,599	-
8911 Transfers Out (Use)	(37,644)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(60,475,147)	-
7080 Total Other Financing Sources (Uses)	(23,210)	(3,116,548)	-
1200 Net Change in Fund Balances	(5,570,161)	(853,974)	(11,118,454)
0100 Fund Balance - September 1 (Beginning)	29,089,336	17,110,279	139,516,003
3000 Fund Balance - August 31 (Ending)	\$ 23,519,175	\$ 16,256,305	\$ 128,397,549

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

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

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

EXHIBIT C-3

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

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

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

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

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

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

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

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

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

EXHIBIT D-3

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

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

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

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

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

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

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

C. Fund Accounting

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

1. Governmental Funds

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

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

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

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

2. Proprietary Fund

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

DICKINSON INDEPENDENT SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

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

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

3. Fiduciary Funds

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

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

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

D. Measurement Focus and Basis of Accounting

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

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

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

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

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

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

3. Basis of Accounting

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

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

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

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

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

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

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

- **Unearned Revenues**

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

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

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

- **Expenses/Expenditures**

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

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

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

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

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

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

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

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

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

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

3. Property Taxes

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

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of levy. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

4. Inter-fund Receivables, Payables, and Transfers

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

5. Inventories

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

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

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

7. Capital Assets

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

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

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

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

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

8. Deferred Outflows/Inflows of Resources

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

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

- Deferred outflow of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflow of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

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

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

- Deferred inflow of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life of all members.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

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

11. Pensions

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

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

12. Other Post-Employment Benefits

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

13. Fund Balance

Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. The government fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- ***Nonspendable*** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. (Inventories and Prepaid Items are considered *Nonspendable* as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.)
- ***Restricted*** – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- ***Committed*** – includes amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance.
- ***Assigned*** – includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Superintendent or Chief Financial Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the *general fund*.
- ***Unassigned*** – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*. The *Unassigned* classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of *Assigned* fund balance amounts.

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

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

14. Net Position

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

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

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

15. Budgetary Data

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

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

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

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

16. Use of Estimates

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

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

17. Data Control Codes

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

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

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

The Public Funds Investment Act ("the Act") and Board policy governs the District's investment policies. The Act contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits. Statutes authorize the District to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending programs, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools and (9) guaranteed investment contracts.

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

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

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

The Texas Cooperative Liquid Assets Securities System (TexasCLASS), Texas Fixed Income Trust (TX-FIT), Local Government Investment Pool (TexasDAILY), and Local Government Investment Cooperative (LOGIC) are local government investment "pools" organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in, TexasCLASS, TX-FIT, TexasDAILY and LOGIC are reported at amortized cost. Deposits and withdrawals can be made on any business day of the week. The pools have a redemption notice of one day, which may be redeemed daily. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects the pools liquidity. There are no limits on the number of accounts a participant can have or the number of transactions. The District has no unfunded commitments related to the pools.

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

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

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

1) Credit Risk

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

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

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

2) Custodial Credit Risk

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

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

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

3) Concentration of Credit Risk

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

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

4) Interest Rate Risk

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

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

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

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

B. Receivables and Unearned Revenue

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

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

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

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

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

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

Property Taxes

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

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

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

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

Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The property taxes receivable allowance is approximately 44% of outstanding property taxes receivable at August 31, 2024.

C. Interfund Receivables, Payables and Transfers

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

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

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

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

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

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

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

D. Capital Assets

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

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

Depreciation expense was charged to the following functions as follows:

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

E. Long-Term Liabilities

General Obligation Bonds

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

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

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas through the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

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

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

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

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

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

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

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

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

Long-term liability activity for the year ended August 31, 2024 was as follows:

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

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

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

Build America Bonds

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

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

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

Accreted Interest on Capital Bonds

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

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

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

Defeased Debt

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

Arbitrage

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

F. Leases

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

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

G. Subscription-Based Information Technology Arrangements

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

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

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

H. Defined Benefit Pension Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial Assumptions. The total pension plan liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2023*	4.13%*
Last year ending August 31 in Projection Period (100 years)	2122
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post-Employment Benefit Changes	None
* Source: Fixed Income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."	

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

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

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

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2023 are summarized below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT
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Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

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

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

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

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2022. Updated procedures were used to roll forward the Total OPEB Liability to August 31, 2023. The actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

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

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

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

	1% Decrease in Discount Rate (3.13%)	Current Single Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District's proportionate share of the Net OPEB liability	\$ 26,792,791	\$ 22,748,326	\$ 19,447,947

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2024, the District reported a liability of \$22,748,326 for its proportionate share of the TRS’ Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB liability	\$ 22,748,326
State's proportionate share that is associated with the District	27,449,352
Total	\$ 50,197,678

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

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

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

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

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

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

- The discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was (\$9,014,475).

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

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

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

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

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

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

J. Medicare Part D – On Behalf Payments

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

K. Health Care

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

III. OTHER INFORMATION

A. Risk Management

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

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

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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

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

Unemployment Compensation Pool

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

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

Workers' Compensation

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

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

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

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

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

B. Litigation and Contingencies

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

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

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

C. Construction and Other Significant Commitments

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

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

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

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

D. Shared Service Agreements (SSAs)

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

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

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

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

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

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

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

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

E. Related Organizations

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

F. Deficit Net Position

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

G. Subsequent Events

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

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

APPENDIX C

FORM OF BOND COUNSEL'S OPINION AT INITIAL ISSUANCE

July 31, 2013

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

DICKINSON INDEPENDENT SCHOOL DISTRICT VARIABLE RATE
UNLIMITED TAX REFUNDING BONDS, SERIES 2013, dated July 15, 2013,
in the aggregate principal amount of \$27,940,000.

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

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded the “Refunded Bonds”) with the proceeds of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District; the certificate the “Certificate”) of The Bank of New York Mellon Trust Company, N.A., the paying agent/registrar for the Refunded Bonds (the “Bank”) which verifies the sufficiency of the deposits made for the defeasance of the Refunded Bonds; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined executed Bond No. I-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law;
- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and
- (3) The deposit with the Bank, pursuant to the Order and the order authorizing the issuance of the Refunded Bonds the "Refunded Bond Order") constitutes the discharge and final payment of the Refunded Bonds; in reliance upon the representations contained in the Certificate, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the Refunded Bond Order will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held by Wells Fargo; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor.

BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is further our opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Order to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance

of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

INTEREST ON the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

EXCEPT AS DESCRIBED HEREIN, we express no opinions as to any other matters except with respect to the excludability of the interest on the Bonds from gross income from the owners thereof for federal income tax purposes.

IN PROVIDING THE FOREGOING OPINIONS, we have relied upon representations of the District with respect to matters solely within the knowledge of the District, which we have not independently verified, and have assumed the accuracy and completeness thereof.

IN ADDITION, EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

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

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

appointed members who have substantial background and expertise in investments and asset management, with one member being appointed by the Land Commissioner and the other two appointed by the Governor with confirmation by the Senate.

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund¹

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

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

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

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

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

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

Asset Class	Strategic Asset Allocation	Range	
		Min	Max
Cash	2.0%	0.0%	n/a
Core Bonds	10.0%	5.0%	15.0%
High Yield	2.0%	0.0%	7.0%

Bank Loans	4.0%	0.0%	9.0%
Treasury Inflation Protected Securities	2.0%	0.0%	7.0%
Large Cap Equity	14.0%	9.0%	19.0%
Small/Mid-Cap Equity	6.0%	1.0%	11.0%
Non-US Developed Equity	7.0%	2.0%	12.0%
Absolute Return	3.0%	0.0%	8.0%
Real Estate	12.0%	7.0%	17.0%
Private Equity	20.0%	10.0%	30.0%
Private Credit	8.0%	3.0%	13.0%
Natural Resources	5.0%	0.0%	10.0%
Infrastructure	5.0%	0.0%	10.0%

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

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2024 and 2023				
<u>ASSET CLASS</u>	<u>August 31, 2024</u>	<u>August 31, 2023</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
EQUITY				
Domestic Small Cap	\$3,651.3	\$ 2,975.1	\$ 676.2	22.7%
Domestic Large Cap	<u>8,084.6</u>	<u>7,896.5</u>	<u>188.1</u>	<u>2.4%</u>
Total Domestic Equity	11,735.9	10,871.6	864.3	8.0%
International Equity	<u>4,131.1</u>	<u>7,945.5</u>	<u>(3,814.4)</u>	<u>-48.0%</u>
TOTAL EQUITY	15,867.0	18,817.1	(2,950.1)	-15.7%
FIXED INCOME				
Domestic Fixed Income	-	5,563.7	-	-
US Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market Debt	=	<u>869.7</u>	=	=
TOTAL FIXED INCOME	13,415.2	8,602.5	4,812.7	55.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,106.0	3,175.8	(69.8)	-2.2%
Real Estate	6,101.0	6,525.2	(424.2)	-6.5%
Private Equity	8,958.8	8,400.7	558.1	6.6%
Emerging Manager Program	-	134.5	-	-
Real Return	-	1,663.7	-	-
Private Credit	2,257.9	-	-	-

Real Assets	<u>4,648.1</u>	<u>4,712.1</u>	<u>(64.0)</u>	<u>-1.4%</u>
TOTAL INVESTMENTS UNALLOCATED CASH	25,071.8	24,612.0	459.8	1.9%
	<u>2,583.2</u>	<u>348.2</u>	<u>2,235</u>	<u>641.9%</u>
TOTAL PSF(CORP) INVESTMENTS	56,937.2	\$ 52,379.8	\$ 4,557.4	8.7%

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

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

Investment Schedule - PSF(SLB)¹

Fair Value (in millions) August 31, 2024

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

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

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

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

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

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

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

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

The School District Bond Guarantee Program

The School District Bond Guarantee Program requires an application be made by a school district to the Education Commissioner for a guarantee of its bonds. If the conditions for the School District Bond Guarantee Program are

satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

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

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

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

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

guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The 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.

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

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

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

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

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

Program on the PSF Corporation's web site at <https://texaspsf.org/monthly-disclosures/>, which are also filed with the MSRB.

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2025, the Charter District Reserve Fund contained \$120,355,020, which represented approximately 2.44% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

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

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

Permanent School Fund Guaranteed Bonds

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

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

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

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

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

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

⁽²⁾ At January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues,

aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

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

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

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

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

PSF Returns Fiscal Year Ended 8-31-2024¹

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

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

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

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

depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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