

PRELIMINARY OFFICIAL STATEMENT
Dated April 28, 2026



Ratings:
Fitch: "AAA"
S&P: "AAA"
PSF Guaranteed
See "OTHER INFORMATION – RATINGS,"
"THE PERMANENT SCHOOL FUND
GUARANTEE PROGRAM" and
"APPENDIX D – THE PERMANENT
SCHOOL FUND GUARANTEE PROGRAM"
herein.

NEW ISSUE - Book-Entry-Only

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

\$322,130,000*
FORT BEND INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas, located within Fort Bend County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2026A

Dated: May 15, 2026

Due: August 15, as shown on page 2

Interest to Accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . The Fort Bend Independent School District (the "District" or the "Issuer") is issuing its \$322,130,000* Fort Bend Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2026A (the "Bonds"). Interest on the Bonds will accrue from their date of initial delivery (the "Date of Delivery") to the underwriters listed below (the "Underwriters"), and will be payable on February 15 and August 15 of each year commencing February 15, 2027, until stated maturity or prior redemption. Interest accruing on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Wilmington Trust, National Association, Dallas, Texas. See "THE BONDS - PAYING AGENT/REGISTRAR".

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including, particularly, Chapter 45, Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended ("Chapter 1207") and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), elections held in the District on November 4, 2014, November 6, 2018, and May 6, 2023, and an order approved by the Board of Trustees (the "Board") of the District on December 15, 2025 (the "Bond Order"). In the Bond Order, as permitted by Chapter 1207 and Chapter 1371, the Board delegated to certain District officials the authority to execute a pricing certificate (the "Pricing Certificate" and, together with the Bond Order, the "Order") evidencing final terms of the Bonds. **The District has received conditional approval from the Texas Education Agency for the payment of the principal of, and interest on the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM".**

PURPOSE . . . Proceeds from the sale of the Bonds will be utilized to (i) provide funds for the construction, acquisition and equipment of school buildings in the District, including safety and security and technology infrastructure, the purchase of the necessary sites for school buildings and the purchase of new school buses, (ii) provide funds for the acquisition or update of District technology equipment, including student, teacher, and staff devices, (iii) provide funds for the construction, acquisition, and equipment of a District natatorium, (iv) refund a portion of the District's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Bonds") in order to achieve present value debt service savings, (v) refund the obligations designated on Schedule II hereto (the "Refunded Notes"), in order to provide permanent financing for projects initially funded through the District's Commercial Paper Program (defined herein), and (vi) pay the costs of issuance of the Bonds. See "THE BONDS – USE OF BOND PROCEEDS".

CUSIP PREFIX: 346843
PRINCIPAL AMOUNT, MATURITY, INTEREST RATES,
INITIAL YIELDS & 9 DIGIT CUSIP NUMBERS
See Maturity Schedule on Page 2

ADDITIONAL BONDS . . . Concurrently with the issuance of the Bonds, the District is issuing approximately \$176,885,000* of its Variable Rate Unlimited Tax Refunding Bonds, Series 2026B (the "Series 2026B Bonds"). The Series 2026B Bonds are being sold pursuant to a separate offering document. This Preliminary Official Statement relates only to the sale of the Bonds and not the sale of the Series 2026B Bonds.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel. See APPENDIX C – "FORM OF BOND COUNSEL'S OPINION". Certain legal matters will be passed upon for the Underwriters by Greenberg Traurig, LLP, Houston, Texas as Underwriters' Counsel.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about Wednesday, May 27, 2026, the Date of Delivery.

SIEBERT WILLIAMS SHANK

STEPHENS INC.

J.P. MORGAN

RBC CAPITAL MARKETS

TRB CAPITAL MARKETS

* Preliminary, subject to change.

MATURITY SCHEDULE***\$322,130,000*****FORT BEND INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS,
SERIES 2026A****CUSIP No. Prefix: 346843⁽¹⁾**

Principal Amount	Maturity (August 15)	Interest Rate	Initial Yield ⁽²⁾	CUSIP Suffix ⁽¹⁾	Principal Amount	Maturity (August 15)	Interest Rate	Initial Yield ⁽²⁾	CUSIP Suffix ⁽¹⁾
\$ 6,725,000	2027				\$13,860,000	2042			
2,080,000	2028				8,990,000	2043			
2,185,000	2029				9,440,000	2044			
2,295,000	2030				9,910,000	2045			
11,790,000	2031				10,405,000	2046			
8,510,000	2032				10,930,000	2047			
8,935,000	2033				11,475,000	2048			
9,380,000	2034				12,050,000	2049			
9,845,000	2035				12,650,000	2050			
10,345,000	2036				13,280,000	2051			
10,860,000	2037				13,945,000	2052			
11,395,000	2038				14,645,000	2053			
11,970,000	2039				15,375,000	2054			
12,570,000	2040				16,145,000	2055			
13,195,000	2041				16,950,000	2056			

(Interest accrues from the Date of Delivery)

REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, ____, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – OPTIONAL REDEMPTION”.

MANDATORY SINKING FUND REDEMPTION . . . If the Underwriters designate two or more maturities of the Bonds as “Term Bonds,” those Term Bonds will be subject to mandatory sinking fund redemption prior to their scheduled maturity commencing on August 15 of the first year which has been combined to form such Term Bond and continuing on August 15 in each year thereafter until the stated maturity date of that Term Bond. See “THE BONDS – MANDATORY SINKING FUND REDEMPTION”.

* Preliminary, subject to change.

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and CUSIP numbers are included solely for convenience of the registered owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) The initial yields will be established by and are the sole responsibility of the Underwriters, and may subsequently be changed.

[The remainder of this page intentionally left blank.]

USE OF INFORMATION

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

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

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

The information set forth herein has been obtained from the District and other sources the District believes are reliable, but the District makes no representation as to the accuracy or completeness of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

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

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize the market price of the issue 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 NOR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY (“TEA”) DESCRIBED UNDER “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM,” OR “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM,” AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND TEA RESPECTIVELY.

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

INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULES AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT	The Fort Bend Independent School District (the “District”) is a political subdivision located in Fort Bend County, Texas. The District is approximately 169.89 square miles in area. See “INTRODUCTION – DESCRIPTION OF THE DISTRICT”.
THE BONDS	The Bonds are issued as \$322,130,000* Fort Bend Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2026A (the “Bonds”). The Bonds mature on August 15 in each of the years identified in the table appearing on page 2 hereof, unless the Underwriters designate two or more maturities as a term bond. See “THE BONDS – DESCRIPTION OF THE BONDS”.
PAYMENT OF INTEREST	Interest on the Bonds accrues from the Date of Delivery (defined on the cover page) to the underwriters listed on the cover page hereof (the “Underwriters”), and is payable initially on February 15, 2027, and on each August 15 and February 15 thereafter until stated maturity or prior redemption. See “THE BONDS – DESCRIPTION OF THE BONDS” and “THE BONDS – OPTIONAL REDEMPTION”.
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including, particularly, Chapter 45, Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended (“Chapter 1207”) and Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), elections held in the District on November 4, 2014, November 6, 2018, and May 6, 2023, and an order approved by the Board of Trustees (the “Board”) of the District on December 15, 2025 (the “Bond Order”). In the Bond Order, as permitted by Chapter 1207 and Chapter 1371, the Board delegated to certain District officials the authority to execute a pricing certificate (the “Pricing Certificate” and, together with the Bond Order, the “Order”) evidencing final terms of the Bonds.
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the District, payable from a continuing and direct annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the District. See “THE BONDS – SECURITY AND SOURCE OF PAYMENT”, “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”.
PERMANENT SCHOOL FUND GUARANTEE	The District has received conditional approval from the Texas Education Agency (the “TEA”) for the payment of the principal of, and interest on, the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State. See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”.
REDEMPTION	The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, ____, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – OPTIONAL REDEMPTION”. If the Underwriters designate two or more maturities of the Bonds as “term bonds,” those term bonds will also be subject to mandatory sinking fund redemption. See “THE BONDS – MANDATORY SINKING FUND REDEMPTION”.
TAX EXEMPTION	In the opinion of Bond Counsel, under existing law, the interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See “TAX MATTERS” herein, including information regarding potential alternative minimum tax consequences for corporations.

* Preliminary, subject to change.

- USE OF PROCEEDS** Proceeds from the sale of the Bonds will be utilized to (i) provide funds for the construction, acquisition and equipment of school buildings in the District, including safety and security and technology infrastructure, the purchase of the necessary sites for school buildings and, the purchase of new school buses, (ii) provide funds for the acquisition or update of District technology equipment, including student, teacher, and staff devices, (iii) provide funds for the construction, acquisition, and equipment of a District natatorium, (iv) refund a portion of the District's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Bonds") in order to achieve present value debt service savings, (v) refund the obligations designated on Schedule II hereto (the "Refunded Notes"), in order to provide permanent financing for projects initially funded through the District's Commercial Paper Program (defined herein), and (vi) pay the costs of issuance of the Bonds. See "THE BONDS – USE OF BOND PROCEEDS".
- RATINGS** The Bonds have been rated "AAA" by Fitch Ratings ("Fitch") and "AAA" by S&P Global Ratings ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The presently outstanding unenhanced tax-supported debt of the District is rated "AA+" by Fitch and "AA+" by S&P. The District also has eighteen issues outstanding which are rated "AAA" by Fitch and "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas. The District has received conditional approval from the TEA for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See "OTHER INFORMATION – RATINGS". A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by Wilmington Trust, National Association, Dallas, Texas, the initial paying agent/registrars, 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.
- ADDITIONAL BONDS**..... Concurrently, with the issuance of the Bonds, the District is issuing its approximately \$176,885,000* Variable Rate Unlimited Tax Refunding Bonds, Series 2026B (the "Series 2026B Bonds"). The Series 2026B Bonds are being sold pursuant to a separate offering document. This Official Statement relates only to the sale of the Bonds and not the sale of the Series 2026B Bonds.

* Preliminary, subject to change.

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 6/30	Estimated Fort Bend ISD Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Tax Supported Debt Outstanding at End of Year ⁽³⁾	Per Capita Tax Supported Debt	Ratio of Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	497,861	\$ 47,895,116,691	\$ 96,202	\$ 1,593,105,000	\$ 3,200	3.33%	99.34%
2023	519,431	54,986,907,350	105,860	1,621,385,000	3,121	2.95%	99.93%
2024	512,203	52,577,873,117	102,650	1,765,610,000	3,447	3.36%	98.68%
2025	509,667	61,110,176,297	119,902	1,926,445,000	3,780	3.15%	98.41%
2026	511,056	59,370,674,998 ⁽⁶⁾	116,173	2,144,155,000 ⁽⁴⁾	4,196 ⁽⁴⁾	3.61% ⁽⁴⁾	94.30% ⁽⁵⁾

- (1) Source: District's Annual Comprehensive Financial Reports for fiscal years ending June 30, 2022 through 2025, and the Municipal Advisory Council of Texas for fiscal year ending June 30, 2026.
- (2) Source: District's Annual Comprehensive Financial Reports for fiscal years ending June 30, 2022 through 2025 and Fort Bend Central Appraisal District's Certified Totals for fiscal year ending June 30, 2026. Values are subject to change as contested values are resolved.
- (3) Excludes the District's commercial paper notes issued under the Commercial Paper Program (defined herein as the "Commercial Paper Notes"). The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. See "TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS" herein for certain assumptions regarding the issuance of Commercial Paper Notes and voted authorization.
- (4) Includes the Bonds and the District's Variable Rate Unlimited Tax Refunding Bonds, Series 2026B (the "Series 2026B Bonds"), which are scheduled to close on May 27, 2026 concurrently with the delivery of the Bonds. Preliminary, subject to change. Excludes the Refunded Bonds and the bond obligations to be refunded by the Series 2026B Bonds.
- (5) As of March 31, 2026.
- (6) The decrease in Taxable Assessed Valuation in fiscal year 2025-2026 is primarily due to the increase in the state mandated homestead exemption from \$100,000 to \$140,000 and the increase in the homestead exemption for homeowners over 65 or with disabilities increasing from \$10,000 to \$60,000.

CHANGES IN NET ASSETS CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Beginning Net Assets	\$ (356,754,123)	\$ (369,254,911)	\$ (369,689,603)	\$ (372,639,069)	\$ (274,139,149)
Total Revenue	1,118,821,669	1,095,305,990	1,000,508,556	975,084,380	956,006,053
Total Expenditures	(1,090,837,737)	(1,082,805,202)	(1,000,073,864)	(972,134,914)	(1,054,505,973)
Prior Period Adjustment	(6,934,319) ⁽¹⁾	-	-	-	-
Ending Net Assets	\$ (335,704,510)	\$ (356,754,123)	\$ (369,254,911)	\$ (369,689,603)	\$ (372,639,069)

Source: *The District's Annual Financial Reports.*

- (1) The District implemented the Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, beginning in fiscal year 2025. As a result, the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the adjusted compensated absences balance at the beginning of the fiscal year 2025.

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GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Beginning Balance	\$ 212,110,807	\$ 200,220,161	\$ 206,778,954	\$ 215,928,896	\$ 241,210,762
Total Revenue	834,531,149	813,214,468 ⁽⁴⁾	737,924,724	734,410,128	724,903,262
Total Expenditures	(837,316,521)	(802,041,406) ⁽⁴⁾	(743,251,600)	(746,478,098)	(748,713,449)
Net Funds Available	(2,785,372)	11,173,062 ⁽⁴⁾	(5,326,876) ⁽³⁾	(12,067,970) ⁽³⁾	(23,810,187) ⁽¹⁾
Other Resources	2,493,378	717,584	(1,231,917)	2,918,028	(1,471,679) ⁽²⁾
Ending Balance	<u>\$ 211,818,813</u>	<u>\$ 212,110,807</u>	<u>\$ 200,220,161</u>	<u>\$ 206,778,954</u>	<u>\$ 215,928,896</u>

Source: *The District's Annual Financial Reports.*

- (1) The District's general fund balance decreased in fiscal year 2021 due to TEA supplanting the hold harmless provision in place for the 2020-2021 school year with federal Coronavirus aid, and ESSER II funding, replacing approximately \$9.2 million of State aid. An additional \$23.5 million in unbudgeted expenses was attributable to costs related to the COVID-19 pandemic.
- (2) A transfer of \$1.7 million was made from the general fund to the child nutrition fund to cover fiscal year 2021 deficit due to a decrease of anticipated revenue from local and federal sources offset by a reduction in expenses net of \$259,000 in proceeds from the sale of real or personal property.
- (3) The District's general fund balance decreased primarily due to student enrollment and attendance not meeting budget expectations.
- (4) Total revenue and expenditures in fiscal year 2024 are higher than normal partially due to the District passing a Voter Approval Tax Rate Election that raised the maintenance and operations tax rate by \$0.04. The additional revenue was used for salary increases for staff and for additional security staff and services.

For additional information regarding the District, please contact:

Bryan Guinn
Chief Financial Officer
Fort Bend Independent School District
16431 Lexington Boulevard
Sugar Land, Texas 77479
(281) 634-1163
(281) 327-1052 Fax
bryan.guinn@fortbendisd.gov

or

Michelle Aragon
Managing Director
Hilltop Securities Inc.
70 Northeast Loop 410, Suite 750
San Antonio, Texas 78216
(210) 308-2200
(210) 349-7585 Fax
michelle.aragon@hilltopsecurities.com

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

THE BOARD OF TRUSTEES

	<u>SERVICE</u>	<u>EXPIRES⁽¹⁾</u>	<u>OCCUPATION</u>
Kristin Tassin President, Position 6	8 Years ⁽²⁾	November 2027	Attorney
Angie Hanan Vice President, Position 1	5 Years 6 Months	November 2026	Educational Consultant
Dr. Shirley Rose-Gilliam Secretary, Position 4	5 Years 6 Months	November 2026	Educational Consultant
Adam Schoof Position 2	2 Years	November 2027	Police Officer
Afshi Charania Position 3	1 Year	November 2028	Business Owner
Addie Heyliger Position 5	6 Years ⁽³⁾ 8 Months	November 2026	Real Estate Professional
Angie Wierzbicki Position 7	1 Year	November 2028	Grants Manager

(1) Board elections were moved from the May uniform election date to the November uniform election date at the December 15, 2025 Board of Trustees meeting.

(2) Mrs. Tassin previously served as trustee from 2014-2020 for Position 4.

(3) Ms. Heyliger previously served as trustee from 2015-2021 for Position 6.

APPOINTED OFFICIALS

ADMINISTRATIVE OFFICERS

POSITION

Superintendent

Dr. Marc Smith Superintendent of Schools

Executive Leadership Team

Beth Martinez Deputy Superintendent Chief of Staff
 Kathleen Brown Deputy Superintendent of Operations
 Dr. Jaretha Jordan Deputy Superintendent of Teaching and Learning
 Dr. Adam Stephens⁽¹⁾ Chief Academic Officer
 Chassidy Olainu-Alade Chief Communications Officer
 Bryan Guinn⁽²⁾ Chief Financial Officer
 Glenda Johnson Chief Human Resources Officer
 Long Pham Chief Information Officer
 Dr. Thomas Lawing Chief Operations Officer
 Stephanie Williams Chief of Organizational Development
 Anthony Sanders Chief of Police
 Dr. Andria Schur⁽³⁾ Chief of Schools
 Derrick Ward General Counsel

(1) Dr. Adam Stephens was named lone finalist as superintendent for Stafford MSD on March 26, 2026.

(2) Bryan Guinn has resigned and his last day will be June 30, 2026.

(3) Dr. Andria Schur has resigned and her last day will be June 30, 2026.

CONSULTANTS AND ADVISORS

Independent Auditors Whitley Penn LLP, Certified Public Accountants
 Houston, Texas

Bond Counsel Bracewell LLP
 Houston, Texas

Financial Advisor Hilltop Securities Inc.
 San Antonio, Texas

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OFFICIAL STATEMENT
RELATING TO
\$322,130,000*
FORT BEND INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas, located within Fort Bend County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2026A

INTRODUCTION

GENERAL . . . This Official Statement, which includes Schedules I and II, and Appendices A and B hereto, provides certain information regarding the issuance of the \$322,130,000* Fort Bend Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2026A (the “Bonds”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in an order approved by the Board of Trustees (the “Board”) of the Fort Bend Independent School District (the “District”) on December 15, 2025 (the “Bond Order”), authorizing the issuance of the Bonds, and a pricing certificate (the “Pricing Certificate”) to be executed pursuant to the Bond Order. The Bond Order and the Pricing Certificate are referred to herein together as the “Order.”

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances and the Texas Permanent School Fund Guarantee Program. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District’s Financial Advisor, Hilltop Securities Inc. (“HilltopSecurities” or the “Financial Advisor”), San Antonio, Texas, upon payment of reasonable copying, handling and delivery charges.

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

Concurrently with the Bonds, the District is issuing its \$176,885,000* Variable Rate Unlimited Tax Refunding Bonds, Series 2026B (the “Series 2026B Bonds”) to refund a portion of the District’s currently outstanding indebtedness in order to achieve market efficiencies in connection with the long-term financing of the variable rate bonds being refunded and to provide funds to refund outstanding Commercial Paper Notes (as defined herein) in order to provide permanent financing for projects originally funded through the District’s Commercial Paper Program (as defined herein). This Official Statement describes only the Bonds and not the sale of the Series 2026B Bonds. Investors interested in purchasing the Series 2026B Bonds should review the separate offering document related thereto.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision of the State of Texas (the “State”) located in Fort Bend County, Texas. The District is governed by a seven-member Board who serve staggered three-year terms with elections being held in November of each year (as of December 2025). See “DISTRICT OFFICIALS, STAFF AND CONSULTANTS – THE BOARD OF TRUSTEES”. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of the District who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 169.89 square miles in Fort Bend County.

PLAN OF FINANCE

PURPOSE . . . Proceeds from the sale of the Bonds will be utilized to (i) provide funds for the construction, acquisition and equipment of school buildings in the District, including safety and security and technology infrastructure, the purchase of the necessary sites for school buildings and, the purchase of new school buses, (ii) provide funds for the acquisition or update of District technology equipment, including student, teacher, and staff devices, (iii) provide funds for the construction, acquisition, and equipment of a District natatorium, (iv) refund a portion of the District’s currently outstanding indebtedness as disclosed in Schedule I hereto (the “Refunded Bonds”) in order to achieve present value debt service savings, (v) refund the obligations designated on Schedule II hereto (the “Refunded Notes”), in order to provide permanent financing for projects initially funded through the District’s Commercial Paper Program (defined herein), and (vi) pay the costs of issuance of the Bonds. See “THE BONDS – Use of Bond Proceeds”.

REFUNDED OBLIGATIONS . . . The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption dates or maturity dates from funds to be deposited with Zions Bancorporation, National Association, d/b/a Amegy Bank, Houston, Texas (the “Escrow Agent”) pursuant to an escrow agreement (the “Escrow Agreement”) between the District and the Escrow Agent.

The Order provides that the District will deposit certain proceeds of the sale of the Bonds along with other lawfully available funds of the District, with the Escrow Agent in the amount necessary to accomplish the discharge and final payment of the Refunded Obligations. Such funds will be held by the Escrow Agent in two separate escrow accounts, one for the Refunded Bonds (the “Refunded Bonds Escrow Fund”) and one for the Refunded Notes (the “Refunded Notes Escrow Fund” and, together with the

* Preliminary, subject to change.

Refunded Bonds Escrow Fund, the “Escrow Funds”), containing sufficient funds to accomplish the discharge and final payment of the Refunded Bonds and the Refunded Notes, respectively. The funds held by the Escrow Agent in the Refunded Bonds Escrow Fund will be used to purchase a portfolio of securities authorized under Section 1207.062, Texas Government Code, as amended, including direct noncallable obligations of the United States, (including obligations that are unconditionally guaranteed by the United States) (the “Escrowed Securities”). The funds held by the Escrow Agent in the Refunded Notes Escrow Fund may be held uninvested in cash or invested by the Escrow Agent in certain direct/non-callable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America). Under the Escrow Agreement, the Refunded Bonds Escrow Fund is irrevocably pledged to the payment of principal of and interest of the Refunded Bonds and the Refunded Notes Escrow Fund is irrevocably pledged to the payment of principal of and interest of the Refunded Notes.

Public Finance Partners LLC (the “Verification Agent”) will verify at the time of delivery of the Bonds to the Underwriters that the Escrowed Securities deposited under the Escrow Agreement will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Funds will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations addressed by such Escrow Agreement on their respective scheduled redemption dates and maturity dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the Bonds. See “OTHER INFORMATION - VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Obligations pursuant to the terms of Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), and the orders authorizing the issuance of the Refunded Obligations. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and/or cash held for

such purpose by the Escrow Agent, and the Refunded Obligations will not be deemed as being outstanding obligations of the District. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund.

It is the opinion of Bond Counsel that as a result of such deposit and in reliance upon the report of Verification Agent (the “Report”), firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Obligations, and such Refunded Obligations will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor in the respective Escrow Agreement.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated May 15, 2026 and mature on August 15 in each of the years and in the principal amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from the Date of Delivery, currently expected to be May 27, 2026, to the underwriters listed on the cover page hereof (the “Underwriters”) and will be payable on February 15 and August 15 of each year, commencing February 15, 2027 until stated maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by Wilmington Trust, National Association, Dallas, Texas, Texas, the initial paying agent/registrar (the “Paying Agent/Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “- BOOK-ENTRY-ONLY SYSTEM”.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including, particularly, Chapter 45, Texas Education Code, as amended, Chapter 1207 and Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), elections held in the District on November 4, 2014, November 6, 2018, and May 6, 2023, and the Order.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are direct obligations of the District and are payable as to principal amount and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the District, as provided in the Order. Additionally, the District has received conditional approval for the payment of the principal of, and interest on, the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State. See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM,” “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and in “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein. In the event the District defeases any of the Bonds, the payment of such Bonds will cease to be guaranteed by the Permanent School Fund of the State.

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds will be utilized to (i) provide funds for the construction, acquisition and equipment of school buildings in the District, including safety and security and technology infrastructure, the purchase of the necessary sites for school buildings and, the purchase of new school buses, (ii) provide funds for the acquisition or update of District technology equipment, including student, teacher, and staff devices, (iii) provide funds for the construction, acquisition, and equipment of a District natatorium, (iv) refund a portion of the District’s currently outstanding indebtedness as disclosed in Schedule I hereto (the “Refunded Bonds”) in order to achieve present value debt service savings, (v) refund the obligations designated on Schedule II hereto (the “Refunded Notes”), in order to provide permanent financing for projects

initially funded through the District's Commercial Paper Program (defined herein), and (vi) pay the costs of issuance of the Bonds.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, ____, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities (or mandatory sinking fund redemption payments in the case of Term Bonds) of Bonds to be redeemed and shall direct the Paying Agent/Registrar to call by lot or other method that results in random selection, the Bonds, or portions thereof, within such maturity, to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed), shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . If the Underwriters designate two or more maturities of the Bonds as "Term Bonds," those Term Bonds will be subject to mandatory sinking fund redemption prior to their scheduled maturity commencing on August 15 of the first year which has been combined to form such Term Bond and continuing on August 15 in each year thereafter until the stated maturity date of that Term Bond. Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed. The principal amount of Term Bonds required to be redeemed on any redemption date shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions of the Order and not previously credited to a mandatory sinking fund redemption.

NOTICE OF REDEMPTION . . . Not less than thirty (30) days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed at the address of the Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

In the Order, the District reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected registered owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE DISTRICT IN THE NOTICE, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE* . . . The District reserves the right to defease, refund or discharge the Bonds in any manner now or hereafter permitted by law. Upon defeasance of the Bonds, the Bonds will no longer be guaranteed by the Permanent School Fund of the State.

PERMANENT SCHOOL FUND GUARANTEE . . . In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education for the payment of the principal of, and interest on, the Bonds to be guaranteed under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code). Subject to meeting certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and in "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the principal of, and interest on, the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State in accordance with the terms of the Guarantee Program for School District Bonds. In the event of default, registered owners will receive all payments due from the corpus of the Permanent School Fund.

* Preliminary, subject to change.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but 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 Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt

of funds and corresponding detail information from the District or the Paying Agent/Registrar of the Bonds, on the 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 nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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 the 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.

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

The District may decide to discontinue the 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.

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

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System of the Bonds is discontinued, printed Bonds will be issued to the registered owners thereof and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "- TRANSFER, EXCHANGE AND REGISTRATION" below.

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds 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 will 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 their designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or their duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for determining the person to whom the interest is payable on the Bonds on any interest payment date means the close of business on the last Business Day of the month next preceding the interest payment date.

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

REPLACEMENT BONDS . . . If any Bond is mutilated, destroyed, stolen or lost, a new Bond 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 of satisfactory evidence to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them, (c) upon paying all expenses and charges in connection therewith and (d) upon satisfying any other reasonable requirements imposed by the District and the Paying Agent/Registrar. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith and satisfy any other reasonable requirements imposed by the District and the Paying Agent/Registrar.

BONDHOLDERS' REMEDIES . . . The Order does not provide for the appointment of a trustee to represent the interests of the registered owners upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of governmental immunity. Chapter 1371, upon which the District is relying in its issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as they become due or perform other material terms and covenants contained in the Order. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

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

See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. Initially, the only registered owner of the Bonds will be Cede & Co. on behalf of DTC. See "- BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Bonds.

SOURCES AND USES OF PROCEEDS OF THE BONDS . . . The proceeds from the sale of the Bonds along with the District's contribution, if any, will be applied approximately as follows:

Sources of Funds:	
Par Amount of the Bonds	
[Net] Premium on Bonds	
District Contribution	
Total Sources of Funds	\$ -
Uses of Funds:	
Deposit to the Construction Fund	
Deposit to the Refunded Bonds Escrow Fund	
Deposit to the Refunded Notes Escrow Fund	
Underwriters' Discount	
Costs of Issuance ⁽¹⁾	
Total Uses of Funds	\$ -

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

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

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

POSSIBLE EFFECTS OF CHANGES IN LAW ON DISTRICT BONDS . . . The Court’s decision in *Morath* upheld the constitutionality of the Finance System but noted that the Finance System was “undeniably imperfect.” While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future.

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

OVERVIEW... The following language constitutes only a summary of the public school finance system as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current public school finance system.

Local funding is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations (“M&O”) tax to pay current expenses and an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax at a rate intended to create a surplus in M&O tax revenues to pay the district’s debt service. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of

an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district’s M&O tax rate.

2025 LEGISLATIVE SESSIONS...The regular session of the 89th Texas Legislature commenced on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor 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 called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session. Additional special sessions may be called by the Governor.

During the 89th Regular Session, the Legislature adopted 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 passed by both houses of the Legislature increases: (1) the State-mandated general homestead exemption from \$100,000 to \$140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000, and (3) the exemption for tangible personal property used in the production of income from the current \$2,500 to \$125,000. Voters approved constitutional amendments authorizing the new exemptions at a statewide election held on November 4, 2025. Additionally, the Legislature passed legislation authorizing roughly \$8.5 billion in funding for public schools and providing districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning.

Finally, legislation passed by the Legislature created an Education Savings Account (“ESA”) Program (commonly referred to as vouchers) for students that attend private schools or are homeschooled. The legislation became effective September 1, 2025, when the State fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2025-2027 biennium may not exceed \$1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to reappropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District’s attendance-based funding.

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

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

Maximum Compressed Tax Rate. The MCR is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district’s current year State Compression Percentage (as discussed above) multiplied by \$1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then the MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than 90% of any other school district’s MCR for the current year, then the school district’s MCR is instead equal to the MCR multiplied by 90% so 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 2025-2026 school year, the Legislature reduced the maximum MCR, establishing \$0.6322 as the MCR and \$0.5689 as the floor.

In calculating and making available school districts' MCRs for the 2025-2026 school year, the TEA calculated and made available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. At a statewide election held on November 4, 2025, voters approved constitutional amendments which increase (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000. Such constitutional amendments take effect for the tax year beginning January 1, 2025.

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

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

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

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

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

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

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for such funding and that the 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. A school district may use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon unique school district characteristics and the demographics of students in ADA to make up most of a school district's Tier One entitlement under the Foundation School Program.

The Basic Allotment for school districts with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 plus the guaranteed yield increment adjustment (the "GYIA") for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than the school district's MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at \$55. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation

retention in disadvantaged or rural school districts. A school district's total Tier One funding divided by the district Basic Allotment is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

The fast growth allotment weights change to 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$320 million for each year of the 2026-2027 state fiscal biennium.

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the Basic Allotment multiplied by 0.02084. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Golden Penny levied of \$129.52 per student in WADA. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment multiplied by 0.008. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Copper Penny levied of \$49.72 per student in WADA.

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. A school district may use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the Legislature for the 2026-2027 State fiscal biennium and debt service assistance on school District bonds that are not yet eligible for EDA is not available, debt service payments during the 2026-2027 State fiscal biennium on new bonds issued by school districts in the 2026-2027 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption. See "— State Funding for School Districts – Tax Rate and Funding Equity" below.

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

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

For the 2026-2027 school year, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the

district under state law providing for state aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling as such state law existed on January 1, 2025, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

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

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

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 school year, the District was designated as an "excess local revenue" school district by TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credits for the 2025-2026 school year, for the purpose of implementing a permitted wealth equalization option under Chapter 49, Texas Education Code.

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 of Entitlement" herein).

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

The 2025-2026 General Fund budget approved by the Board reflects a net surplus of \$7.5 million, revenues of \$906.6 million, and expenditures of \$901.6 million and other sources of \$2.5 million. The budget includes \$40.0 million of new funding from House Bill 2 ("HB2") passed by the 89th Texas Legislature as well as \$35.7 million from seven disaster pennies that are one-time revenues the District can generate as a result of Hurricane Beryl in July 2024. The district had new expenditures for the year, including a \$18.5 million teacher retention allotment and \$2.99 million staff retention allotment as required by HB 2. The budget also includes a \$15.0 million increase for health insurance as well as a one-time \$15.1 million allotment for employee pay and benefits. The district had a budget amendment approved by the board on December 15, 2025. The budget amendment increased the appropriation for expenditures by \$2.7 million, for purchase orders that were rolled forward from fiscal year 2025 to 2026, for items ordered but not received by the end of the 2025 fiscal year.

The District is in the process of considering its 2026-27 General Fund Budget (the "2026-27 Budget"). The proposed 2026-27 Budget recommended by the District's administration provided for the maintenance of the 90-day fund balance prescribed in the District Fiscal and Budgetary Strategy. The 2026-27 Budget reflects a net reduction in fund balance of \$28.1 million, but it includes several one-time costs that the District does not anticipate including in the 2027-28 General Fund Budget. These one-time costs include \$6.5 million for a one-time retention supplement and \$10.5 million in payroll expenses related to consolidation, boundary and strategic operating costs associated with keeping displaced employees employed through the 2026-27 year. The Budget also includes \$25 million for increases related to the Health Insurance Fund, assuming no benefit design changes or changes in carriers. The District's health benefits are currently out to bid and under review. The change in the district's financial position from 2025-2026 to 2026-2027 is largely due to the district receiving approximately \$35 million from the one-time, seven-cent (\$0.07 per \$100 of assessed valuation) M&O tax rate increase for the fiscal year ending June 30, 2026 as a result of Hurricane Beryl (as described in the paragraph above), and receipt of a one-time payment from the state, in the amount of \$26 million as the result of the district having an audit performed on prior year property values.

The District is additionally experiencing reductions in funding as a result of declines in enrollment. In order to mitigate the impact of the enrollment declines and to address school utilization and capacity, the Board Of Trustees voted on March 9, 2026 to change school boundaries and close seven elementary schools. In 2025-2026, the District had a decline of 1,800 in enrollment compared to 2024-2025. The District anticipates the loss of an additional 1,200 students for the 2026-2027 school year. The schools scheduled for closing will be closed at the end of the 2025-2026 school year. Costs savings for 2026-2027 are preliminarily estimated to total between \$5-7 million. The District has not made plans for the closed school buildings, but the District could consider selling those properties. Currently, the properties are not expected to be used in 2026-2027 for any purpose including facility rental. Students from the schools being closed will be rezoned to campuses in the surrounding areas.

On September 15, 2025, the Board approved a one-time, seven-cent (\$0.07 per \$100 of assessed valuation) M&O tax rate increase for the fiscal year ending June 30, 2026 ("Tax Year 2025") Federal Emergency Management Agency ("FEMA"). This was related to Hurricane Beryl in July of 2024, which resulted in the Texas Governor declaring the area a disaster area. A tax increase of seven "disaster pennies" is authorized under Texas Tax Code Section 26.042 ("Section 26.042"), which provides that if the Governor has requested federal disaster assistance for the area in which the school district is located, an election is not required to approve a tax rate higher than the voter approval tax rate adopted by the governing body of the school district for the year following the year in which the disaster occurs. A tax rate adopted under such subsection applies only in the year for which the rate is adopted. The tax increase is expected to generate approximately \$35 million in M&O revenue for the District. The total tax rate adopted by the District for Tax Year 2025 was \$1.0569 per \$100 of taxable assessed valuation, of which \$0.7869 is for M&O purposes and \$0.2700 is for interest and sinking fund purposes. See "APPENDIX A – Financial Information Regarding the District – Table 4 – TAX RATE DISTRIBUTION" for additional information regarding the District's historical tax rate.

In May 2024, the District projected that the costs of some projects planned as part of the \$1.256 billion 2023 bond program would exceed the initial estimates by \$73.8 million. In October 2024, the Board of Trustees voted to defer the planned transportation facility and eliminate Elementary School 55 and allocate the budgets from both projects to contingency. In addition to these actions, the scope of work on several other projects was reassessed to align with the proposed budget for those projects. The 2023 bond program was brought within budget in the Spring of 2025. The combined contingency balance of all outstanding authorized bond elections (2014, 2018, 2023) is \$42 million with \$6.6 million expected to be recommended by District Administration for future bids and requests for proposals, which totals \$35.4 million net bond contingency as of February 25, 2026. See "FORWARD-LOOKING STATEMENTS" herein.

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS . . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on March 19, 1963 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 (subject to the compression of the nine available copper pennies in a year in which the state increases the guaranteed yield on those pennies) and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is \$0.93 (see "TAX RATE LIMITATIONS – PUBLIC HEARING AND VOTER-APPROVAL TAX RATE" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – LOCAL FUNDING FOR SCHOOL DISTRICTS" herein).

Furthermore, a school district cannot annually increase its tax rate in excess of the school district's Voter-Approval Tax Rate without submitting such tax rate to an election and a majority of the voters voting at such election approving the adopted rate (see "TAX RATE LIMITATIONS – PUBLIC HEARING AND VOTER-APPROVAL TAX RATE").

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

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

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

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

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

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

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

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

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

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

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.

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 in 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.

HURRICANE BERYL (“BERYL”) MADE LANDFALL IN TEXAS ON JULY 8, 2024, AS A CATEGORY 1 HURRICANE. AS A RESULT OF BERYL, THE DISTRICT INCURRED DAMAGE TO DISTRICT BUILDINGS AND RELATED STRUCTURES AS WELL AS TREES THROUGHOUT THE DISTRICT TOTALING APPROXIMATELY \$5.7 MILLION. THE DISTRICT CURRENTLY ESTIMATES THAT ALL BUT APPROXIMATELY \$719,000 OF DAMAGES SHOULD BE COVERED BY INSURANCE OR THE FEDERAL EMERGENCY MANAGEMENT AGENCY.

AD VALOREM PROPERTY TAXATION

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

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

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

Through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,320,000 (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. 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 “TAX INFORMATION – District and Taxpayer Remedies”).

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each school district in the State, (1) a \$140,000 exemption (as described below) of the appraised value of all homesteads, (2) a \$60,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of the increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and the 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 15 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 presentation of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption described in clause (1) above that was granted in tax year 2022 through December 31, 2027.

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Legislation passed by the Legislature during the 2025 Legislative Sessions and approved by the voters provides a person an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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

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

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

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

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

units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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

TAX LIMITATION AGREEMENTS . . . The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts").

The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

In the 88th Legislative Session, House Bill 5 ("HB 5" or "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403") and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt service tax securing a series of bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

For a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM PROPERTY TAXATION – District Application of Tax Code" herein.

DISTRICT AND TAXPAYER REMEDIES . . . Under certain circumstances, taxpayers and taxing units, including the District, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the District may bring suit against the Appraisal District to compel compliance with the Property Tax Code. Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “AD VALOREM PROPERTY TAXATION – Temporary Exemption for Qualified Property Damaged by a Disaster” for further information related to a discussion of the applicability of this section of the Property Tax Code.

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

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

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

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

DISTRICT APPLICATION OF TAX CODE . . . The District does not grant a local option exemption of the market value of all residence homesteads or the market value of the residence homestead of persons 65 years of age or older and the disabled.

The District does not permit split payments, and discounts are not allowed.

The District does not tax Freeport Property.

The District has taken action to tax Goods-in-Transit.

The District does not participate in a TIRZ.

The District does not offer tax abatements.

The District does not tax nonbusiness personal property.

TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2025/2026 Market Valuation Established by Fort Bend Central Appraisal District
(excluding totally exempt property)⁽¹⁾

\$ 79,819,320,981

Less Exemptions/Reductions at 100% Market Value:

Disabled Persons (Local and State)	\$ 96,595,265	
Residential Homestead Exemption (State Mandated)	15,248,423,259	
Residential Homestead Over 65 Exemption (State Mandated)	1,942,565,411	
Productivity Loss	264,259,676	
Circuit Breaker Limitation	392,675,901	
Homestead Cap Adjustment	1,181,803,770	
Disabled Veteran Exemption	529,046,049	
Pollution Exemption	47,570,363	
Prorated Exempt Property	40,833,283	
House Bill 366	1,229,969	
First Responders Surviving Spouse	518,270	
Freeport	493,861,902	
Lease Vehicles Exemption	193,490,380	
Solar	15,772,483	20,448,645,982

2025/2026 Taxable Assessed Valuation⁽²⁾

\$ 59,370,674,998

Existing Debt Payable from Ad Valorem Taxes (as of 2/28/2026)⁽³⁾

\$ 1,645,140,000

The Bonds⁽⁴⁾

322,130,000

The Series 2026B Bonds⁽⁵⁾

176,885,000

Total Debt Payable from Ad Valorem Taxes

\$ 2,144,155,000

Interest and Sinking Fund (as of 2/28/2026)

\$ 144,801,338

Ratio Tax Supported Debt to Taxable Assessed Valuation

3.61%

2026 Estimated Fort Bend ISD Population⁽⁶⁾ - 511,056
Per Capita Taxable Assessed Valuation - \$116,173
Per Capita Debt Payable from Ad Valorem Taxes - \$4,196

Enrollment 2025/26 - 78,103
Per Student Taxable Assessed Valuation - \$760,159
Per Student Debt Payable from Ad Valorem Taxes - \$27,453

- (1) Source: Fort Bend Central Appraisal District ("the Appraisal District"). Certified Totals for the fiscal year ending June 30, 2026. Values are subject to change as contested values are resolved.
- (2) Values include the application of a state mandated \$140,000 general homestead exemption and a \$60,000 state mandated residence homestead exemption for persons 65 years of age or older pursuant to a statewide election held on November 4, 2025.
- (3) Excludes the District's Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. Also excludes the Refunded Bonds and the bond obligations to be refunded with the Series 2026B Bonds; preliminary, subject to change.
- (4) Preliminary, subject to change. A portion of the Bonds is being issued to refund outstanding Commercial Paper Notes.
- (5) Preliminary, subject to change. The Series 2026B Bonds are scheduled to close on May 27, 2026, concurrently with the delivery of the Bonds. A portion of the Series 2026B Bonds is being used to refund outstanding Commercial Paper Notes.
- (6) Source: Municipal Advisory Council of Texas.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended June 30,					
	2026 ⁽¹⁾		2025 ⁽²⁾		2024 ⁽²⁾	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 61,594,084,186	77.17%	\$ 61,198,015,900	77.90%	\$ 58,305,559,387	78.14%
Real, Residential, Multi-Family	2,572,412,437	3.22%	2,400,490,847	3.06%	2,065,883,931	2.77%
Real, Vacant Lots/Tracts	704,424,414	0.88%	640,704,371	0.82%	555,914,246	0.74%
Real, Acreage (Land Only)	266,777,460	0.33%	258,365,859	0.33%	272,579,562	0.37%
Real, Farm and Ranch Improvement	211,029,785	0.26%	220,838,114	0.28%	114,931,709	0.15%
Real, Commercial/Industrial	9,447,566,075	11.84%	8,884,632,651	11.31%	8,507,376,031	11.40%
Oil, Gas, Minerals	10,303,381	0.01%	9,468,875	0.01%	6,455,210	0.01%
Real and Tangible Personal, Utilities	843,869,807	1.06%	694,309,010	0.88%	710,269,816	0.95%
Tangible Personal, Commercial/Industrial	3,705,824,056	4.64%	3,762,960,433	4.79%	3,753,474,096	5.03%
Mobile Homes	93,065,427	0.12%	89,131,021	0.11%	85,763,977	0.11%
Residential Inventory	270,595,764	0.34%	330,703,863	0.42%	153,051,116	0.21%
Exempt	34,233,920	0.04%	7,148,659	0.01%	22,541,095	0.03%
Special Inventory	65,134,268	0.08%	64,672,326	0.08%	66,334,611	0.09%
Total Appraised Value Before Exemptions	\$ 79,819,320,981	100.00%	\$ 78,561,441,929	100.00%	\$ 74,620,134,787	100.00%
Adjustments	-		(988,558,148)		(10,416,803,556)	
Less: Total Exemptions/Reductions	(20,448,645,982)		(16,462,707,484)		(11,625,458,101)	
Taxable Assessed Value	<u>\$ 59,370,674,998</u> ⁽³⁾		<u>\$ 61,110,176,297</u>		<u>\$ 52,577,873,130</u>	

Category	Taxable Appraised Value for Fiscal Year Ended June 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 50,640,771,008	77.59%	\$ 39,803,836,432	76.06%
Real, Residential, Multi-Family	1,376,564,704	2.11%	1,220,451,965	2.33%
Real, Vacant Lots/Tracts	536,406,064	0.82%	502,991,967	0.96%
Real, Acreage (Land Only)	255,654,391	0.39%	291,491,021	0.56%
Real, Farm and Ranch Improvement	98,231,034	0.15%	92,761,831	0.18%
Real, Commercial/Industrial	8,060,073,865	12.35%	6,800,785,672	12.99%
Oil, Gas, Minerals	9,396,650	0.01%	8,998,692	0.02%
Real and Tangible Personal, Utilities	569,413,662	0.87%	515,587,290	0.99%
Tangible Personal, Commercial/Industrial	3,259,283,707	4.99%	2,649,160,230	5.06%
Mobile Homes	71,497,592	0.11%	29,073,788	0.06%
Exempt	312,035,128	0.48%	364,764,776	0.70%
Residential Inventory	21,149,379	0.03%	3,782,617	0.01%
Special Inventory	60,003,780	0.09%	50,874,850	0.10%
Total Appraised Value Before Exemptions	\$ 65,270,480,964	100.00%	\$ 52,334,561,131	100.00%
Adjustments	(211,014,308)		(278,309,850)	
Less: Total Exemptions/Reductions	(10,072,559,306)		(4,161,134,590)	
Taxable Assessed Value	<u>\$ 54,986,907,350</u>		<u>\$ 47,895,116,691</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District. Certified values are subject to change as contested values are resolved and the Appraisal District updates their records.

- (1) Values include the application of a state mandated \$140,000 general homestead exemption and a \$60,000 state mandated residence homestead exemption for persons 65 years of age or older pursuant to a statewide election held on November 4, 2025.
- (2) Values include the application of a state mandated \$100,000 general homestead exemption and a \$10,000 state mandated residence homestead exemption for persons 65 years of age or older.
- (3) The decline in the total assessed valuation between fiscal year ended June 30, 2025 and fiscal year ended June 30, 2026 is primarily the result of the increased exemptions described in footnote (1).

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 6/30	Estimated Fort Bend ISD Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year ⁽³⁾	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2022	497,861	\$ 47,895,116,691	\$ 96,202	\$ 1,593,105,000	3.33%	\$ 3,200
2023	519,431	54,986,907,350	105,860	1,621,385,000	2.95%	3,121
2024	512,203	52,577,873,117	102,650	1,765,610,000	3.36%	3,447
2025	509,667	61,110,176,297	119,902	1,926,445,000	3.15%	3,780
2026	511,056	59,370,674,998 ⁽⁵⁾	116,173	2,144,155,000 ⁽⁴⁾	3.61% ⁽⁴⁾	4,196 ⁽⁴⁾

- (1) Source: District's Annual Comprehensive Financial Reports for fiscal years ending June 30, 2022 through 2025, and the Municipal Advisory Council of Texas for fiscal year ending June 30, 2026.
- (2) Source: District Annual Comprehensive Financial Reports for fiscal years ending June 30, 2022 through 2025 and the Appraisal District's Certified Totals for fiscal year ending June 30, 2026. Values are subject to change as contested values are resolved.
- (3) Excludes the District's Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. See "TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS" herein for certain assumptions regarding the issuance of Commercial Paper Notes and voted authorization.
- (4) Includes the Bonds and the Series 2026B Bonds, which are scheduled to close on May 27, 2026 concurrently with the delivery of the Bonds. Preliminary, subject to change. Excludes the Refunded Bonds and the bond obligations to be refunded by the Series 2026B Bonds.
- (5) The decrease in Taxable Assessed Valuation for fiscal year 2025-2026 is primarily due to the increase in the state mandated homestead exemption from \$100,000 to \$140,000 and the increase in the homestead exemption for homeowners over 65 or with disabilities increasing from \$10,000 to \$60,000.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 6/30	Tax Rate	Local Maintenance ⁽¹⁾	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	\$ 1.2101	\$ 0.9201	\$ 0.2900	\$ 563,674,726	98.37%	99.34%
2023	1.1346	0.8646	0.2700	602,809,973	99.62%	99.93%
2024	0.9892	0.7192	0.2700	520,100,321 ⁽¹⁾	98.39%	98.68%
2025	0.9869	0.7169	0.2700	562,912,865	98.41%	97.96%
2026 ⁽²⁾	1.0569	0.7869	0.2700	577,532,453	96.31% ⁽³⁾	94.30% ⁽³⁾

- (1) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a description of legislative changes that resulted in M&O tax rate compression.
- (2) The District's Maintenance and Operations tax rate for Fiscal Year Ended 2026 includes 7 cents declared for one-year only related to a disaster in the Houston metropolitan area in July of 2024 See "THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT".
- (3) Collections through March 31, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS⁽¹⁾

Name of Taxpayer	Type of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Amazon.com Services LLC	Commercial Business	\$ 667,255,625	1.12%
Centerpoint Energy Electric	Electric Utility	332,209,039	0.56%
LCFRE Sugar Land Town Square LLC	Commercial Business Office Building	174,978,703	0.29%
Exxonmobil Pipeline CO	Oil & Gas	141,585,150	0.24%
ET Fresno LLC	Commercial Property	133,827,690	0.23%
First Colony Mall LLC	Commercial Mall Property	121,000,000	0.20%
Comcast of Houston LLC	Cable/ TV/ Internet Utility	118,346,030	0.20%
Market Town Center Owner LLC	Commercial Property	106,827,050	0.18%
Centerpoint Energy Entex	Electric Utility	76,277,410	0.13%
The Flats at Sugar Land Owner LLC	Commercial Property	72,808,483	0.12%
		<u>\$1,945,115,180</u>	<u>3.28%</u>

- (1) Source: The Appraisal District.

TABLE 6 - TAX ADEQUACY

Principal and Interest Requirements for the Period Ended August 31, 2026 ⁽¹⁾	\$ 170,895,428
Less: Additional State Aid for Homestead Exemption	<u>(20,941,632)</u>
Net Principal and Interest Requirements for the Period Ended August 31, 2026	<u>\$ 149,953,796</u>
 \$0.2700 Interest and Sinking Fund Tax Rate @ 99.0% Collections ⁽²⁾	 <u>\$ 158,697,814</u>

- (1) Includes the Bonds and the Series 2026B Bonds. Excludes the District's Commercial Paper Notes, the Refunded Bonds, and the bond obligations to be refunded by the Series 2026B Bonds. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. Preliminary, subject to change.
- (2) Utilizes \$59,370,674,998 in Net Taxable Value in Fiscal Year 2025-2026.

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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 bonds ("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 bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	2025/2026 Taxable Assessed Value	2025/2026 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt As of 2/28/2026	Authorized But Unissued Debt As Of 2/28/2026 ⁽¹⁾
Arcola Municipal Management District # 1	\$ 128,317,781	\$ 0.8400	\$ 20,835,000	100.00%	\$ 20,835,000	\$ 108,085,000
Arcola, City of	191,825,491	1.1600	7,745,000	100.00%	7,745,000	-
Big Oaks MUD	670,170,677	0.5850	22,615,000	100.00%	22,615,000	4,025,000
Blue Ridge West MUD	546,286,126	0.4030	17,530,000	100.00%	17,530,000	-
Brazoria Co MUD # 22	611,725,810	0.9500	69,300,000	15.57%	10,790,010	121,515,000
Brazoria-Fort Bend Co MUD # 1	1,691,576,468	0.4200	29,315,000	43.43%	12,731,505	32,325,000
Burney Road MUD	494,654,815	0.1750	1,775,000	100.00%	1,775,000	11,185,000
Charleston MUD	110,372,318	1.5000	10,985,000	100.00%	10,985,000	11,915,000
Chelford City MUD	641,399,292	0.3130	13,920,000	54.48%	7,583,616	2,465,000
First Colony MUD # 9	1,193,652,435	0.1100	5,710,000	100.00%	5,710,000	11,955,000
First Colony MUD # 10	606,698,389	0.1150	6,850,000	100.00%	6,850,000	8,700,000
Fort Bend Co	129,491,128,588	0.4120	1,235,264,389	49.83%	615,532,245	927,395,000
Fort Bend Co Drainage District	128,592,715,924	0.0100	21,645,000	49.83%	10,785,704	528,100,000
Fort Bend Co FWSD # 1	685,836,272	1.0000	30,420,000	100.00%	30,420,000	245,105,000
Fort Bend Co LID # 2	6,575,587,833	0.1180	80,160,000	100.00%	80,160,000	55,375,000
Fort Bend Co LID # 7	2,242,464,748	0.3230	107,263,000	100.00%	107,263,000	30,029,000
Fort Bend Co LID # 12	3,672,426,232	0.0400	3,755,000	49.51%	1,859,101	8,705,000
Fort Bend Co LID # 14	846,653,004	0.1010	1,758,000	100.00%	1,758,000	6,090,000
Fort Bend Co LID # 15	3,910,009,814	0.2450	76,915,000	100.00%	76,915,000	28,400,000
Fort Bend Co LID # 17	2,876,547,973	0.4300	44,875,000	100.00%	44,875,000	62,360,000
Fort Bend Co LID # 19	1,108,900,919	0.4000	42,235,000	100.00%	42,235,000	6,888,402
Fort Bend Co MUD # 2	520,058,831	0.5330	17,585,000	100.00%	17,585,000	30,820,000
Fort Bend Co MUD # 23	1,282,434,761	0.5600	48,910,000	100.00%	48,910,000	13,165,000
Fort Bend Co MUD # 24	321,660,588	1.1600	21,240,000	100.00%	21,240,000	192,080,000
Fort Bend Co MUD # 25	1,758,503,967	0.8300	106,425,000	100.00%	106,425,000	42,725,000
Fort Bend Co MUD # 26	531,450,045	0.7050	45,620,000	100.00%	45,620,000	25,329,688
Fort Bend Co MUD # 30	1,962,126,044	0.4100	104,635,000	99.51%	104,122,289	40,105,000
Fort Bend Co MUD # 41	405,077,559	0.4260	5,580,000	100.00%	5,580,000	21,400,000
Fort Bend Co MUD # 42	573,972,975	0.2900	900,000	100.00%	900,000	190,000
Fort Bend Co MUD # 46	448,236,566	0.3400	5,055,000	100.00%	5,055,000	3,200,000
Fort Bend Co MUD # 47	364,164,405	0.6930	10,925,000	100.00%	10,925,000	27,000,000
Fort Bend Co MUD # 48	644,935,137	0.7200	21,555,000	100.00%	21,555,000	14,385,000
Fort Bend Co MUD # 49	121,432,385	0.5100	200,000	100.00%	200,000	1,900,000
Fort Bend Co MUD # 115	413,731,186	0.3100	1,395,000	100.00%	1,395,000	16,045,000
Fort Bend Co MUD # 118	711,510,692	0.5700	36,515,000	100.00%	36,515,000	5,920,278
Fort Bend Co MUD # 119	557,331,213	0.3850	3,540,000	100.00%	3,540,000	17,450,000
Fort Bend Co MUD # 128	2,969,181,996	0.2500	60,365,000	100.00%	60,365,000	18,690,000
Fort Bend Co MUD # 129	1,005,002,158	0.1800	11,045,000	100.00%	11,045,000	41,160,000
Fort Bend Co MUD # 131	282,438,568	0.8500	16,795,000	100.00%	16,795,000	24,910,000
Fort Bend Co MUD # 134B	1,638,933,772	0.9650	130,560,000	100.00%	130,560,000	657,480,000
Fort Bend Co MUD # 134C	1,307,504,850	0.9500	84,765,000	100.00%	84,765,000	584,865,000
Fort Bend Co MUD # 134D	1,025,403,939	0.9000	99,615,000	100.00%	99,615,000	97,105,000
Fort Bend Co MUD # 134E	579,056,340	0.8500	49,010,000	100.00%	49,010,000	252,180,000
Fort Bend Co MUD # 134F	114,642,325	1.4500	25,695,000	100.00%	25,695,000	642,305,000
Fort Bend Co MUD # 136	182,580,854	0.3450	4,610,000	100.00%	4,610,000	20,830,000
Fort Bend Co MUD # 137	1,086,656,972	0.1700	8,815,000	100.00%	8,815,000	71,500,000
Fort Bend Co MUD # 138	1,252,967,153	0.2100	18,875,000	100.00%	18,875,000	79,625,000
Fort Bend Co MUD # 139	363,548,458	0.2400	6,910,000	100.00%	6,910,000	108,564,000
Fort Bend Co MUD # 141	312,720,474	1.0100	36,585,000	100.00%	36,585,000	48,715,000
Fort Bend Co MUD # 143	1,010,258,457	1.0600	59,650,000	57.42%	34,251,030	28,985,000
Fort Bend Co MUD # 146	996,657,900	0.6350	42,655,000	30.17%	12,869,014	61,905,000
Fort Bend Co MUD # 149	958,212,838	0.3150	25,815,000	100.00%	25,815,000	27,645,000
Fort Bend Co MUD # 165	575,283,682	0.9000	25,820,000	100.00%	25,820,000	23,725,000
Fort Bend Co MUD # 168 (Defined Area A)	77,784,026	1.5000	7,970,000	100.00%	7,970,000	193,930,000
Fort Bend Co MUD # 189	92,727,925	1.5000	10,170,000	100.00%	10,170,000	62,440,000
Fort Bend Co MUD # 190	545,793,134	1.0600	64,850,000	100.00%	64,850,000	151,638,200

TABLE 7 CONTINUED ON NEXT PAGE

Taxing Jurisdiction	2025/2026 Taxable Assessed Value	2025/2026 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt As of 2/28/2026	Authorized But Unissued Debt As Of 2/28/2026 ⁽¹⁾
Fort Bend Co MUD # 206	238,879,704	1.2200	23,765,000	100.00%	23,765,000	78,570,000
Fort Bend Co MUD # 255	144,548,144	1.2500	26,275,000	100.00%	26,275,000	1,206,725,000
Fort Bend Co Municipal Management District No.	1,608,402,387	0.3900	74,640,000	100.00%	74,640,000	290,620,000
Fort Bend Co WC&ID # 2	7,376,040,815	0.2130	200,410,000	31.33%	62,788,453	66,855,000
Grand Mission MUD # 1	677,071,951	0.5470	30,515,000	92.67%	28,278,251	20,011,178
Grand Mission MUD # 2	796,079,097	0.7200	61,165,000	99.67%	60,963,156	12,670,000
Harris Co MUD # 393	341,291,354	0.3700	7,560,000	8.02%	606,312	39,760,000
Houston, City of	335,896,664,610	0.5190	3,843,710,000	0.67%	25,752,857	907,030,000
Imperial Redevelopment District	548,636,270	0.9700	54,260,000	100.00%	54,260,000	597,007,000
Kingsbridge MUD	977,084,457	0.3800	8,315,000	96.09%	7,989,884	24,480,000
Mission Bend MUD # 1	613,776,002	0.2170	4,900,000	56.11%	2,749,390	16,070,000
Missouri City Management District # 1	435,324,963	0.9000	46,130,000	100.00%	46,130,000	251,578,000
Missouri City Management District # 2	394,982,406	0.5000	11,555,000	100.00%	11,555,000	165,620,000
Missouri City, City of	13,124,925,613	0.5710	202,830,000	94.11%	190,883,313	30,049,000
North Mission Glen MUD	811,976,329	0.3600	13,070,000	98.76%	12,907,932	22,420,000
Palmer Plantation MUD # 1	308,627,182	0.4000	4,040,000	100.00%	4,040,000	1,000,000
Palmer Plantation MUD # 2	308,699,845	0.3660	570,000	100.00%	570,000	7,760,000
Pecan Grove MUD	1,625,510,301	0.6250	48,885,000	62.51%	30,558,014	18,615,000
Renn Road MUD	397,676,640	0.5400	6,925,000	29.96%	2,074,730	29,675,000
Sienna Management District	448,391,514	0.9200	48,753,371	100.00%	48,753,371	335,080,000
Sienna MUD # 3	1,196,378,173	0.3980	16,775,000	100.00%	16,775,000	-
Sienna MUD # 4	1,215,277,486	0.9350	149,407,998	100.00%	149,407,998	389,495,000
Sienna MUD # 6	1,049,792,038	1.0500	157,981,824	100.00%	157,981,824	509,040,000
Sienna MUD # 10	1,032,355,200	0.7100	61,387,040	100.00%	61,387,040	52,125,000
Sienna MUD # 12	1,108,212,064	0.4950	62,609,481	100.00%	62,609,481	20,340,000
Sienna Parks & Levee Improvement District	7,587,173,538	0.4130	201,975,000	100.00%	201,975,000	61,732,509
Sugar Land, City of	21,951,654,945	0.3590	358,965,000	88.38%	317,253,267	328,900,000
Fort Bend Independent School District	59,370,674,998	1.0569	2,144,155,000 ⁽²⁾	100.00%	<u>2,144,155,000 ⁽²⁾</u>	367,680,000 ⁽³⁾
Total Direct and Overlapping Tax Supported Debt					<u>\$6,128,995,782</u>	
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					10.32%	
Per Capita Overlapping Tax Supported Debt					\$ 11,993	

(1) Includes new money and refunding authorizations.

(2) Includes the Bonds and the Series 2026B Bonds. Excludes the District's Commercial Paper Notes, the Refunded Bonds, and the bond obligations to be refunded by the Series 2026B Bonds. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. Preliminary, subject to change.

(3) See "TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS" herein for certain assumptions regarding the issuance of Commercial Paper Notes in reaching the authorized but unissued debt amount.

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DEBT INFORMATION

TABLE 8 - PRO FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS⁽¹⁾

Period Ending 8/31 ⁽²⁾	Outstanding Debt ⁽³⁾			The Bonds ⁽⁴⁾			The Series 2026B Bonds ⁽⁵⁾			Total Tax-Supported Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
2026	\$ 97,060,000	\$ 73,835,428	\$ 170,895,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,895,428	
2027	72,085,000	65,477,465	137,562,465	6,725,000	19,596,242	26,321,242	3,060,000	6,249,937	9,309,937	173,193,643	
2028	74,835,000	68,219,831	143,054,831	2,080,000	15,770,250	17,850,250	3,210,000	5,214,750	8,424,750	169,329,831	
2029	75,115,000	68,808,149	143,923,149	2,185,000	15,666,250	17,851,250	3,370,000	5,118,450	8,488,450	170,262,849	
2030	78,765,000	64,949,844	143,714,844	2,295,000	15,557,000	17,852,000	3,540,000	11,707,150	15,247,150	176,813,994	19.61%
2031	58,975,000	60,901,576	119,876,576	11,790,000	15,442,250	27,232,250	5,090,000	11,459,350	16,549,350	163,658,176	
2032	61,635,000	58,002,265	119,637,265	8,510,000	14,852,750	23,362,750	5,345,000	11,103,050	16,448,050	159,448,065	
2033	64,190,000	55,190,802	119,380,802	8,935,000	14,427,250	23,362,250	5,610,000	10,728,900	16,338,900	159,081,952	
2034	66,820,000	52,313,266	119,133,266	9,380,000	13,980,500	23,360,500	5,890,000	10,336,200	16,226,200	158,719,966	
2035	45,515,000	49,703,130	95,218,130	9,845,000	13,511,500	23,356,500	6,185,000	9,923,900	16,108,900	134,683,530	36.87%
2036	47,295,000	47,644,061	94,939,061	10,345,000	13,019,250	23,364,250	6,495,000	9,490,950	15,985,950	134,289,261	
2037	49,085,000	45,535,307	94,620,307	10,860,000	12,502,000	23,362,000	6,820,000	9,036,300	15,856,300	133,838,607	
2038	47,730,000	43,371,165	91,101,165	11,395,000	11,959,000	23,354,000	7,160,000	8,558,900	15,718,900	130,174,065	
2039	49,620,000	41,253,236	90,873,236	11,970,000	11,389,250	23,359,250	7,520,000	8,057,700	15,577,700	129,810,186	
2040	51,610,000	39,031,577	90,641,577	12,570,000	10,790,750	23,360,750	7,895,000	7,531,300	15,426,300	129,428,627	52.51%
2041	53,670,000	36,711,520	90,381,520	13,195,000	10,162,250	23,357,250	8,290,000	6,978,650	15,268,650	129,007,420	
2042	53,725,000	34,291,375	88,016,375	13,860,000	9,502,500	23,362,500	8,700,000	6,398,350	15,098,350	126,477,225	
2043	55,770,000	31,924,384	87,694,384	8,990,000	8,809,500	17,799,500	5,590,000	5,789,350	11,379,350	116,873,234	
2044	54,570,000	29,029,938	83,599,938	9,440,000	8,360,000	17,800,000	5,875,000	5,398,050	11,273,050	112,672,988	
2045	57,005,000	26,184,887	83,189,887	9,910,000	7,888,000	17,798,000	6,160,000	4,986,800	11,146,800	112,134,687	69.36%
2046	59,485,000	23,287,396	82,772,396	10,405,000	7,392,500	17,797,500	6,470,000	4,555,600	11,025,600	111,595,496	
2047	62,035,000	20,276,242	82,311,242	10,930,000	6,872,250	17,802,250	6,795,000	4,102,700	10,897,700	111,011,192	
2048	64,715,000	17,126,409	81,841,409	11,475,000	6,325,750	17,800,750	7,135,000	3,627,050	10,762,050	110,404,209	
2049	61,295,000	13,832,478	75,127,478	12,050,000	5,752,000	17,802,000	7,490,000	3,127,600	10,617,600	103,547,078	
2050	52,165,000	10,696,153	62,861,153	12,650,000	5,149,500	17,799,500	7,865,000	2,603,300	10,468,300	91,128,953	87.52%
2051	44,360,000	8,059,533	52,419,533	13,280,000	4,517,000	17,797,000	8,245,000	2,052,750	10,297,750	80,514,283	
2052	30,610,000	5,662,400	36,272,400	13,945,000	3,853,000	17,798,000	3,815,000	1,475,600	5,290,600	59,361,000	
2053	30,925,000	4,043,075	34,968,075	14,645,000	3,155,750	17,800,750	4,005,000	1,208,550	5,213,550	57,982,375	
2054	28,750,000	2,426,263	31,176,263	15,375,000	2,423,500	17,798,500	4,205,000	928,200	5,133,200	54,107,963	
2055	15,810,000	914,025	16,724,025	16,145,000	1,654,750	17,799,750	4,415,000	633,850	5,048,850	39,572,625	99.00%
2056	-	-	-	16,950,000	847,500	17,797,500	4,640,000	324,800	4,964,800	22,762,300	100.00%
	<u>\$ 1,665,225,000</u>	<u>\$ 1,098,703,176</u>	<u>\$ 2,763,928,176</u>	<u>\$ 322,130,000</u>	<u>\$ 291,129,992</u>	<u>\$ 613,259,992</u>	<u>\$ 176,885,000</u>	<u>\$ 178,708,037</u>	<u>\$ 355,593,037</u>	<u>\$ 3,732,781,205</u>	

- (1) Excludes the District's Commercial Paper Notes. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. Also excludes the Refunded Bonds and the bond obligations to be refunded with the Series 2026B Bonds; preliminary, subject to change.
- (2) The District's fiscal year end is June 30, but due to the timing of tax collections, the District sets its tax rate based on a debt service budget period ending on August 31.
- (3) Interest on the District's Variable Rate Unlimited Tax School Building and Refunding Bonds, Series 2024B is calculated at the Initial Rate of 4.00% through July 31, 2027 and at the Stepped Rate of 7.000% per annum thereafter. Interest on the District's Variable Rate Unlimited Tax Refunding Bonds, Series 2025B is calculated at the Initial Rate of 3.800% through July 31, 2028 and the Stepped Rate of 7.000% per annum thereafter.
- (4) Preliminary, subject to change. Assumes interest at current market rates for purposes of illustration.
- (5) For purposes of illustration, interest calculated at an assumed Initial Rate for the Initial Rate Period for the Series 2026B Bonds and at an assumed Stepped Rate of 7.000% thereafter through stated maturity. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Principal and Interest Requirements for the Period Ended August 31, 2027 ⁽¹⁾	\$ 173,193,643
Less: Additional State Aid for Homestead Exemption	(21,483,746)
Net Principal and Interest Requirements for the Period Ended August 31, 2027	\$ 151,709,897

\$0.270000 Interest and Sinking Fund Tax Rate @ 99.0% Collections⁽²⁾ \$ 163,458,749

- (1) Includes the Bonds and the Series 2026B Bonds. Excludes the District's Commercial Paper Notes, the Refunded Bonds, and the bond obligations to be refunded by the Series 2026B Bonds. The Commercial Paper Notes may be issued from time to time up to an aggregate principal amount of \$150,000,000 outstanding at any time. Preliminary, subject to change.
- (2) Source: District Officials. Assumes an estimated Tax Year 2026 (Fiscal Year 2026-2027) Taxable Assessed Valuation of \$61,151,795,248. See "OTHER INFORMATION – Forward Looking Statement Disclaimer".

TABLE 10 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Date Authorized	Purpose	Amount Authorized	Amount Previously Issued ⁽¹⁾	Amount Being Issued for the Bonds ⁽²⁾	Amount Being Issued for the Series 2026B Bonds ⁽²⁾	Unissued Balance ⁽²⁾
November 4, 2014	School Building Facilities and Equipment	\$ 484,000,000	\$ 473,750,000	\$ 3,000,000	\$ -	\$ 7,250,000
November 6, 2018	School Building Facilities and Equipment	992,600,000	950,870,000	15,750,000	-	25,980,000
May 6, 2023	Proposition A - School Building Facilities and Equipment	1,180,830,000	565,230,000	247,000,000	70,000,000	298,600,000 ⁽³⁾⁽⁴⁾
	Proposition B - Technology Equipment	52,470,000	25,270,000	10,500,000	-	16,700,000
	Proposition C - Natatorium	22,900,000	-	3,750,000	-	19,150,000
		<u>\$ 2,732,800,000</u>	<u>\$ 2,015,120,000</u>	<u>\$ 280,000,000</u>	<u>\$ 70,000,000</u>	<u>\$ 367,680,000</u>

- (1) Includes premium charged against voted authority.
- (2) Preliminary, subject to change. Includes the allocation of Commercial Paper being refunded with the Bonds and the Series 2026B Bonds to the appropriate elections. The Bonds will refund approximately \$80,000,000 in Commercial Paper and the Series 2026B Bonds will refund approximately \$70,000,000 in Commercial Paper.
- (3) The District may issue and have outstanding from time to time up to \$150,000,000 in Commercial Paper under its Commercial Paper Program utilizing voted authorization from any of the Elections (as defined herein). The "Amount Previously Issued" includes and assumes the issuance and allocation of the full \$150,000,000 capacity of the District's Commercial Paper Program to Proposition A from the 2023 Election. As the Commercial Paper that is ultimately issued utilizing such capacity is refunded with long-term bonds, the District makes such final allocation of the Commercial Paper to the appropriate Election.
- (4) This amount excludes (treats as having been issued) the \$150,000,000 capacity of the District's Commercial Paper Program described in footnote (3).

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . . The District has established a commercial paper program (the "CP Program" or "Commercial Paper Program") pursuant to which it is authorized to issue commercial paper notes ("Commercial Paper Notes" or "Commercial Paper") from time to time under a traditional commercial paper program ("Series A") or a direct purchase commercial paper note program ("Series B") in a maximum aggregate principal amount of not more than \$150,000,000 at any one time outstanding under Series A and Series B pursuant to the authority provided by the elections held in the District on November 4, 2014 (the "2014 Election"), November 6, 2018 (the "2018 Election") and May 6, 2023 (the "2023 Election," and together with the 2014 Election and the 2018 Election, the "Elections"), provided, however, that the aggregate amount of indebtedness issued to finance authorized projects pursuant to such elections cannot exceed the limits approved by the voters at such elections. See "TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS". The termination dates of the credit agreement supporting Series A and the note purchase agreement for Series B are both November 1, 2028, and the total principal commitment under the credit agreement for Series A and the note purchase agreement for Series B is \$150,000,000.

The District expects to continue issuing its Commercial Paper Notes under the Commercial Paper Program to provide interim financing for projects authorized by the 2014 Election, the 2018 Election, and the 2023 Election. Following the issuance of the Bonds and the refunding of the Refunded Notes, the District will have the capacity to have a total of up to \$150,000,000 in Commercial Paper Notes outstanding under the Series A and Series B programs from time to time.

TABLE 11 - OTHER OBLIGATIONS

OTHER OBLIGATIONS . . . In addition to voter authorized ad valorem tax-supported debt, the District may also enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes. The District currently has no other such obligations outstanding.

PENSION FUND AND OTHER POST EMPLOYMENT RETIREMENT BENEFITS . . . The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the Plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ended June 30, 2025, the State contributed \$33,864,732 to TRS on behalf of the District's employees and the District paid additional State contributions of \$52,838,506. (For more detailed information concerning the retirement plan see "APPENDIX B – EXCERPTS FROM THE FORT BEND INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT - Note 18.")

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.

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Plan"), a cost-sharing multiple-employer defined OPEB health care plan. The TRS-Care Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. The TRS-Care Plan is administered through a trust by the TRS Board of Trustees. Contribution rates are legally established in state statute by the 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. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Plan, see "APPENDIX B – EXCERPTS FROM THE FORT BEND INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT - Note 19."

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FINANCIAL INFORMATION

TABLE 12 - CHANGE IN NET ASSETS

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
<u>Program Revenues:</u>					
Charges for Services	\$ 26,820,298	\$ 25,683,202	\$ 23,529,415	\$ 14,885,224	\$ 7,006,161
Operating Grants & Contributions	137,260,085	159,351,560	142,278,974	162,227,459	153,115,796
Capital Grants & Contributions	17,600,000	-	-	-	-
State Aid	358,524,878	370,576,935	208,360,378	229,953,880	250,463,913
Property Taxes - General Purpose	403,019,443	375,295,247	463,932,642	428,130,705	416,147,524
Property Taxes - Debt Service	151,889,733	140,623,564	144,331,720	135,710,509	127,194,796
Investment Earnings	20,850,496	20,431,356	15,241,427	1,010,264	1,372,409
Miscellaneous	32,736	444,126	-	405,339	239,454
Transfers	2,824,000	2,900,000	2,834,000	2,761,000	466,000
Total Revenues	<u>\$ 1,118,821,669</u>	<u>\$ 1,095,305,990</u>	<u>\$ 1,000,508,556</u>	<u>\$ 975,084,380</u>	<u>\$ 956,006,053</u>
<u>Expenses:</u>					
Instruction	\$ 569,100,299	\$ 572,454,088	\$ 537,083,531	\$ 510,413,907	\$ 547,263,538
Instructional Resources	10,227,006	10,116,813	10,115,672	9,913,664	10,447,347
Curriculum and Staff Development	27,019,928	26,664,251	21,204,691	21,955,206	22,704,654
Instructional Leadership	20,359,207	21,287,760	21,075,780	19,746,669	22,074,510
School Leadership	50,998,560	51,759,042	49,828,394	48,927,056	52,341,401
Guidance and Counseling	48,880,662	49,193,557	41,935,227	39,598,277	42,449,940
Social Work Services	3,182,005	3,325,058	3,200,750	2,956,714	3,221,659
Health Services	11,142,509	11,377,970	10,761,812	13,169,382	21,751,131
Student Transportation	30,857,907	30,611,747	27,885,507	27,020,818	24,198,457
Food Services	40,299,773	40,111,664	33,317,700	33,430,892	20,405,836
Extracurricular Activities	28,610,611	27,447,079	25,989,271	24,000,742	20,514,305
General Administration	21,160,049	21,054,738	19,897,878	19,043,439	21,019,321
Plant Maintenance and Operations	93,136,046	115,251,697	100,725,035	102,128,460	140,336,823
Security and Monitoring Services	16,781,854	14,854,856	11,959,329	11,176,791	14,469,239
Data Processing Services	34,069,068	28,528,944	21,263,200	30,090,842	37,934,087
Community Services	1,878,882	2,111,717	1,885,168	2,038,964	1,808,099
Interest on Long-term Debt	62,622,299	50,222,088	46,433,729	44,260,052	41,748,923
Facilities Repair and Maintenance	10,279,295	-	9,770,760	7,094,017	5,204,633
Payments Related to Shared Services Arrangements	633,248	611,567	566,807	576,300	711,900
Other Intergovernmental Charges	6,609,924	5,820,566	5,173,623	4,592,722	3,900,170
Total Expenses	<u>\$ 1,090,837,737</u>	<u>\$ 1,082,805,202</u>	<u>\$ 1,000,073,864</u>	<u>\$ 972,134,914</u>	<u>\$ 1,054,505,973</u>
Increase (Decrease) in Net Position	\$ 27,983,932	\$ 12,500,788	\$ 434,692	\$ 2,949,466	\$ (98,499,920)
Beginning Net Position	(356,754,123)	(369,254,911)	(369,689,603)	(372,639,069)	(274,139,149)
Prior Period Adjustment	(6,934,319) ⁽¹⁾	-	-	-	-
Ending Net Position	<u>\$ (335,704,510)</u>	<u>\$ (356,754,123)</u>	<u>\$ (369,254,911)</u>	<u>\$ (369,689,603)</u>	<u>\$ (372,639,069)</u>

Source: *The District's Comprehensive Annual Financial Reports.*

- (1) The District implemented the Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, beginning in fiscal year 2025. As a result, the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the adjusted compensated absences balance at the beginning of the fiscal year 2025.

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TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended June 30,				
	2025	2024	2023	2022	2021
<u>Revenues:</u>					
Local and Intermediate Sources	\$ 418,945,382	\$ 391,261,494	\$ 475,493,684	\$ 433,032,620	\$ 419,629,082
State Sources	403,924,909	412,449,423	246,267,954	268,364,328	290,599,868
Federal Sources	11,660,858	9,503,551	16,163,086	33,013,180	14,674,312
Total Revenues	\$ 834,531,149	\$ 813,214,468 ⁽⁴⁾	\$ 737,924,724	\$ 734,410,128	\$ 724,903,262
<u>Expenditures:</u>					
Instruction	\$ 490,104,195	\$ 465,760,472	\$ 421,218,019	\$ 431,823,770	\$ 440,790,337
Instructional Resources	8,087,998	7,489,722	8,405,680	8,619,420	8,443,166
Curriculum & Staff Development	16,482,967	16,127,639	13,565,737	14,336,646	14,561,793
Instructional Leadership	18,975,867	18,833,703	19,506,301	18,824,044	19,219,126
School Leadership	51,107,346	50,019,877	50,927,915	51,322,221	48,275,455
Guidance & Counseling	43,057,866	42,250,822	38,982,395	37,576,528	36,142,510
Social Work Services	2,737,902	2,501,910	2,940,420	2,875,208	2,665,313
Health Services	9,894,080	9,446,529	8,985,930	10,159,854	12,870,298
Student Transportation	25,255,692	26,309,829	24,608,087	24,315,969	20,351,905
Food Services	42,390	34,977	40,091	354	24
Co-Curricular Activities	18,618,265	18,000,579	17,538,328	17,454,530	15,565,197
General Administration	20,867,923	20,109,789	19,620,190	19,505,743	19,291,644
Plant Maintenance & Operations	87,293,949	82,271,805	78,388,505	74,634,837	71,944,935
Security & Monitoring Services	14,814,530	13,173,740	10,424,454	10,514,243	11,964,843
Data Processing	18,145,078	16,732,281	16,879,381	18,369,092	21,565,164
Community Service	945,785	822,093	940,627	887,511	818,380
Principal on Long Term Debt	2,729,921	5,825,206	4,821,755	665,406	-
Capital Outlay	1,013,445	-	-	-	-
Payments to Shared Service Arrangements	531,360	509,867	284,163	-	343,189
Payments to Tax Appraisal District	6,609,962	5,820,566	5,173,622	4,592,722	3,900,170
Total Expenditures	\$ 837,316,521	\$ 802,041,406	\$ 743,251,600	\$ 746,478,098	\$ 748,713,449
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,785,372)	\$ 11,173,062 ⁽⁴⁾	\$ (5,326,876) ⁽³⁾	\$ (12,067,970) ⁽³⁾	\$ (23,810,187) ⁽¹⁾
Sale of Real Property	\$ -	\$ 304,584	\$ 318,864	\$ 418,028	\$ 258,653
Proceeds from Right to Use Leased Assets	-	-	3,790,219	-	-
Net Transfers	2,493,378	413,000	(5,341,000)	2,500,000	(1,730,332) ⁽²⁾
Total	\$ 2,493,378	\$ 717,584	\$ (1,231,917)	\$ 2,918,028	\$ (1,471,679)
Net Change in Fund Balance	\$ (291,994)	\$ 11,890,646	\$ (6,558,793)	\$ (9,149,942)	\$ (25,281,866)
Fund Balance - Beginning	212,110,807	200,220,161	206,778,954	215,928,896	241,210,762
Fund Balance - Ending	\$ 211,818,813	\$ 212,110,807	\$ 200,220,161	\$ 206,778,954	\$ 215,928,896

Source: *The District's Comprehensive Annual Financial Reports.*

- (1) The District's general fund balance decreased in fiscal year 2021 due to TEA supplanting the hold harmless provision in place for the 2020-2021 school year with federal Coronavirus aid and ESSER II funding, replacing approximately \$9.2 million of State Aid. An additional \$23.5 million in unbudgeted expenses was attributable to costs related to the COVID-19 pandemic.
- (2) A transfer of \$1.7 million was made from the general fund to the child nutrition fund to cover fiscal year 2021 deficit due to a decrease of anticipated revenue from local and federal sources offset by a reduction in expenses.
- (3) The District's general fund balance decreased primarily due to student enrollment and attendance not meeting budget expectations.
- (4) Total revenue and expenditures in fiscal year 2024 are higher than normal partially due to the District passing a Voter Approval Tax Rate Election that raised the maintenance and operations tax rate by \$0.04. The additional revenue was used for salary increases for staff and for additional security staff and services.

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INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, 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 (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) 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 (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) 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 FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less from date of issuance, will be liquidated in full at maturity, are eligible for collateral for borrowing from a Federal Reserve Bank, and, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less from the date of issuance that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and provides the District with a prospectus required by the Securities Exchange Act of 1934 and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract and is pledged to the District and deposited to the District or third party selected by the District; (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the PFIA; and (17) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations 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 (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the District, (v) 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 (vi) 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 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.

Under State law, the District may 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 of 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 has not contracted with, and has no present intention of contracting with, any such investment management firm or the Texas Securities Board to provide such services.

INVESTMENT POLICIES . . . Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. 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.

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

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

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TABLE 13 - CURRENT INVESTMENTS⁽¹⁾

As of February 28, 2026, the District's investable funds were invested in the following categories:

Type of Investment	% of Portfolio	Market Value
Cash	30.43%	\$ 177,513,026
Texpool	15.54%	90,629,749
Lone Star	14.92%	87,049,678
TexStar	14.87%	86,773,246
Texas Range	14.49%	84,529,395
Texas CLASS	9.14%	53,318,703
Texas FIT	0.61%	3,555,929
Totals	100.00%	\$ 583,369,726

As of such date, 100% of the District's investment portfolio will mature within 12 months. The market value of the investment portfolio was approximately 100% of its purchase price. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

(1) Unaudited.

TexSTAR is a local government investment pool for which Hilltop Securities Asset Management, LLC provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

TAX MATTERS

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

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine

compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

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

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT. If the issue price of a maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

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

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

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

CONTINUING DISCLOSURE 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 events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system, where it will be available to the general public, free of charge, at www.emma.msrb.org. See "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 file certain updated financial information and operating data with the MSRB. The information to be updated includes (i) within six (6) months after the end of each fiscal year of the District ending in and after 2026, financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 13, and (ii) if not provided as part of such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements so to be provided will be (i) prepared in accordance with the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as the District may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available. The District will provide the updated information to the MSRB in electronic format.

The District's current fiscal year end is June 30. If the District changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to such agreement.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document), if it is available to the public on the MSRB's Internet website or has been filed with the SEC. The financial information or operating data will be provided in an electronic format as prescribed by the MSRB.

NOTICES OF CERTAIN EVENTS . . . The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final

determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information and operating data in accordance with its agreement described above under “Annual Reports.” The District will provide each notice described in this paragraph to the MSRB.

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

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

LIMITATIONS AND AMENDMENTS . . . The provisions of the Order described in this “CONTINUING DISCLOSURE OF INFORMATION” caption are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in such provisions of the Order, express or implied, will give any benefit or any legal or equitable right, remedy, or claim under the Order to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the provisions of the Order described in this “CONTINUING DISCLOSURE OF INFORMATION” caption and has not undertaken to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or undertaken to update any information provided in accordance with such provisions of the Order or otherwise, except as expressly provided in the Order. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell the Bonds at any future date.

UNDER NO CIRCUMSTANCES WILL THE DISTRICT BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THE PROVISIONS OF THE ORDER DESCRIBED IN THIS “CONTINUING DISCLOSURE OF INFORMATION” CAPTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH WILL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under the provisions of the Order described in this “CONTINUING DISCLOSURE OF INFORMATION” caption will comprise a breach of or default under the Order for purposes of any other provisions of the Order.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (A) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such an amendment) of the outstanding Bonds, as applicable, 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 interests of the Owners and

beneficial owners of the Bonds, as applicable. The District may also repeal or amend the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of this continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the applicable series of Bonds, giving effect to (i) such provisions as so amended and (ii) any amendments or interpretations of the Rule. If the District so amends the provisions of its continuing disclosure agreement, the District will include with any amended financial information or operating data next provided in accordance with its continuing disclosure agreement described above under “Annual Reports,” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

OTHER INFORMATION

RATINGS

The Bonds have been rated “AAA” by Fitch Ratings (“Fitch”) and “AAA” by S&P Global Ratings (“S&P”) by virtue of the guarantee of the Permanent School Fund of the State of Texas (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). The presently outstanding unenhanced tax-supported debt of the District is rated “AA+” by Fitch and “AA+” by S&P. The District also has eighteen bond issues outstanding which are rated “AAA” by Fitch and “AAA” by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. The District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities.

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

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

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 at least an “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.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property in the District and the approving legal opinion of Bond Counsel, in substantially the form attached hereto as Appendix C.

Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect hereto or undertaken to independently verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information in this Official Statement appearing under the captions and subcaptions "PLAN OF FINANCE – Refunded Obligations," "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee," "Book-Entry-Only System," "Bondholders' Remedies" and "Use of Bond Proceeds"), and "CONTINUING DISCLOSURE OF INFORMATION" and Bond Counsel is of the opinion that the information contained therein conforms to the provisions of the Order; further, such firm has reviewed the information in this Official Statement appearing under the captions and subcaptions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS – M&O TAX RATE LIMITATIONS" (first paragraph only), "TAX MATTERS," "OTHER INFORMATION - LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," and "OTHER INFORMATION – LEGAL MATTERS" (excluding the last sentence of the second paragraph thereof), and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Greenberg Traurig, LLP, Houston, Texas .

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Governmental Securities, if any, as applicable, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Notes. Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants and legal counsel.

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District for \$ _____ (an amount equal to the principal amount of the Bonds, plus a premium of \$ _____, less an underwriting discount of \$ _____). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may

be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters, subject to certain restrictions in the Bond Purchase Agreement.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

AUDITED FINANCIAL STATEMENTS

Whitley Penn LLP, the District's independent auditor, has not reviewed, commented on, or approved, and is not associated with this Official Statement. Excerpts from the report of Whitley Penn LLP relating to the District's financial statements for the fiscal year ended June 30, 2025 are included in this Official Statement in APPENDIX B; however, Whitley Penn LLP has not been engaged to perform and has not performed, since the date of its report herein, any procedures on the financial statements addressed in that report. Whitley Penn LLP also has not performed any procedures relating to this offering document.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

The Order authorizing the issuance of the Bonds also authorized designated officials of the District to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto. The Order further authorizes its use in the reoffering of the Bonds by the Underwriters.

SCHEDULE I

SCHEDULE OF REFUNDED BONDS*

Unlimited Tax Refunding Bonds, Series 2017A (Green Bonds)

Original Dated Date	Maturity (August 15)	Interest Rate	Amount	CUSIP ⁽¹⁾
April 1, 2017	2027	5.000%	\$ 1,620,000	346843JV8
	2028	5.000%	1,700,000	346843JW6
	2029	5.000%	1,785,000	346843JX4
	2030	5.000%	1,875,000	346843JY2
	2031	4.000%	1,965,000	346843JZ9
	2032	4.000%	2,045,000	346843KA2
	2033	4.000%	2,125,000	346843KB0
	2034	4.000%	2,210,000	346843KC8
	2035	4.000%	2,300,000	346843KD6
	2036	4.000%	2,395,000	346843KE4
	2037	4.000%	2,490,000	346843KF1
	2038	4.000%	2,590,000	346843KG9
	2039	4.000%	2,690,000	346843KH7
	2040	4.000%	2,800,000	346843KJ3
	2041	4.000%	2,910,000	346843KK0
	2042	4.000%	3,025,000	346843KL8
			<u>\$ 36,525,000</u>	

These Refunded Bonds are to be called on August 15, 2026

Unlimited Tax Refunding Bonds, Series 2017B

Original Dated Date	Maturity (August 15)	Interest Rate	Amount	CUSIP ⁽¹⁾
April 1, 2017	2027	5.000%	\$ 1,240,000	346843KW4
	2028	5.000%	1,305,000	346843KX2
	2029	5.000%	1,370,000	346843KY0
	2030	5.000%	1,440,000	346843KZ7
	2031	3.000%	1,510,000	346843LA1
	2032	5.000%	1,555,000	346843LB9
	2033	5.000%	1,635,000	346843LC7
	2034	3.250%	1,715,000	346843LD5
	2035	4.000%	1,770,000	346843LE3
	2036	4.000%	1,840,000	346843LF0
	2037	4.000%	1,915,000	346843LG8
	2038	4.000%	1,990,000	346843LH6
	2039	4.000%	2,070,000	346843LJ2
	2040	4.000%	2,155,000	346843LK9
	2041	4.000%	2,240,000	346843LL7
	2042	4.000%	2,330,000	346843LM5
			<u>\$ 28,080,000</u>	

These Refunded Bonds are to be called on August 15, 2026

* Preliminary, subject to change.

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and CUSIP numbers are included solely for convenience of the registered owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

SCHEDULE II**SCHEDULE OF REFUNDED NOTES*****Fort Bend Independent School District
Unlimited Tax Commercial Paper Program, Series A**

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Maturity Amount</u>
		<u>\$ -</u>		<u>\$ -</u>
		<u>\$ -</u>		<u>\$ -</u>

* Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT, THE CITY OF SUGAR LAND
AND FORT BEND COUNTY, TEXAS

GENERAL INFORMATION REGARDING THE DISTRICT, THE CITY OF SUGAR LAND AND FORT BEND COUNTY, TEXAS

LOCATION

The District is located in the northeast quadrant of Fort Bend County (the “County”) adjoining the southern city limits of Houston and is accessed by U.S. Highway 59 extending from downtown Houston. The District encompasses the Cities of Sugar Land, Missouri City, Arcola and Meadows Place. The District is also traversed by U.S. Highway 90A, State Highways 6 and 99, and the Sam Houston Tollway. The 2026 population estimate for the District is 511,056. The District is the largest employer in the County and one of the top ten largest school districts in Texas.

LOCAL ECONOMY

The County and the surrounding metropolitan area economy is diverse, with many industries such as technology, petrochemicals, government, agribusiness, and other trades. A suburb of the greater Houston Metro area, the County offers a suburban setting with access to international airports, entertainment venues and downtown Houston.

The population of the County is expected to increase from approximately 960,000 to over 1.1 million by the year 2030. The continued growth in the County has led to major infrastructure projects, including major highway expansions that feed into various master planned communities, including Aliana, Harvest Green, Riverstone, and Sienna. These infrastructure projects will improve mobility for County residents.

ACADEMIC AND COMMUNITY PARTNER ACCOLADES

The District (also referred to herein as FBISD) received an overall “B” rating by the Texas Education Agency (TEA) for the 2024-2025 school year. The District had a higher percentage of campuses (68%) in the A-range compared to the state and regional scores, with most campuses scoring in the B-range which was comparable to the state and regional scores. In addition, the campuses earned a total of 149 distinctions in seven areas including English Language Arts/Reading; Mathematics; Science; Social Studies; Student Progress; Closing the Gaps; and Postsecondary Readiness.

91 District seniors were named Semifinalists in the 2026 National Merit Scholarship Program, sponsored by the National Merit Scholarship Corporation. The District’s students are among approximately 16,000 Semifinalists named in the 71st annual National Merit Scholarship Program, based on their junior year performance on the 2024 Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT), which is an initial screen of program entrants. The nationwide pool of Semifinalists, representing less than one percent of U.S. high school seniors, includes the highest-scoring entrants in each state.

The Texas Music Educators Association selected 51 District students as 2026 Texas All-State Musicians. These talented musicians represent approximately 2.6% of the more than 70,000 students who initially auditioned, advancing from the regional and area competitions. The “All-State” honor is the highest awarded given to Texas student musicians.

The graduation rate of the District’s Class of 2024 was over 93.7 percent.

The District’s 2025 graduating Senior Class received over \$218.5 million in academic and athletic scholarship offers.

The District values its community and business partners, who play an integral role in student success. During the 2024-25 school year, volunteers devoted over 191,000 of recorded volunteer hours at District campuses. If valued at an hourly rate of \$31.94 established by the Independent Sector for all the services rendered, volunteers donated over \$6.1 million in services to the District last school year.

Since its inception in 1992, the Fort Bend Education Foundation has awarded over \$36 million in grants to the District teachers and schools. In May 2025, the Fort Bend Education Foundation presented the District with a check for \$805,530 to fund grant programs to benefit District students and teachers for the 2025-2026 school year.

AWARDS

The Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its annual comprehensive financial report for the twelve months ending June 30, 2024. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized annual comprehensive financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

Additionally, the Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its annual financial report for the twelve months ending June 30, 2024. The Certificate of Excellence in Financial Reporting certifies that the recipient school district presented its annual comprehensive financial report to the ASBO Panel of Review for critical review and evaluation; and the report was judged to have complied with the principles and practices of financial reporting recognized by ASBO.

Both the Certificate of Achievement for Excellence in Financial Reporting and the Certificate of Excellence in Financial Reporting are valid for a period of one year only. The District believes that the current annual comprehensive financial report continues to meet the program requirements for the Certificate of Achievement and the Certificate of Excellence, and has been submitted to the GFOA and the ASBO.

The District was assigned a rating of an “A” for “Superior Achievement” under the recently revised scoring system of the Schools FIRST (Financial Integrity Rating System of Texas), a financial accountability system for Texas school districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature. The primary goal of Schools FIRST is to ensure quality performance in the management of school districts’ financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system. The District has achieved the highest possible rating for eighteen consecutive years.

Lastly, the District was awarded for the eighth consecutive time a Certification of Investment Policy by the Government Treasurers’ Organization of Texas (GTOT) with the latest award applicable for the two year period ending April 2028. The certification recognizes the District for developing an investment policy that meets the requirements of the Public Funds Investment Act and standards for prudent public investing established by the GTOT.

STUDENT ENROLLMENT BY GRADES⁽¹⁾

Grade	2025/2026 ⁽²⁾	2024/2025 ⁽³⁾	2023/2024 ⁽³⁾	2022/2023 ⁽³⁾	2021/2022 ⁽³⁾
EC	507	587	617	526	620
Pre-K	2,322	2,170	2,329	2,214	1,839
K	4,214	4,576	4,689	4,789	4,836
1	4,782	4,934	5,261	5,345	5,203
2	4,980	5,372	5,527	5,455	5,289
3	5,396	5,576	5,644	5,588	5,442
4	5,614	5,786	5,752	5,687	5,701
5	5,834	5,853	5,882	5,949	5,780
6	5,804	5,907	6,080	6,022	5,927
7	5,950	6,191	6,232	6,236	6,196
8	6,216	6,294	6,389	6,393	6,428
9	6,659	6,841	6,955	7,245	7,141
10	6,740	6,734	6,709	6,803	6,360
11	6,437	6,403	6,243	5,753	5,763
12	6,648	6,576	6,381	6,215	6,092
Total	<u>78,103</u>	<u>79,800</u>	<u>80,690</u>	<u>80,220</u>	<u>78,617</u>

(1) Source: District Records.

(2) As of February 28, 2026.

(3) Student count on last school day.

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AVERAGE DAILY ATTENDANCE INCREASES/(DECREASES)

<u>School Year</u>	<u>ADA</u>	<u>Actual Increase/Decrease</u>	<u>Percent (%)</u>
2015-16	70,070	1,302.00	1.89
2016-17	70,874	804.00	1.15
2017-18	71,952	1,078.00	1.52
2018-19	72,465	513.00	0.71
2019-20	73,580 ⁽¹⁾	1,115.00	1.54
2020-21	74,275 ⁽¹⁾	695.00	0.94
2021-22	72,748 ⁽¹⁾	(1,527.00)	(2.06)
2022-23	73,903	1,155.00	1.59
2023-24	74,549	646.00	0.87
2024-25	74,101	(448.00)	(0.60)

(1) Includes CARES Act Elementary and Secondary School Emergency Relief Fund (ESSER) ADA Adjustment received from TEA.

STUDENT ENROLLMENT PROJECTIONS

<u>Grade</u>	<u>2025-2026⁽¹⁾</u>	<u>2026-2027⁽²⁾</u>
EC	507	402
Pre-K	2,322	2,647
K	4,214	4,081
1	4,782	4,395
2	4,980	4,892
3	5,396	5,003
4	5,614	5,483
5	5,834	5,711
6	5,804	5,842
7	5,950	5,913
8	6,216	6,018
9	6,659	6,923
10	6,740	6,561
11	6,437	6,642
12	6,648	6,341
Total	<u>78,103</u>	<u>76,854</u>

(1) Enrollment as of February 28, 2026.

(2) Projection used for budget purposes.

HISTORICAL DISTRICT FACULTY

<u>School Year</u>	<u>Teachers</u>	<u>Professional Support</u>	<u>Campus Administration</u>	<u>Central Administration</u>	<u>Education Aides</u>	<u>Auxiliary</u>	<u>Total Staff</u>
2015-16	4,510	1,006	229	33	669	2,403	8,850
2016-17	4,468	1,076	230	32	721	2,462	8,989
2017-18	4,639	1,182	243	41	795	2,856	9,756
2018-19	4,646	1,261	245	45	863	2,903	9,963
2019-20	4,861	1,310	253	47	1,042	2,722	10,235
2020-21	5,040	1,326	256	48	1,083	2,926	10,679
2021-22	5,006	1,394	265	43	1,030	2,724	10,462
2022-23	4,793	1,368	348	44	1,028	2,643	10,224
2023-24	4,911	1,258	345	60	1,000	2,608	10,182
2024-25	4,959	1,256	337	65	1,153	2,673	10,443

FORT BEND COUNTY

The County is located just southwest of the City of Houston and Harris County. The County's 2026 population is estimated to be over 960,000, which is an increase over the 2020 census of 822,779. The County encompasses 886 square miles.

The County's population began to grow after 1972 when the master planned communities of Quail Valley, Sugar Creek and First Colony began to attract families to the County area. Currently, twenty-one master planned communities are located in the County.

Industry provides a large number of jobs. The predominant agricultural activity is derived from soybeans, sorghums, rice, nursery crops, irrigation, horses, hay, crops, cotton, corn and livestock. These agricultural profits keep the County balanced, and also contribute a great deal to the economy. In addition to agriculture, industry in the County is varied, and employment opportunities include but are not limited to: Education, Professional, Retail, Finance, Insurance, Real Estate, Manufacturing, Energy Exploration, Technology, Medical, Research, Construction, Mining, Wholesale Trade, Communications, Public Utilities, Transportation, Public Administration, Entertainment and Recreation.

Sources: U.S. Census Bureau, Fort Bend County Greater Fort Bend Economic Development Council, Municipal Advisory Council of Texas, and the Fort Bend Chamber of Commerce.

(1) Source: Fort Bend Regional Partnership.

LEADING EMPLOYERS IN FORT BEND COUNTY⁽¹⁾

Employer	Principal Line of Business	Approximate Number of Employees
Fort Bend ISD	Public Education	10,182
Lamar CISD	Public Education	5,582
Fort Bend County	County Government	3,488
Methodist Sugar Land Hospital	Healthcare	2,863
SLB (previously known as Schlumberger)	Energy Exploration	2,000
Richmond State Supported Living Center	Education	1,314
United Parcel Service	Package Distribution	1,200
Oak Bend Medical Center	Healthcare	1,164
Champion X	Oil and Gas	1,100
Amazon	E-commerce & Retail	1,000

(1) Source: Fort Bend ISD FY 2025 Annual Comprehensive Financial Report.

POPULATION TRENDS

Year	Fort Bend County	Sugar Land, Texas	State of Texas
2020 Census	822,779	111,026	29,145,505
2010 Census	585,375	78,817	25,145,561
2000 Census	354,452	63,328	20,851,820
1990 Census	225,421	24,529	16,986,510

Sources: Fort Bend County Greater Fort Bend Economic Development Council and the U.S. Census Bureau.

LABOR FORCE STATISTICS FOR FORT BEND COUNTY⁽¹⁾

	2025 ⁽²⁾	2024 ⁽³⁾	2023 ⁽³⁾	2022 ⁽³⁾	2021 ⁽³⁾
Civilian Labor Force	479,870	470,816	458,474	436,505	418,325
Total Employed	460,345	451,442	440,406	419,388	393,968
Total Unemployed	19,525	19,374	18,068	17,117	24,357
Unemployment Rate	4.1%	4.1%	3.9%	3.9%	5.8%
% Unemployed (Texas)	3.9%	4.1%	4.0%	3.9%	5.6%
% Unemployed (U.S.)	4.1%	4.0%	3.6%	3.6%	5.3%

(1) Source: Texas Workforce Commission.

(2) As of December 2025.

(3) Actual annual statistics.

HIGHER EDUCATION

Four institutions of higher learning have a presence in the County. These institutions offer traditional classrooms and also the new technology of teleconferencing. These institutions play a key role in the expanding needs of both education and business in the County. These four schools are Houston Community College Southwest, University of Houston System at Fort Bend, Wharton City Junior College - the Centraplex campus in Sugar Land and the University of Houston West Houston Institute at Cinco Ranch.

TRANSPORTATION

Access to the County is provided by Interstate 69 (U.S. Highway 59 -Southwest Freeway) which runs from Houston to the Rio Grande Valley; U.S. Highway 90-A, which traverses the District westward to San Antonio, the Grand Parkway, which when complete, will be a 180-mile circumferential highway encircling the Greater Houston region and State Highway 6, which extends from the Gulf Coast through the southern portion of the District and then continues northward. Additionally, the District is served by the Sam Houston Tollway.

There are three rail companies providing freight service to the County: Kansas City Southern, Union Pacific, and Burlington Northern Sante Fe.

The County is served mainly by the George Bush Intercontinental Airport and the William P. Hobby Airport. Direct access to both is provided by the Sam Houston Tollway. Within the District are Houston Southwest Airport and the Sugar Land Municipal Airport. Each of these airports are fully F.A.A. approved, and serve private and small commercial aircraft.

PARKS AND RECREATION

The County develops and maintains parks and community centers throughout the County. Sugar Land Memorial Park is a 150-acre park which includes a Veterans Memorial, walking/jogging/bike trails, and many other amenities for family enjoyment. The Brazos Bend State Park is a 4,897 acre park including nature trails, camping and the George Observatory. Kitty Hollow Park is a 190-acre park on the east side of the county. Also, within the separate master planned communities, homeowners are provided additional facilities and programs, including eight country clubs.

There is an abundance of recreational activities throughout the County. In addition to the parks, the County has the Challenger Learning Center, where one can learn about the Challenger Spacecraft, and the Sugar Land Ice & Sports Center. Also, there is the George Ranch, a 22,000 acre working ranch including a restored Victorian mansion, blacksmith shop and farm buildings. Finally, there is the Imperial Sugar Refinery, which is located in the same location where cane sugar was first brought to Texas in 1843.

The County Fair and Rodeo is the largest county fair in Texas and draws over 200,000 visitors each year to the County. In 2025, over \$1.6 million was generated for the youth of the county through the auctions and scholarship programs.

APPENDIX B

EXCERPTS FROM THE
FORT BEND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2025

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Fort Bend Independent School District

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Fort Bend Independent School District

**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2024.**

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'Ryan S. Stechschulte'.

Ryan S. Stechschulte
President

A handwritten signature in black ink, reading 'James M. Rowan'.

James M. Rowan, CAE, SFO
CEO/Executive Director

CERTIFICATE OF THE BOARD OF TRUSTEES
FORT BEND INDEPENDENT SCHOOL DISTRICT

Fort Bend County District Number: 079-907

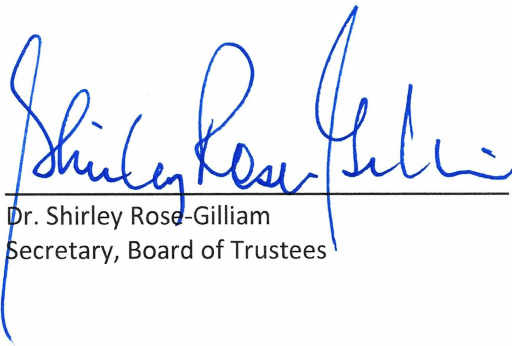
We, the undersigned, certify that the annual financial reports for the above-named school district were reviewed and approved for the year ended June 30, 2025, at a meeting of the Board of Trustees of such school district on the 17th day of November 2025.



Kristin Tassin

President, Board of Trustees

Attest:



Dr. Shirley Rose-Gilliam
Secretary, Board of Trustees



FINANCIAL SECTION



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements, budgetary comparison schedules, and required Texas Education Agency schedules 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 GAAS. In our opinion, the combining and individual fund financial statements, budgetary comparison schedules, and required Texas Education Agency schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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.

Whitley Penn LLP

Houston, Texas
November 17, 2025

FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Fort Bend Independent School District, we offer this narrative overview of the District's financial performance for the year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter located in the front of this report, the independent auditors' report, and the District's Basic Financial Statements that follow this section.

Financial Highlights

The liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources of the District as of June 30, 2025, by \$332.1 million in the government-wide financial statements. This is mainly due to implementation of Governmental Accounting Standards Board ("GASB") 68 *Accounting and Financial Reporting for Pensions*, GASB 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* and reflecting the District's proportionate share of the pension and other post-employment benefit liability in the financials. This change does not affect the financial stability of the District, nor does it change how the District conducts its financial decision making. Rather, the District is reflecting the District's portion of the liability that the State of Texas manages and operates.

The District's governmental funds financial statements reported combined ending fund balances of \$478.2 million as of June 30, 2025, a decrease of \$54.4 million in comparison to the prior year. The decrease was mainly attributable to a decrease in the Capital Projects Fund balance as a result of debt issued in May 2024 but related expenditures were not incurred until fiscal year 2024-25.

At the end of the current fiscal year, total unassigned fund balance for the General Fund was \$138.3 million or 17.5 percent of the total General Fund expenditures, excluding TRS on-behalf. In addition, the General Fund has a committed fund balance of \$67.3 million for state revenue stabilization, or 8.5 percent of total General Fund expenditures, excluding TRS on-behalf. Combined, the unassigned and committed fund balances total 26.7 percent of total General expenditures, excluding TRS on-behalf, which exceeds the board policy requirement of 25 percent.

Overview of the Financial Statements

The Annual Comprehensive Financial Report is composed of three main sections - (A) Introductory Section, (B) Financial Section and (C) the Statistical Section. The Financial Section of this Annual Comprehensive Financial Report consists of four parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplementary information, and (4) other supplementary information, which is an optional section that presents additional information such as combining and individual fund statements and schedules for non-major and major governmental funds, internal service funds, fiduciary funds, capital assets and required compliance information.

The Management's Discussion and Analysis section 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 Basic Financial Statements.

The basic financial statements include two kinds of statements that present different views of the District:

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, which report the District's operations in more detail than the government-wide statements.

Governmental fund 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 programs.

FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (continued)

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a *trustee or custodian* 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 statements are followed by a section of *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.

Basic Financial Statements

Government-Wide Statements

All of the District's services are reported in the government-wide financial statements, including instructional, instructional leadership, student support services, general administration, support services, and debt services. Property taxes, state foundation funds and grants finance most of these activities.

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position presents information of all of the District's assets, deferred outflows and inflows of resources, and liabilities, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. 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 based and the condition of the District's facilities.

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

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

The government-wide financial statements include the District's Extended Learning Fund, Facility Rental fund, and CTE Center Fund. The extended learning program provides K-6th grade students homework help and enrichment activities, while the facility rental program provides rental space for participants. The CTE center handles business-type activities for the students throughout the District. The costs associated with these programs are accounted for as business-type activities.

Fund Financial Statements

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

Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants.

The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements (continued)

Fund Financial Statements (continued)

The District has three fund types:

Governmental funds: Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 29 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are major funds. Data from the other governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these non-major 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, National School Breakfast and Lunch Program Fund, and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

Proprietary funds: Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types – enterprise and internal service funds. The District's enterprise funds are used to account for its business-type activities which include extended learning, facility rental, and career and technical education. The internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses an internal service fund to report activities for its print shop, self-funded insurance programs, and technology replacement.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries. 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 a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds are excluded from the activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

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

FORT BEND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements (continued)

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 general fund budgetary comparison information and required pension system and other post-employment benefits information.

Other Supplementary Information

The Other Supplementary Information section contains information for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information includes combining and individual fund statements for non-major governmental funds, enterprise funds, internal service funds and budget comparisons for funds required to be reported, which do not meet the criteria for required supplementary information. This section also includes certain compliance schedules required by State Regulatory agencies.

Government-Wide Financial Analysis

Presented in the following pages, Tables I and II are summarized Statement of Net Position and Statement of Changes in Net Position for both current and prior-year data. Our analysis focuses on the current year and the comparison of prior-year amounts on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2025, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$332.1 million.

Table I - Net Position Summary

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 643,521,014	\$ 701,559,590	\$ 3,168,487	\$ 3,589,337	\$ 646,689,501	\$ 705,148,927
Capital assets	1,766,124,600	1,500,247,229	1,719,905	1,262,688	1,767,844,505	1,501,509,917
Total Assets	2,409,645,614	2,201,806,819	4,888,392	4,852,025	2,414,534,006	2,206,658,844
Total Deferred Outflows of Resources	159,601,174	192,553,632	-	-	159,601,174	192,553,632
Current liabilities	181,218,380	162,900,682	1,300,491	960,546	182,518,871	163,861,228
Long-term liabilities	2,536,026,889	2,352,288,936	-	-	2,536,026,889	2,352,288,936
Total Liabilities	2,717,245,269	2,515,189,618	1,300,491	960,546	2,718,545,760	2,516,150,164
Total Deferred Inflows of Resources	187,706,029	235,924,956	-	-	187,706,029	235,924,956
Net investment in capital assets	207,990,743	159,389,639	1,719,905	1,262,688	209,710,648	160,652,327
Federal and state programs	24,046,316	28,236,669	-	-	24,046,316	28,236,669
Restricted	143,330,543	145,182,337	-	-	143,330,543	145,182,337
Unrestricted	(711,072,112)	(689,562,768)	1,867,996	2,628,791	(709,204,116)	(686,933,977)
Total Net Position	\$ (335,704,510)	\$ (356,754,123)	\$ 3,587,901	\$ 3,891,479	\$ (332,116,609)	\$ (352,862,644)

Unrestricted net position for governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, amounted to a deficit of \$709.2 million as of June 30, 2025.

FORT BEND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis (continued)

Net Position (continued)

Government-wide net investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and construction in progress), less any related outstanding debt used to acquire those assets, amounted to \$209.7 million as of June 30, 2025. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The calculation of net investment in capital assets excludes certain debt amounts that funded repair work that was not capitalized due to existing assets already being depreciated.

Changes in Net Position

The Net Position of the governmental activities of the District increased by \$28.0 million for the year ended June 30, 2025. The total revenues from taxpayers, user service fees, grants and state funds for the District was \$1.1 billion, a \$23.6 million increase from fiscal year 2024. The primary reason for the increase in revenues was due to the \$39.0 million increase in property tax revenues attributable to property value increases from \$52.6 billion to \$61.8 billion while the tax rate was compressed slightly from \$0.9892 to \$0.9869. State and other grants revenue went down \$12.1 million primarily due to the increase in property values, lower compressed tax rate and lower weighted average daily attendance due to fewer enrolled students. Operating grants and contributions were \$4.5 million lower due to less American Rescue Plan (ARP) grant funds spent in fiscal year 2025 than the prior year as those grants phase out.

Table II - Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for services	\$ 26,820,298	\$ 25,683,202	\$ 12,111,218	\$ 10,217,323	\$ 38,931,516	\$ 35,900,525
Operating grants and contributions	137,260,085	159,351,560	-	-	137,260,085	159,351,560
General Revenues						
Property taxes	554,909,176	515,918,811	-	-	554,909,176	515,918,811
State and other grants	358,524,878	370,576,935	-	-	358,524,878	370,576,935
Investment earnings	20,850,496	20,431,356	154,785	249,642	21,005,281	20,680,998
Miscellaneous	32,736	444,126	-	-	32,736	444,126
Total Revenues	1,098,397,669	1,092,405,990	12,266,003	10,466,965	1,110,663,672	1,102,872,955
Expenses						
Instructional	606,347,233	609,235,152	-	-	606,347,233	609,235,152
Instructional leadership	71,357,767	73,046,802	-	-	71,357,767	73,046,802
Student support services	162,973,467	162,067,075	-	-	162,973,467	162,067,075
General administration	21,160,049	21,054,738	-	-	21,160,049	21,054,738
Support services	143,986,968	158,635,497	-	-	143,986,968	158,635,497
Community services	1,878,882	2,111,717	-	-	1,878,882	2,111,717
Interest expense	65,610,904	50,222,088	-	-	65,610,904	50,222,088
Facilities repairs and maintenance	10,279,295	-	-	-	10,279,295	-
Intergovernmental charges	7,243,172	6,432,133	-	-	7,243,172	6,432,133
Business-type activities	-	-	9,745,581	8,699,956	9,745,581	8,699,956
Total Expenses	1,090,837,737	1,082,805,202	9,745,581	8,699,956	1,100,583,318	1,091,505,158
Excess (deficiency) before transfers	7,559,932	9,600,788	2,520,422	1,767,009	10,080,354	11,367,797
Transfers	2,824,000	2,900,000	(2,824,000)	(2,900,000)	-	-
Increase (decrease) in net position	10,383,932	12,500,788	(303,578)	(1,132,991)	10,080,354	11,367,797
Net Position - Beginning	(356,754,123)	(369,254,911)	3,891,479	5,024,470	(352,862,644)	(364,230,441)
Restatement - see note 21	(6,934,319)	-	-	-	(6,934,319)	-
Restated Net Position Beginning of Year	(363,688,442)	-	-	-	(363,688,442)	-
Net Position - Ending	\$ (353,304,510)	\$ (356,754,123)	\$ 3,587,901	\$ 3,891,479	\$ (349,716,609)	\$ (352,862,644)

*Compensated absences balance has been adjusted upon adoption of GASB 101 - Compensated Absences

FORT BEND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis (continued)

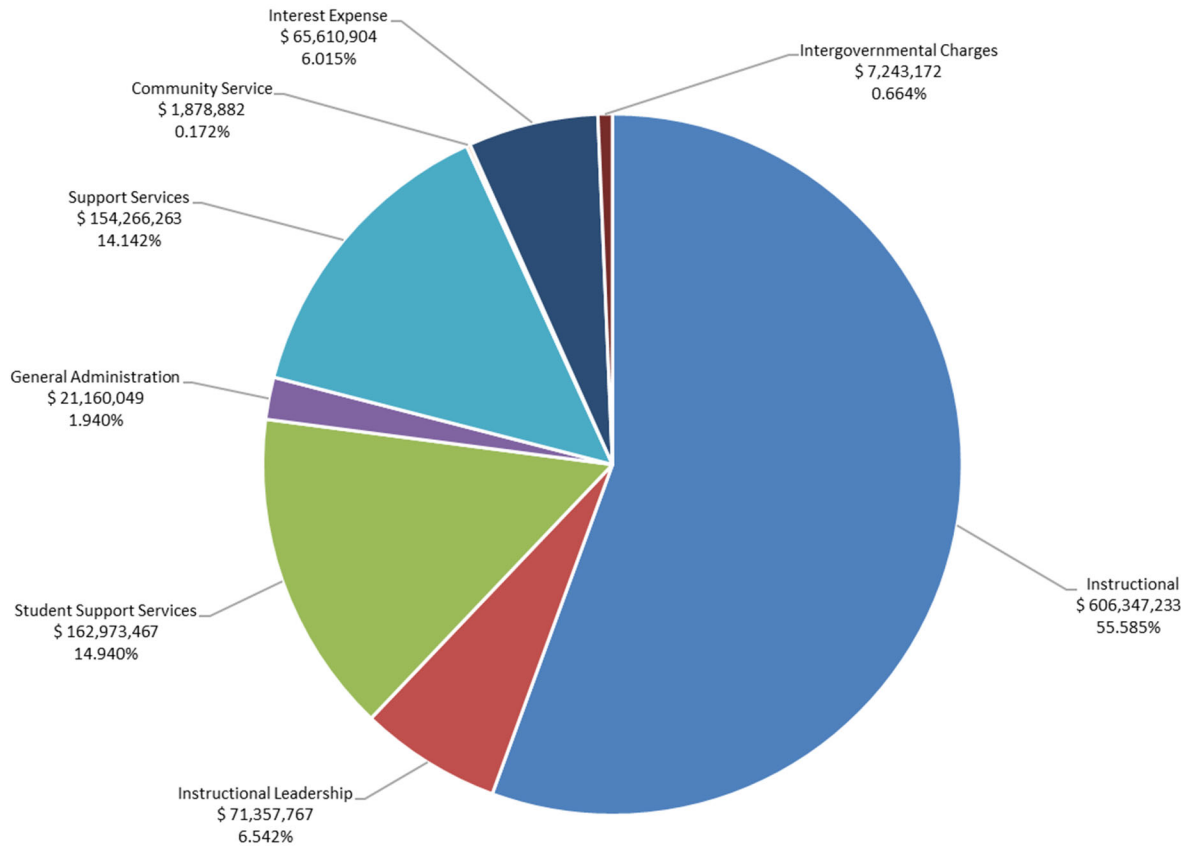
Governmental Activities

The chart below shows the percentage for each revenue type:

	2025	%	2024	%
Program Revenues				
Charges for services	\$ 26,820,298	2.4%	\$ 25,683,202	2.4%
Operating grants and contributions	154,860,085	13.9%	159,351,560	14.6%
General Revenues				
Property taxes	554,909,176	49.7%	515,918,811	47.2%
State and other grants	358,524,878	32.1%	370,576,935	33.9%
Investment earnings	20,850,496	1.9%	20,431,356	1.9%
Miscellaneous	32,736	0.0%	444,126	0.0%
Total Revenues	<u>\$ 1,115,997,669</u>	<u>100.0%</u>	<u>\$ 1,092,405,990</u>	<u>100.0%</u>

Approximately 49.7 percent of the District's revenues came from property taxes, with an additional 32.1 percent derived from state funding formulas and other grants. Last fiscal year approximately 47.2 percent of the District's revenues came from property taxes and 33.9 percent came from state funding formulas and other grants. The shift in percentage of increase in property tax revenue and decrease in state and other grants is attributable to the increase in property values which decreases state revenues.

GOVERNMENTAL EXPENSES BY FUNCTION



FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis (continued)

Governmental Activities (continued)

Expenses increased \$8.0 million compared to prior year. The increase was mainly due to interest expense being \$15.4 million higher due to additional debt issued for the 2018 and 2023 bond programs offset by a decrease of \$4.4 million in support services as a result of fewer repairs. Instructional expenses were lower due to lower OPEB expenditures from GASB 75 in fiscal year 2025 than 2024.

Total governmental activities expenses, per pupil, totaled \$14,721 for fiscal year 2025 compared to \$14,525 for fiscal year 2024 based on average daily attendance. This increase is primarily due increases explained above as well as weighted average daily attendance being lower in fiscal year 2025 than 2024 due to lower enrollment compared to budget. Over 57 percent of the District's expenses were expended for instructional activities. When combined with student and other support services such as transportation, counseling and nursing, 84 percent of the District's expenses were spent on direct student services.

Business-Type Activities

Revenues for the District's business-type activities were \$12.3 million, expenses were \$9.7 million, and transfers out were \$2.8 million, for the year ended June 30, 2025. That compares to revenues of \$10.5 million, \$8.7 million of expenses, and other uses including transfers of \$2.9 million for the year ended June 30, 2024. The increase in revenue is attributable to the increase in Extended Learning revenue attributable to tuition rate increases as well as an increase in students participating in the before and after learning program. Additionally, the Success Zone participation has increased as well as an increase in the number of campus locations for the program.

Financial Analysis of the District's Funds

Governmental Funds

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

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. Unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of June 30, 2025, the District's governmental funds (shown on Exhibit C-1) reported an ending fund balance of \$478.2 million, a decrease of \$54.4 million from last year. The General Fund balance decreased by \$0.3 million. The Debt Service fund balance increased by \$6.5 million due to higher state revenue based on higher property values and interest income. The Capital Project fund balance decreased by \$56.5 million due to debt issued in fiscal year 2024 but related expenditures incurred in fiscal year 2025. The Non-major Governmental fund balance decreased by \$4.1 million mainly due to capital improvements at campus kitchen facilities.

FORT BEND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District's Funds (continued)

Governmental Funds (continued)

A recap of governmental fund balance as of June 30, 2025, follows:

Nonspendable	
Inventories	\$ 1,142,563
Prepaid items	921,165
Restricted	
Grant funds	24,039,694
Capital acquisitions and contractual programs	67,659,589
Debt service	166,693,378
Other restricted	6,622
Committed	
State revenue stabilization	67,300,000
Campus activity funds	7,964,145
Assigned for other purposes	4,114,616
Unassigned	138,340,469
	<u>\$ 478,182,241</u>

General Fund

The General Fund is the primary operating fund of the District. At the end of the year ended June 30, 2025, unassigned fund balance of the general fund was \$138.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17 percent of the total General Fund actual expenditures for fiscal year 2025, while total fund balance represents 25.3 percent of that same amount.

General Fund had a net decrease of \$0.3 million in fund balance for the year ended June 30, 2025, and maintained over 90 days of fund balance as of June 30, 2025. The District adopted an original budget with a net change of \$0.9 million which included a teacher step increase but no other raises. The District's enrollment was below budget by 768 students at the end of May 2025 and the General Fund incurred \$5.7 million of Hurricane Beryl expenditures that were not originally budgeted. The District received \$0.3 million in insurance proceeds related to Hurricane Beryl in fiscal year 2025 and both the insurance claim and Federal Emergency Management Agency claims will be monitored in fiscal year 2026. Revenues received that were not budgeted include \$2.0 million in shared health and related service revenue from a 2022 annual report as well as an increase in state revenue due to transportation allotment. See further analysis below for additional steps the District took for future year budgeting under "Economic Factors and Next Year's Budgets and Rates."

Debt Service Fund

The Debt Service Fund realized revenues of \$176.2 million and expenditures of \$169.7 million for the year ended June 30, 2025. Expenditures include \$108.2 million of principal payments, \$59.9 million in interest, and \$1.5 million in issuance costs and fees. In addition, the Debt Service Fund had other financing sources of \$66.3 million related to proceeds of the Series 2020B refunding bonds, and \$66.3 million in other financing uses for the Series 2020B refunding bonds as fully explained in Note 10. The fund balance of the Debt Service Fund, restricted for payment of the District's debt, increased by \$6.5 million and totaled \$166.7 million as of June 30, 2025. The District maintained the tax rate at \$0.27.

Capital Projects Fund

The Capital Projects Fund incurred a fund balance decrease of \$56.5 million due to the difference between construction related expenditures of \$342.1 million, \$6.7 million of revenue, the issuance of capital related debt of \$269.7 million and related premium of \$9.3 million. This resulted in a fund balance of \$67.7 million at year end. The majority of 2018 bond projects are completed with the 2023 bond projects in progress.

FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District's Funds (continued)

Governmental Funds (continued)

General Fund Budgetary Highlights

The District revised the General Fund budget several times during the year ended June 30, 2025. Budget revenue amendments totaling \$4.7 million were approved by the Board of Trustees. Revenue changes included:

- \$3.0 million increase in property tax revenues due to higher property tax values than budgeted
- \$9.6 million lower due to lower enrollment and lower compensatory education students
- \$6.5 million higher in TRS on behalf of revenue
- \$3.7 million increase in federal revenue related to indirect costs from National School Breakfast and Lunch grant
- \$3.6 million less for shared health and related services revenue due to the lower random moment time study percentages used by the state
- \$3.5 million higher interest income due to higher rates compared to budget assumptions
- \$0.8 million in insurance recoveries
- \$0.3 million increase in athletic revenues
- \$0.3 million decrease in tuition primarily attributable to pre-k tuition (most students qualified for free pre-k)
- \$0.4 million in other revenue

Budgeted appropriations for expenditures for the General Fund were Increased by \$23.1 million. This was due to:

- \$4.8 million increase due to purchase orders rolled from the prior fiscal year
- \$0.2 million increase for five additional speech pathologists due to increase in special education students
- \$0.1 million increase for band uniforms
- \$6.4 million increase for Hurricane Beryl expenditures
- \$6.45 million increase for TRS on behalf of expenditures paid by the state
- \$5.1 million increase in payroll due to overall lower vacancy rate than assumed in the budget

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2025, the District's capital assets were \$1.8 billion, net of accumulated depreciation/amortization. Investments in capital assets include a broad range of capital assets, including land, buildings, and improvements (includes infrastructure), furniture and equipment, construction in progress (see Table III), right-to-use lease assets and subscription based arrangements. This amount represents a net increase (including additions and deletions) of \$226.3 million. Major additions for 2025 include rebuilds for Barrington, Mission and Aldridge elementary schools, renovation of an alternative learning center to an elementary school, costs related to a new middle school and Crawford High School.

FORT BEND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District's Funds (continued)

Capital Assets and Debt Administration (continued)

Table III – Capital Asset Summary

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 105,399,133	\$ 105,397,598	\$ -	\$ -	\$ 105,399,133	\$ 105,397,598
Construction in Progress	309,015,800	115,471,366	-	-	309,015,800	115,471,366
Buildings and Improvements	1,249,186,495	1,243,076,574	1,190,886	1,262,688	1,250,377,381	1,244,339,262
Furniture and Equipment	79,709,965	17,566,421	529,019	-	80,238,984	17,566,421
Vehicles	14,885,347	11,414,599	-	-	14,885,347	11,414,599
Subscription based IT Assets	6,315,222	4,199,941	-	-	6,315,222	4,199,941
Right to use Lease Assets	1,612,638	3,120,730	-	-	1,612,638	3,120,730
Total Capital Assets, Net of						
Depreciation/Amortization	<u>\$ 1,766,124,600</u>	<u>\$ 1,500,247,229</u>	<u>\$ 1,719,905</u>	<u>\$ 1,262,688</u>	<u>\$ 1,767,844,505</u>	<u>\$ 1,501,509,917</u>

Additional information on the District's capital assets can be found in Note 7, Note 8, and Note 9 of the financial statements.

Debt Administration

On June 30, 2025, the District had total long-term liabilities of \$2.5 billion. Of this amount, \$1.9 billion comprises debt backed by the full faith of the State of Texas Permanent School Fund. The District experienced a \$32.0 million decrease in its portion of the Texas Retirement System (TRS) net pension liability and a \$47.5 million increase in its portion of the TRS-Care other post-employment benefit (OPEB) liability.

The District's current underlying credit rating is "AA+" by Fitch and "AA+" by S&P Global and is given without consideration of credit enhancement. In addition, the Texas Permanent School Fund is rated "AAA" by Fitch.

TABLE IV – District's Outstanding Debt

Governmental Activities	2025	2024
Bonds payable (net)	\$ 2,038,667,929	\$ 1,876,274,768
Net pension liability	291,064,397	323,041,012
Other post-employment liability	180,133,013	132,655,437
Subscription based IT arrangements	2,374,118	3,850,793
Right to use lease liability	1,667,623	3,180,019
Other governmental liabilities	<u>22,119,809</u>	<u>20,221,224</u> *
Total Governmental Activities		
Long-Term Liabilities	<u>\$ 2,536,026,889</u>	<u>\$ 2,359,223,253</u>

**Fiscal Year 2024 Other governmental liabilities amount has been adjusted upon adoption of GASB 101 - Compensated Absences*

More detailed information about the District's debt, pension, and OPEB liability are presented in Note 10, Note 18 and Note 19 of the financial statements.

FORT BEND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The General Fund budget for fiscal year 2026 was approved by the Board of Trustees on June 23, 2025. The approved budget includes \$906.6 million in revenues, \$901.6 million in expenditure's, \$2.5 million in net transfers with a surplus of \$7.5 million. That compares to the fiscal year 2025 original budgeted expenditures of \$828.6 million. The fiscal year 2026 budget assumes maintaining at least a 90-day fund balance at the end of fiscal year 2026.

The budget adopted was based on a maintenance and operations ("M&O") tax rate of \$0.7831 which includes seven pennies related to Hurricane Beryl declared disaster in July 2024. The seven pennies provide \$35.2 million of additional revenue for a one year period only. House Bill 2 passed by the 89th Texas legislature provides \$40.0 million in new revenue included in the fiscal year 2026 budget.

The budgeted expenditures include \$1.4 million for the re-opening of Fern dell Henry Elementary, \$3.6 million for a teacher step increase, \$0.4 million of expenditures related to preparation of the opening of a middle school for fiscal year 2027, \$0.8 million for expansion of pre-k to three year olds, \$15 million addition for health insurance for employees, \$13 million for a one-time thank you supplement, \$2.1 million for two wellness days for staff and other related recruitment amounts, \$18.9 million for teacher retention allotment and \$2.9 million for support staff retention allotment as prescribed by House Bill 2 by the 89th Texas legislature.

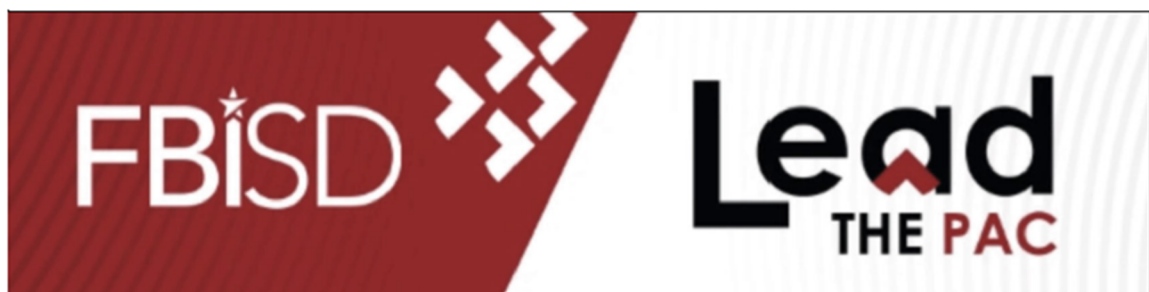
The Debt Service adopted Budget for 2025-26 assumed 4.0 percent property value growth and a tax rate of \$0.27.

The District will continue to refine budget estimates, project actual operating results, develop strategies to provide educational services efficiently and effectively, actively promote changes in the state funding formula, and monitor state legislation affecting school district funding.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business and finance office.

BASIC FINANCIAL STATEMENTS



FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2025

Exhibit A-1

Data Control Codes		Governmental Activities	Business-type Activities	Total
Assets				
1110	Cash and cash equivalents	\$ 123,724,397	\$ 459,649	\$ 124,184,046
1120	Investments	383,544,588	1,218,766	384,763,354
1225	Property taxes receivables, net	15,431,897	-	15,431,897
1240	Due from other governments	117,183,210	-	117,183,210
1250	Interest receivable	297,203	-	297,203
1260	Internal balances	(1,329,030)	1,329,030	-
1290	Other receivables, net	681,300	161,042	842,342
1300	Inventories	1,720,134	-	1,720,134
1410	Prepaid items	2,267,315	-	2,267,315
	Capital assets not subject to depreciation			
1510	Land	105,399,133	-	105,399,133
1580	Construction in progress	309,015,800	-	309,015,800
	Capital assets net of depreciation/amortization			
1520	Buildings and improvements, net	1,249,186,495	1,190,886	1,250,377,381
1530	Furniture and equipment, net	79,709,965	529,019	80,238,984
1540	Vehicles, net	14,885,347	-	14,885,347
1550	Right to use lease assets, net	1,612,638	-	1,612,638
1553	Subscription based IT assets, net	6,315,222	-	6,315,222
1000	Total Assets	2,409,645,614	4,888,392	2,414,534,006
Deferred Outflows of Resources				
1705	Deferred outflow relating to pensions activities	72,845,955	-	72,845,955
1706	Deferred outflow relating to other post-employment benefits	86,755,219	-	86,755,219
1700	Total Deferred Outflows of Resources	159,601,174	-	159,601,174
Liabilities				
	Current liabilities			
2110	Accounts payable	61,725,939	110,499	61,836,438
2140	Interest payable	26,709,932	-	26,709,932
2150	Payroll deductions and withholding	10,919,447	42,283	10,961,730
2160	Accrued wages payable	59,108,719	297,966	59,406,685
2180	Due to other governments	105,212	41	105,253
2200	Accrued expenses	14,899,436	-	14,899,436
2300	Unearned revenue	7,749,695	849,702	8,599,397
	Noncurrent liabilities			
2501	Due within one year	122,295,210	-	122,295,210
2502	Bonds payable and other	1,942,534,269	-	1,942,534,269
2540	Net pension liability	291,064,397	-	291,064,397
2545	Net other post-employment benefit liability	180,133,013	-	180,133,013
2000	Total Liabilities	2,717,245,269	1,300,491	2,718,545,760
Deferred inflows of Resources				
2603	Deferred gain on refunding	18,783,567	-	18,783,567
2605	Deferred inflow relating to pensions activities	8,522,981	-	8,522,981
2606	Deferred inflow relating to other post-employment benefits	160,399,481	-	160,399,481
2600	Total Deferred Inflows of Resources	187,706,029	-	187,706,029
Net Position				
3200	Net investment in capital assets	207,990,743	1,719,905	209,710,648
	Restricted			
3820	Federal and state programs	24,046,316	-	24,046,316
3850	Debt service	143,330,543	-	143,330,543
3900	Unrestricted	(711,072,112)	1,867,996	(709,204,116)
3000	Total Net Position	\$ (335,704,510)	\$ 3,587,901	\$ (332,116,609)

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Exhibit B-1
Page 1 of 2

Data Control Codes	Functions/Programs	Expenses	Program Revenue		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Governmental Activities				
11	Instruction	\$ 569,100,299	\$ 2,719,534	\$ 42,942,144	\$ 17,600,000
12	Instructional resources and media services	10,227,006	153,452	215,814	-
13	Curriculum and staff development	27,019,928	31,501	10,854,811	-
21	Instructional leadership	20,359,207	-	1,965,888	-
23	School leadership	50,998,560	50,073	1,569,062	-
31	Guidance, counseling and evaluation services	48,880,662	1,573,805	5,381,034	-
32	Social work services	3,182,005	-	497,547	-
33	Health services	11,142,509	1,325	7,576,420	-
34	Student transportation	30,857,907	-	1,594,894	-
35	Food service	40,299,773	11,335,335	28,221,132	-
36	Extracurricular activities	28,610,611	9,651,450	649,282	-
41	General administration	21,160,049	44,671	5,142,671	-
51	Plant, maintenance and operations	93,136,046	1,167,369	1,898,079	-
52	Security and monitoring services	16,781,854	91,783	6,051,052	-
53	Data processing services	34,069,068	-	809,972	-
61	Community services	1,878,882	-	821,524	-
72	Interest expense	62,622,299	-	12,092,235	-
73	Bond issuance costs and fees	2,988,605	-	6,688,012	-
81	Facilities repair and maintenance	10,279,295	-	172,466	-
93	Payments related to shared services arrangements	633,248	-	\$2,014,158	-
99	Payments for tax appraisal costs	6,609,924	-	\$101,888	-
TG	Total Governmental Activities	<u>\$ 1,090,837,737</u>	<u>\$ 26,820,298</u>	<u>\$ 137,260,085</u>	<u>\$ 17,600,000</u>
	Business-Type Activities				
01	Extended learning program	9,094,390	10,695,716	-	-
02	Facility rental program	592,126	1,227,007	-	-
03	CTE Center	59,065	188,495	-	-
TB	Total Business-Type Activities	<u>9,745,581</u>	<u>12,111,218</u>	<u>-</u>	<u>-</u>
TP	Total Primary Government	<u>\$ 1,100,583,318</u>	<u>\$ 38,931,516</u>	<u>\$ 137,260,085</u>	<u>\$ 17,600,000</u>

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Exhibit B-1
Page 2 of 2

Data Control Codes	Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
		Governmental Activities	Business-type Activities	Total
	Governmental Activities			
11	Instruction	\$ (505,838,621)	\$ -	\$ (505,838,621)
12	Instructional resources and media services	(9,857,740)	-	(9,857,740)
13	Curriculum and staff development	(16,133,616)	-	(16,133,616)
21	Instructional leadership	(18,393,319)	-	(18,393,319)
23	School leadership	(49,379,425)	-	(49,379,425)
31	Guidance, counseling and evaluation services	(41,925,823)	-	(41,925,823)
32	Social work services	(2,684,458)	-	(2,684,458)
33	Health services	(3,564,764)	-	(3,564,764)
34	Student transportation	(29,263,013)	-	(29,263,013)
35	Food service	(743,306)	-	(743,306)
36	Extracurricular activities	(18,309,879)	-	(18,309,879)
41	General administration	(15,972,707)	-	(15,972,707)
51	Plant, maintenance and operations	(90,070,598)	-	(90,070,598)
52	Security and monitoring services	(10,639,019)	-	(10,639,019)
53	Data processing services	(33,259,096)	-	(33,259,096)
61	Community services	(1,057,358)	-	(1,057,358)
72	Interest expense	(50,530,064)	-	(50,530,064)
73	Bond issuance costs and fees	3,699,407	-	3,699,407
81	Facilities repair and maintenance	(10,106,829)	-	(10,106,829)
93	Payments related to shared services arrangements	1,380,910	-	1,380,910
99	Payments for tax appraisal costs	(6,508,036)	-	(6,508,036)
TG	Total Governmental Activities	<u>\$ (909,157,354)</u>	<u>\$ -</u>	<u>\$ (909,157,354)</u>
	Business-Type Activities			
01	Extended learning program	-	1,601,326	1,601,326
02	Facility rental program	-	634,881	634,881
03	CTE Center	-	129,430	129,430
TB	Total Business-Type Activities	<u>-</u>	<u>2,365,637</u>	<u>2,365,637</u>
TP	Total Primary Government	<u>\$ (909,157,354)</u>	<u>\$ 2,365,637</u>	<u>\$ (906,791,717)</u>
	General Revenues and Transfers			
	General Revenues			
MT	Property taxes, levied for general purposes	403,019,443	-	403,019,443
DT	Property taxes, levied for debt service	151,889,733	-	151,889,733
SF	State-aid formula grants	358,524,878	-	358,524,878
IE	Investment earnings	20,850,496	154,785	21,005,281
MI	Sale of property	32,736	-	32,736
FR	Transfers	2,824,000	(2,824,000)	-
TR	Total General Revenues and Transfers	<u>937,141,286</u>	<u>(2,669,215)</u>	<u>934,472,071</u>
CN	Change in net position	27,983,932	(303,578)	27,680,354
NB	Net position - Beginning as previously reported	(356,754,123)	3,891,479	(352,862,644)
PA	Restatement for change in accounting principle	(6,934,319)	-	(6,934,319)
NB	Net position - Beginning as restated	<u>(363,688,442)</u>	<u>3,891,479</u>	<u>(359,796,963)</u>
NE	Net position - Ending	<u>\$ (335,704,510)</u>	<u>\$ 3,587,901</u>	<u>\$ (332,116,609)</u>

FORT BEND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2025

Exhibit C-1
Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Assets				
1110	Cash and cash equivalents	\$ 116,659,796	\$ 3,551,684	\$ 50,603
1120	Investments	56,045,512	162,192,614	136,780,181
	Receivables			
1220	Property taxes - delinquent	21,250,579	6,920,024	-
1230	Allowance for uncollectible taxes (credit)	(9,845,063)	(2,893,643)	-
1240	Due from other governments	104,685,776	82,973	-
1250	Interest receivable	-	297,203	-
1260	Due from other funds	5,223,428	-	500,846
1290	Other receivables	417,563	-	191,347
1300	Inventories	1,142,563	-	-
1410	Prepaid items	921,165	-	-
1000	Total Assets	296,501,319	170,150,855	137,522,977
Liabilities, Deferred Inflows, and Fund Balance				
Liabilities				
2110	Accounts payable	4,836,536	7,986	54,707,776
2150	Payroll deductions and withholding	9,789,206	-	19,597
2160	Accrued wages payable	56,299,905	-	-
2170	Due to other funds	3,993,757	-	287,979
2180	Due to other governments	-	102,394	-
2200	Accrued expenditures	51,399	-	14,848,037
2300	Unearned revenue	7,000	-	-
2000	Total Liabilities	74,977,803	110,380	69,863,389
Deferred Inflows of Resources				
	Deferred inflows	9,704,703	3,347,097	-
2600	Deferred Inflows of Resources	9,704,703	3,347,097	-
Fund Balance				
Nonspendable				
3410	Investment in inventory	1,142,563	-	-
3430	Prepaid items	921,165	-	-
Restricted				
3450	Food service or federal/state grants	-	-	-
3470	Capital acquisitions and contractual programs	-	-	67,659,588
3480	Retirement of long-term debt	-	166,693,378	-
3490	Other restricted	-	-	-
Committed				
3545	State revenue stabilization	67,300,000	-	-
3545	Campus activity funds	-	-	-
3590	Assigned for other purposes	4,114,616	-	-
3600	Unassigned	138,340,469	-	-
3000	Total Fund Balances	211,818,813	166,693,378	67,659,588
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 296,501,319	\$ 170,150,855	\$ 137,522,977

FORT BEND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2025

Exhibit C-1
Page 2 of 2

Data Control Codes		Non-major Governmental Funds	Total Governmental Funds
	Assets		
1110	Cash and cash equivalents	\$ 3,295,831	\$ 123,557,914
1120	Investments	28,510,503	383,528,810
	Receivables		
1220	Property taxes - delinquent	-	28,170,603
1230	Allowance for uncollectible taxes (credit)	-	(12,738,706)
1240	Due from other governments	12,414,461	117,183,210
1250	Interest receivable	-	297,203
1260	Due from other funds	86,380	5,810,654
1290	Other receivables	525	609,435
1300	Inventories	503,334	1,645,897
1410	Prepaid items	-	921,165
1000	Total Assets	44,811,034	648,986,185
	Liabilities, Deferred Inflows, and Fund Balance		
	Liabilities		
2110	Accounts payable	713,150	60,265,448
2150	Payroll deductions and withholding	665,943	10,474,746
2160	Accrued wages payable	2,808,814	59,108,719
2170	Due to other funds	5,716,933	9,998,669
2180	Due to other governments	2,774	105,168
2200	Accrued expenditures	-	14,899,436
2300	Unearned revenue	2,892,959	2,899,959
2000	Total Liabilities	12,800,573	157,752,145
	Deferred Inflows of Resources		
	Deferred inflows	-	13,051,800
2600	Deferred Inflows of Resources	-	13,051,800
	Fund Balance		
	Nonspendable		
3410	Investment in inventory	-	1,142,563
3430	Prepaid items	-	921,165
	Restricted		
3450	Food service or federal/state grants	24,039,694	24,039,694
3470	Capital acquisitions and contractual programs	-	67,659,588
3480	Retirement of long-term debt	-	166,693,378
3490	Other restricted	6,622	6,622
	Committed		
3545	State revenue stabilization	-	67,300,000
3545	Campus activity funds	7,964,145	7,964,145
3590	Assigned for other purposes	-	4,114,616
3600	Unassigned	-	138,340,469
3000	Total Fund Balances	32,010,461	478,182,240
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 44,811,034	\$ 648,986,185



FORT BEND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
June 30, 2025

Exhibit C-2

Data Control Codes		
	Total fund balance, governmental funds	\$ 478,182,241
	Amounts reported for governmental activities in the statement of net position are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds	1,765,720,736
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures. These property taxes (net of allowance for uncollectible accounts) are deferred inflows are deferred inflows of resources in the fund financial statements.	13,051,800
3	Deferred amount on refunding	(18,783,567)
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.	
	Long-term liabilities at year-end consist of:	
4	General obligation bonds	(1,926,445,000)
5	Premiums on issuance	(112,222,929)
6	Accrued compensated absences	(10,655,368)
7	Accrued interest payable	(26,709,932)
8	Net pension liability	(291,064,397)
9	Net other post-employment liability	(180,133,013)
10	Right to use lease liabilities	(1,260,471)
11	Subscription based IT liability	(2,374,118)
12	Deferred outflows and inflows relating to pension and other post-employment benefit activities	(9,321,288)
13	Addition of internal service fund net position	(13,689,204)
29	Total net position - governmental activities	<u>\$ (335,704,510)</u>

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

Exhibit C-3

Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Revenue				
5700	Local and intermediate sources	\$ 418,945,382	\$ 157,245,373	\$ 4,104,254
5800	State program revenues	403,924,909	18,940,253	-
5900	Federal program revenues	11,660,858	-	2,556,926
5020	Total Revenue	834,531,149	176,185,626	6,661,180
Expenditures				
Current				
0011	Instruction	490,104,195	-	25,586,056
0012	Instructional resources and media services	8,087,998	-	15,705
0013	Curriculum and staff development	16,482,967	-	-
0021	Instructional leadership	18,975,867	-	-
0023	School leadership	51,107,346	-	-
0031	Guidance, counseling and evaluation services	43,057,866	-	-
0032	Social work services	2,737,902	-	-
0033	Health services	9,894,080	-	-
0034	Student transportation	25,255,692	-	6,493,473
0035	Food services	42,390	-	20,452
0036	Extracurricular activities	18,618,265	-	756,956
0041	General administration	20,867,923	-	157,374
0051	Plant, maintenance and operations	87,293,949	-	4,436,501
0052	Security and monitoring services	14,814,530	-	1,455,609
0053	Data processing services	18,145,078	-	31,518,452
0061	Community services	945,785	-	-
Debt service				
0071	Principal on long-term debt	2,729,921	108,205,000	1,647,035
0072	Interest on long-term debt	-	59,908,092	-
0073	Bond issuance costs and fees	-	1,544,871	-
Capital outlay				
0081	Facilities acquisition and construction	1,013,445	-	269,996,643
Intergovernmental				
0093	Payments related to shared service arrangements	531,360	-	-
0099	Payments for tax appraisal costs	6,609,962	-	-
6030	Total Expenditures	837,316,521	169,657,963	342,084,256
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(2,785,372)</u>	<u>6,527,663</u>	<u>(335,423,076)</u>
Other Financing Sources (Uses)				
7901	Refunding bonds issued	-	66,335,000	125,435,000
7911	Capital related debt issued	-	-	144,235,000
7915	Transfers in	2,500,000	-	-
7916	Premium or discount on issuance of bonds	-	-	9,273,734
8911	Transfers out	(6,622)	-	-
8949	Payment to refunding escrow agent	-	(66,330,669)	-
7080	Total Other Financing Sources (Uses)	2,493,378	4,331	278,943,734
1200	Net change in fund balances	(291,994)	6,531,994	(56,479,342)
0100	Fund Balances - Beginning	212,110,807	160,161,384	124,138,931
3300	Fund Balances - Ending	\$ 211,818,813	\$ 166,693,378	\$ 67,659,589

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

Exhibit C-3

Page 2 of 2

Data Control Codes		Non-major Governmental Funds	Total Governmental Funds
Revenue			
5700	Local and intermediate sources	\$ 23,593,740	\$ 603,888,749
5800	State program revenues	21,524,148	444,389,310
5900	Federal program revenues	85,567,492	99,785,276
5020	Total Revenue	130,685,380	1,148,063,335
Expenditures			
Current			
0011	Instruction	50,954,862	566,645,113
0012	Instructional resources and media services	223,518	8,327,221
0013	Curriculum and staff development	11,334,421	27,817,388
0021	Instructional leadership	1,496,117	20,471,984
0023	School leadership	424,966	51,532,312
0031	Guidance, counseling and evaluation services	6,209,518	49,267,384
0032	Social work services	467,365	3,205,267
0033	Health services	1,468,606	11,362,686
0034	Student transportation	849,893	32,599,058
0035	Food services	46,269,402	46,332,244
0036	Extracurricular activities	8,288,638	27,663,859
0041	General administration	69,565	21,094,862
0051	Plant, maintenance and operations	8,682	91,739,132
0052	Security and monitoring services	5,641,126	21,911,265
0053	Data processing services	-	49,663,530
0061	Community services	999,589	1,945,374
Debt service			
0071	Principal on long-term debt	-	112,581,956
0072	Interest on long-term debt	-	59,908,092
0073	Bond issuance costs and fees	-	1,544,871
Capital outlay			
0081	Facilities acquisition and construction	-	271,010,088
Intergovernmental			
0093	Payments related to shared service arrangements	101,888	633,248
0099	Payments for tax appraisal costs	-	6,609,962
6030	Total Expenditures	134,808,156	1,483,866,896
1100	Excess (deficiency) of revenues over (under) expenditures	(4,122,776)	(335,803,561)
Other Financing Sources (Uses)			
7901	Refunding bonds issued	-	191,770,000
7911	Capital related debt issued	-	144,235,000
7915	Transfers in	6,622	2,506,622
7916	Premium or discount on issuance of bonds	-	9,273,734
8911	Transfers out	-	(6,622)
8949	Payment to refunding escrow agent	-	(66,330,669)
7080	Total Other Financing Sources (Uses)	6,622	281,448,065
1200	Net change in fund balances	(4,116,154)	(54,355,496)
0100	Fund Balances - Beginning	36,126,615	532,537,737
3300	Fund Balances - Ending	\$ 32,010,461	\$ 478,182,241

FORT BEND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
For the Year Ended June 30, 2025

Exhibit C-4

Data Control Codes		
	Net change in fund balances - total governmental funds (from C-3)	\$ (54,355,496)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization.	
1	Governmental funds capital outlay	345,166,293
2	Governmental activities depreciation/amortization expense	(78,847,686)
3	This is the amount of loss on disposal of assets	(192,278)
4	Property tax revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds	(776,676)
5	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position	108,205,000
6	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities.	(336,005,000)
7	Payment to escrow agent for refunding	66,330,669
8	Premium received from issuance of long-term debt	(9,273,734)
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds	
9	Changes in pension liabilities and related deferred inflows/outflows of resources	33,973,929
10	Changes in OPEB liabilities and related deferred inflows/outflows of resources	(31,553,573)
11	Amortization of bond premium	7,715,573
12	Accrued Interest on long-term debt	(8,231,569)
13	Compensated absences	(1,102,238)
14	Amortization of refunding	(2,020,517)
15	Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds.	(13,827,055)
16	Payment of right to use lease payable is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position	1,396,144
17	Payment of SBITA payable is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position	1,382,146
18	Change in net position of governmental activities	\$ 27,983,932

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

Exhibit D-1

Data Control Codes		Business-Type Activities	Governmental Activities
		Total Nonmajor Enterprise Funds	Total Internal Service Funds
Assets			
Current Assets			
1110	Cash and cash equivalents	\$ 459,649	\$ 166,483
1120	Investments	1,218,766	15,778
	Receivables		
1260	Due from other funds	1,352,149	10,248,345
1290	Other receivables	161,042	71,865
1300	Inventories	-	74,237
1410	Prepaid Items	-	1,346,150
	Total Current Assets	3,191,606	11,922,858
Non-Current Assets			
1520	Buildings and improvement	2,993,135	-
1530	Furniture and equipment	2,096,877	1,799,581
1540	Vehicles	-	18,655
1550	Right to use lease asset (FFE)	-	607,968
1570	Accumulated depreciation/amortization	(3,370,107)	(2,022,340)
	Total Non-Current assets	1,719,905	403,864
1000	Total Assets	4,911,511	12,326,722
Liabilities			
Current Liabilities			
2110	Accounts payable	110,499	1,460,492
2150	Payroll deductions and withholding	42,283	444,701
2160	Accrued wages payable	297,966	-
2170	Due to other funds	23,119	7,389,360
2180	Due to other governments	41	44
2300	Unearned revenue	849,702	4,849,736
	Total Current Liabilities	1,323,610	14,144,333
Non-Current Liabilities			
	Due within one year		
2123	Claims payable	-	9,014,004
2130	Right to use lease liability (FFE)	-	120,389
	Due in more than one year		
2531	Right to use lease liability (FFE)	-	286,763
2590	Claims and judgments	-	2,450,437
	Total Non-Current Liabilities	-	11,871,593
2000	Total Liabilities	1,323,610	26,015,926
Net Position			
3200	Net investment in capital assets	1,719,905	(3,288)
3900	Unrestricted	1,867,996	(13,685,916)
3000	Total Net Position	\$ 3,587,901	\$ (13,689,204)

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

Exhibit D-2

Data Control Codes		Business-type Activities	Governmental Activities
		Total Nonmajor Enterprise Funds	Total Internal Service Funds
	Operating Revenues		
5754	Charges for sales and services	\$ 12,111,218	\$ 77,652,685
5900	Federal program revenues	-	120,000
5020	Total Operating Revenues	<u>12,111,218</u>	<u>77,772,685</u>
	Operating Expenses		
6100	Payroll costs	7,381,260	1,587,497
6200	Purchased and contracted services	1,568,654	6,669,455
6300	Supplies and materials	213,353	176,093
6400	Other operating expenses	466,109	83,431,647
6449	Depreciation/amortization	116,205	154,431
6030	Total Operating Expenses	<u>9,745,581</u>	<u>92,019,123</u>
1200	Operating Income (Loss)	<u>2,365,637</u>	<u>(14,246,438)</u>
	Non-Operating Revenue (Expenses)		
7955	Investment earnings	154,785	111,849
8989	Nonoperating expenses	-	(16,466)
	Total Non-operating Revenues (Expenses)	<u>154,785</u>	<u>95,383</u>
	Income (Loss) before Transfers	<u>2,520,422</u>	<u>(14,151,055)</u>
7915	Transfers in	-	824,000
8911	Transfers out	(2,824,000)	(500,000)
	Total Transfers in(out)	<u>(2,824,000)</u>	<u>324,000</u>
1300	Change in Net Position	(303,578)	(13,827,055)
0100	Net Position - Beginning	<u>3,891,479</u>	<u>137,851</u>
3300	Net Position - Ending	<u>\$ 3,587,901</u>	<u>\$ (13,689,204)</u>

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

Exhibit D-3

	Business-type Activities	Governmental Activities
	Total Nonmajor Enterprise Funds	Total Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flow from Operating Activities		
Cash receipts for interfund services provided	\$ 10,931,865	\$ 78,905,585
Cash payments to suppliers for goods and services	(2,459,598)	(87,197,785)
Cash payments to employees	(7,410,810)	(2,659,159)
Net Cash Provided by (Used for) Operating Activities	1,061,457	(10,951,359)
Cash Flow from Non-Capital Financing Activities		
Advances from other funds	-	324,000
Advances to other funds	(2,824,000)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	(2,824,000)	324,000
Cash Flow from Capital and Related Financing Activities		
Payments on right to use lease assets	-	(132,720)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(132,720)
Cash Flow from Investing Activities		
Sale of investments	1,877,205	7,138,406
Interest on investments	154,785	111,849
Net Cash Provided by (Used for) Investing Activities	2,031,990	7,250,255
Net Increase (Decrease) in Cash and Cash Equivalents	269,447	(3,509,824)
Cash and Cash Equivalents at Beginning of Year	190,202	3,676,307
Cash and Cash Equivalents at End of Year	\$ 459,649	\$ 166,483
Reconciliation to Balance Sheet		
Cash and Cash Equivalents Per Cash Flow	\$ 459,649	\$ 166,483
Cash and Cash Equivalents per Balance Sheet	\$ 459,649	\$ 166,483
Reconciliation of Operating Income (loss) to Net cash Provided by (used for) Operating Activities		
Operating Income (Loss)	\$ 2,365,637	\$(14,262,904)
Interest payments on right to use lease asset	-	16,466
Adjustments to reconcile Operating Income (Loss) to net cash Provided by (used for) Operating Activities:		
Depreciation/amortization	116,205	154,431
Change in Assets and Liabilities		
Decrease (Increase) in other receivables	39,955	1,267,655
Decrease (Increase) in due from other funds	(1,219,308)	(4,049,628)
Decrease (Increase) in inventories	-	22,175
Decrease (Increase) in prepaid items	-	(1,004,013)
Increase (Decrease) in non-current assets	(573,422)	-
Increase (Decrease) in accrued wages payable	(35,077)	-
Increase (Decrease) in accounts payable	11,086	522,920
Increase (Decrease) in payroll deductions and withholding	5,527	(21,515)
Increase (Decrease) in due to other funds	(7,555)	7,257,999
Increase (Decrease) in due to other governments	(8)	20
Increase (Decrease) in accrued expenses	-	925,922
Increase (Decrease) in unearned revenue	358,417	(1,651,313)
Increase (Decrease) in claims payable	-	(129,574)
Net Cash Provided (Used) by Operating Activities	\$ 1,061,457	\$(10,951,359)

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2025

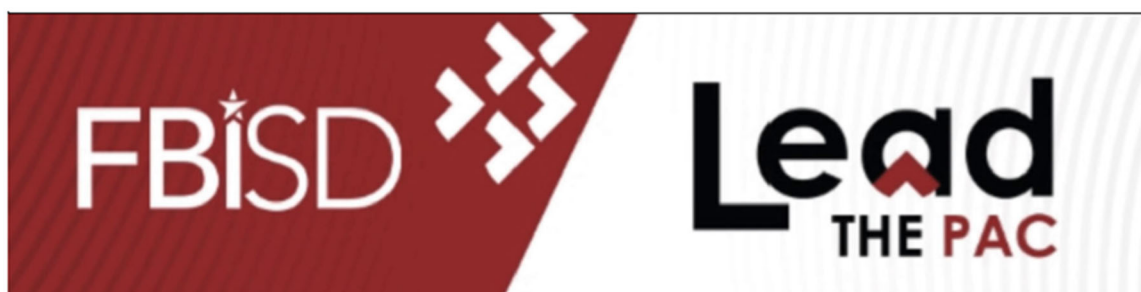
Exhibit E-1

Data Control Codes		Private-Purpose Trust Fund
	Assets	
1110	Cash and cash equivalents	\$ 34,490
1000	Total Assets	<u>34,490</u>
	Liabilities	
2000	Total Liabilities	<u>-</u>
	Net Position	
3490	Restricted for scholarships	<u>\$ 34,490</u>

FORT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2025

Exhibit E-2

<u>Data Control Codes</u>		<u>Private-Purpose Trust Fund</u>
	Additions	
5744	Gifts and contributions	<u>\$ 13,500</u>
	Total Additions	<u>13,500</u>
	Deductions	
6200	Scholarship awards	<u>12,000</u>
	Total Deductions	<u>12,000</u>
CN	Change in net position	1,500
NB	Net Position - Beginning	<u>32,990</u>
NE	Net Position - Ending	<u><u>\$ 34,490</u></u>



Note 1 – Summary of Significant Accounting Policies

The Fort Bend Independent School District ("FBISD") or the ("District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. A seven-member Board of Trustees, elected by the District's residents to staggered three-year terms, has fiscal accountability over all activities within the jurisdiction of the District. Board vacancies may be filled by appointment until the next election. Board decisions are based on a majority vote. The Board adopts policies, employs the Superintendent, and oversees operations of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in Statement on Auditing Standards of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, no other entities have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB.

The District receives support from various PTA, PTO, Booster club organizations, and the Fort Bend Education Foundation. Generally Accepted Accounting Principles require the District to report certain legally separate organizations as component units even though the District is not financially accountable for these organizations. These standards promulgated by GASB require that a legally separate tax-exempt organization be reported as a component unit if all of the following criteria are met:

1. The economic resources of the separate organization entirely, or almost entirely, directly benefit the primary government, its component units, or its constituents.
2. The primary government is entitled to, or can otherwise access, a majority of the economic resources of the separate organization.
3. The economic resources of the individual separate organization that the primary government is entitled to, or can otherwise access, are significant to that primary government.

Note 1 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

While the various organizations noted above meet the first criteria specified by GASB, none of the organizations meet the second two requirements and are therefore not included as component units within the reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all the District's non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, state funds, grants, and other intergovernmental revenues. Business-Type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities Program Revenues demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "Charges for Services" Program Revenues column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include summer school tuition, school lunch charges, etc. The "Grants and Contributions" Program Revenues column includes amounts paid by organizations outside the District to help meet the operational requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between individual governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. The District has no interfund services provided and used between functions that would be program revenue which would not be eliminated in the process of consolidation. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers state and federal revenues and interest revenues available if they are collectible within 60 days after year-end.

Revenue from local sources consists primarily of property taxes and is recorded as revenue when received. Uncollected property taxes are recorded as receivables and unearned revenue. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Grant fund revenues are earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and the Fiduciary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into restricted net position (held in trust) and unrestricted net position. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds in accordance with the provisions of the FASRG. Each fund is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, deferred inflows and outflows of resources, revenues, and expenditures or expenses. For financial statement presentation, the District's fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole.

The District reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It is used to account for all financial transactions not properly includable in other funds. The principal sources of revenue include local property taxes, state funding, interest earnings on fund investments, and federal source revenues not accounted for in Non-major Governmental Funds. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service and capital projects.

Debt Service Fund

The Debt Service Fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest payments on the outstanding debt obligations of the District. These resources include interest and sinking tax revenues which are considered restricted and for which a tax has been dedicated.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Capital Projects Fund

The Capital Projects Fund is used to account for the expenditures of resources accumulated from sales of bonds and related interest earnings for the acquisition and construction of school facilities.

Non-Major Governmental Funds

The District reports all special revenue funds under on-major governmental funds. The funds are used to account for the proceeds of specific revenue that are legally restricted or committed to expenditures for specific purposes through federal, state, and local grant awards, and for Campus Activity Funds, which are committed for the benefit of the respective campuses where the funds are raised. Specifically, this type of fund is used to account for funds that are used for the District's Food Service Program, including local and federal revenue sources for federally financed programs (grants) where unused balances are returned to the grantor at the close of specified project periods and other revenue specific programs. Project accounting is employed to maintain integrity for the various sources of funds. Resources accounted for in these funds are awarded to the District for the purpose of accomplishing specific educational tasks as defined by grantors in contracts or other agreements.

Enterprise Funds

The Enterprise Funds are used to account for revenues and expenses associated with operations of the Extended Learning, the Facility Rental, and the Career and Technical Education (CTE) Programs. Revenues in these funds are primarily from fees paid by participants in the program. Expenses consist mainly of payroll, utilities, and supplies.

Internal Service Funds

The Internal Service Fund is used to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The following internal services funds are used by the District:

Print Shop Fund

The Print Shop Fund is used to account for the operations of the District's print shop. Printing services to other departments of the District is the main service. Expenses include the day-to-day cost of operations of the print shop as well as depreciation of capital assets.

Health Insurance Fund

The Health Insurance Fund is used to account for the operations of the District's employee health insurance plan, which is supported principally by employer and employee contributions. Expenses include plan benefit payments to medical providers and employees and charges incurred in administering the plan.

Workers' Compensation Fund

The Workers' Compensation Fund is used to account for the operations of the District's workers' compensation insurance plan, which is supported principally by employer contributions. Expenses include plan benefit payments to providers of medical services or to employees for claims, administrative costs, and stop-loss premium charges. Estimated amounts due for claims incurred but not reported at year-end are included as fund liabilities.

Unemployment Insurance Fund

The Unemployment Insurance Fund is used to account for the operations of the District's unemployment insurance plan, which is supported principally by employer contributions. Expenses include plan benefit payments for eligible employees and charges incurred in administering the plan.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Technology Fund

The Technology Funds is used to account for the operations of technology items utilized throughout the District, which is supported principally by transfers from the General Fund. Expenses include computers, laptops, and infrastructure costs.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District as trustee for employees and others. The following fiduciary fund is used by the District:

Private Purpose Trust Fund

The Private Purpose Trust Fund is used to account for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has funds that have been received for scholarships that are to be awarded to current and former students for post-secondary education purposes.

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity

1. Cash and Cash Equivalents

The District reports cash and cash equivalents in the District's statement of cash flows for Proprietary Fund Types and in all other financial statements of financial position. The District considers cash and cash equivalents to be cash on hand, demand deposits, money market funds, and certificates of deposit with original maturities of three months or less from acquisition date.

2. Investments

Investments consist of balances in privately managed public funds investment pools and investments in United States (U.S.) securities and U.S. Agency securities. The District reports all investments at fair value, except for investment pools. The District's investment pools are valued and reported at amortized cost, which approximates fair value.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs.

3. Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code, are due on the receipt of the tax bill, and are delinquent if not paid before February 1 of the year following the year imposed. Property Tax receivables include unpaid property taxes at year-end and are shown net of allowance for uncollectible. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. However, not all outstanding property taxes are expected to be collected within one year of the date of financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

4. Short Term Interfund Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as “due from other funds” and “due to other funds” on the combined balance sheet. Interfund services between funds are not eliminated in the process of consolidation.

5. Inventories and Prepaid Items

Inventories consisting of supplies and materials are stated at cost (average cost method) when the item is purchased and are subsequently recognized as expenditures when consumed (consumption method). Inventories include consumable custodial, maintenance, transportation, instructional, food consumables, and office supplies. Inventories of food commodities inventory are recorded at fair market value supplied by the Texas Department of Agriculture on the date received. Commodity inventory items are recorded as expenditures when distributed to user locations and revenue is recognized for an equal amount. Commodity inventory is reported as unearned revenue at year-end. A portion of fund balance is reserved to reflect minimum inventory quantities considered necessary for the District's continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These expenditures will be recorded when consumed (consumption method) rather than when purchased.

6. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, construction in progress, right to use lease assets, and subscription assets are reported in the governmental activities and business-type activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition. Right to use lease assets and subscription assets are recorded at the present value of future lease payments.

Costs of the Facilities Acquisition and Construction Function that relate to overall planning of District facilities, managing overall District assets and overall construction projects are treated as period costs and are not capitalized unless related to specific assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

6. Capital Assets (continued)

Buildings, building improvements, furniture and equipment, and vehicles of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Furniture and Equipment	5-15
Vehicles	5-10
Right to Use Lease Assets	2-5
Subscription Based IT Assets	2-5

Land and construction in progress are not depreciated.

7. Leases

The District is a lessee for noncancellable leases of buildings, furniture, and equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and internal service fund financial statements. The District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

8. Subscription Based Information Technology Arrangements (SBITA)

The District has contracts for various SBITA's for the right to use subscription assets (software). The District recognizes a liability and corresponding right-to-use subscription asset in the government-wide and internal service fund financial statements as capital assets. The District recognizes subscription liabilities with an initial, individual value of \$50,000 or more and a contract term of twelve months or more.

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

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

- The District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

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

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Accretion of interest on the capital appreciation bonds are recorded at the accreted value through the end of the fiscal year.

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

10. Compensated Absences

The District recognizes liabilities for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Compensated absences include unused vacation, sick leave, local personal leave and state personal leave that are earned by employees but not yet taken. The liability is measured using the employee's pay rate at each fiscal year end.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

10. Compensated Absences (continued)

The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured (i.e., it is due for payment). The liability for compensated absences includes salary-related benefits, where applicable.

The District's policy allows employees to accumulate unused vacation, sick leave, local personal leave and state personal leave, subject to limits defined by board-approved policies. Upon separation from service, eligible employees may receive payment for certain accrued sick leave in accordance with these policies.

11. Deferred Outflows and Inflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to future periods. The District has two items that qualify for reporting in this category:

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

A deferred inflow of resources represents an acquisition of net assets that applies to future periods. The District has four items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for refunding - Reported in the government-wide statement of net position, this deferred gain 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.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

11. Deferred Outflows and Inflows of Resources (continued)

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

12. Pensions

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

13. Other Post-Employment Benefits (OPEB)

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

14. Fund Balance Classifications

The fund balance in governmental funds has been classified as follows to describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

14. Fund Balance Classifications (continued)

Committed fund balance - 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 by the Board. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by a District official the Board delegates the authority. The Board has delegated the authority to assign fund balances to the Superintendent by approval of a Fund Balance Resolution board agenda item presented in June of each fiscal year.

Unassigned fund balance - amounts that are available for any purpose. General Fund is the only fund that reports positive unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are 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.

Per the District's Fiscal and Budgetary Strategy, the District will strive to maintain an unassigned general fund balance equal to the greater of sixty (60) days or seventeen percent (17 percent) of net budgeted operating expenditures. In order to protect the District from a potential loss in state revenue, the District will commit at least thirty (30) days or eight and a third percent (8.33 percent) of net budgeted operating expenditures.

15. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

16. Data Control Codes

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

17. Implementation of New Accounting Standards

GASB issued Statement No. 101, "Compensated Absences", which is effective for fiscal year ending June 30, 2025. The Statement requires governments to recognize a liability for compensated absences for leave that has not been used and leave that has been used but not yet paid. The liability is measured at the amount of the cash payment or noncash settlement to be made for the use of leave. The District implemented this Statement as more fully described in Note 21 and the impact is reflected in the financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies - Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity (continued)

17. Implementation of New Accounting Standards (continued)

GASB issued Statement No. 102, "Certain Risk Disclosures", requires governments to disclose information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal year ending June 30, 2025, and the District implemented the Statement. The Statement did not have a material impact on the financial statements.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Data

The Board adopts an annual "appropriated budget" for the General Fund, Debt Service Fund, and National School Breakfast and Lunch Program Fund (which is included in the Non-major Governmental Funds). Budgets are prepared using the same method of accounting as for financial reporting. The District is required to present the adopted and final annual amended budgeted revenues and expenditures for the General Fund. The General Fund budget report appears in the required supplementary information section where the District compares the final annual amended budget to actual revenues and expenditures. Per regulatory requirements, the National School Breakfast and Lunch Program Fund and Debt Service Fund are required to be reported with the original budget, amended budget, and actual. These statements are included in the Other Supplementary Information at the end of the District's Annual Comprehensive Financial Report in Exhibit H-3 and H-4 of the Financial Section.

The Capital Projects Fund budget is prepared on a project basis based on the proceeds available from bond issues and planned expenditures outlined in applicable bond ordinances. Capital Projects Fund equity, which represents unexpended appropriations, is reappropriated in the subsequent fiscal year's budget until available funds for acquisition and construction of facilities have been utilized. Each major construction contract is approved based on the existing availability of bond proceeds and/or approved but unissued bonds. The non-budgeted Non-major Governmental funds (primarily Federal, State, and local grant programs) utilize a managerial-type financial plan approved at the fund level by the Board upon acceptance of the grants. These grants are subject to State imposed project length budgets and monitored through submission of reimbursement reports to the State.

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

1. Prior to June 30, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
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 July 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. During the year, amendments are presented to the Board at its regular meetings. 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. All supplemental appropriations must be within limits of available revenues and fund equity.
4. Each budget is controlled by the budget director at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Note 2 - Stewardship, Compliance, and Accountability (continued)

B. Encumbrances

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 account is 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. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

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

Note 3 - Deposits (Cash) and Investments

A. Authorization for Deposits and Investments

The Texas Education Code (TEC) and the Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code and the District Investment Strategy, regulate deposits and investment transactions of the District.

The TEC authorizes the District to invest any of its funds in direct debt securities of the United States or other types of bonds, securities, and warrants in accordance with applicable provisions.

The TEC authorizes the District to place the proceeds from debt issues in properly secured or collateralized interest-bearing time deposits with any Texas state or national bank having federal depository insurance coverage (FDIC) for depositors or directly in bonds or other obligations of the United States or U.S. Agency securities. TEC requirements prohibit the District from investing debt issue proceeds in interest-bearing time deposits that have any chance of original invested principal loss.

In accordance with applicable statutes, the District has a depository contract with a local bank (depository) providing interest rates to be earned on deposited funds and fixed fees for banking services received. The District may place funds with the depository in interest and non-interest-bearing accounts. Statutes and the depository contract require full security for all funds in the depository institution through federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The depository must deliver the collateral securities to the District or place them with an independent trustee institution. The depository is required to deliver the safekeeping receipts to the District. In accordance with Texas statutes, the safekeeping receipts are in the name of the depository with proper indication of pledge of the collateral securities by the depository to secure funds of the District. The District must approve all collateral securities pledged and also must approve in writing any changes to the pledged collateral securities.

Interest earned from investments from the Campus Activity Fund for fiscal year 2025 has been assigned to the General Operating Fund in the amounts of \$417,392. The interest was used to offset the maintenance and service fees for the accounts.

Note 3 – Deposits (Cash) and Investments (continued)

A. Authorization for Deposits and Investments (continued)

The District has adopted a written investment policy [CDA (LEGAL) and CDA (LOCAL)] regarding the investment of its funds as defined by the PFIA. The PFIA also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District complies with the requirements of the Act and with local policies

The District's investment policy permits investment of District funds in only the following investment types, consistent with the strategies and maturities defined in the policy:

1. Obligations of or guaranteed by governmental entities as permitted by Government Code 2256.009
2. Fully collateralized Certificates of deposit and share certificates as permitted by Government Code 2256.010
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011
4. Commercial paper as permitted by Government Code 2256.013
5. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014
6. Public funds investment pools as permitted by Government Code 2256.016

The District's investment policy specifically prohibits investment of District funds in the following investment types:

1. Collateralized mortgage obligations
2. Reverse repurchase agreements
3. Corporate bonds issued by domestic business entities

A summary of the District's cash and investments at June 30, 2025 are shown below.

	Cash and Deposits	Investment Pools	Agency Securities	Total
General Fund	\$ 116,659,796	\$ 56,045,512	\$ -	\$ 172,705,308
Debt Service Fund	3,551,684	92,404,114	69,788,500	165,744,298
Capital Projects Fund	50,603	136,780,181	-	136,830,784
Non-major Governmental Funds	3,295,831	28,510,503	-	31,806,334
Total Governmental Funds	123,557,914	313,740,310	69,788,500	507,086,724
Internal Service Funds	166,483	15,778	-	182,261
Total Governmental Activities	123,724,397	313,756,088	69,788,500	507,268,985
Enterprise Funds	459,649	1,218,766	-	1,678,415
Total Government Wide Statements	124,184,046	314,974,854	69,788,500	508,947,400
Fiduciary Funds	34,490	-	-	34,490
Total Cash and Investments	\$ 124,218,536	\$ 314,974,854	\$ 69,788,500	\$ 508,981,890

Note 3 – Deposits (Cash) and Investments (continued)

A. Authorization for Deposits and Investments (continued)

The table below shows the investment pools and U.S. Securities balances along with the weighted average maturity and credit rating for the District’s investments at June 30, 2025.

	Fair Value	Percent of Investment	Weighted Avg. Maturity (Years)	S & P Credit Quality Rating
U.S. Securities and U.S. Agency Securities				
U.S. Treasury Bonds and Notes	\$ 39,894,500	10.37%	34	n/a
Federal Home Loan Bank Discount Notes	29,894,000	7.77%	27	n/a
Total U.S. Securities and U.S. Agency Securities	69,788,500	18.14%	61	
Public Funds Investment Pools*				
Lone Star	68,095,737	17.70%	28	AAAm
Texas CLASS	40,439,974	10.51%	37	AAAm
Texas-FIT	3,463,376	0.90%	27	AAAm
Texas Range	68,125,583	17.71%	43	AAAm
TexPool	68,133,466	17.71%	35	AAAm
TexSTAR	66,716,718	17.34%	48	AAAm
Total Public Funds Investment Pools	314,974,854	81.86%	218	
Total U.S. Securities and Public Funds Investment Pools	\$ 384,763,354	100.00%	279	

* Per GASB 79, valued at amortized cost.

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

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

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

Investments’ fair value measurements are as follows at June 30, 2025:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities:				
U.S. Treasury Bonds and Notes	\$ 39,894,500	\$ 39,894,500	\$ -	\$ -
Federal Home Loan Bank Discount Notes	29,894,000	-	29,894,000	-
Total Debt Securities	\$ 69,788,500	\$ 39,894,500	\$ 29,894,000	\$ -

Note 3 – Deposits (Cash) and Investments (continued)

A. Authorization for Deposits and Investments (continued)

U.S. Treasury Bonds and Notes classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. U.S. Agency Securities classified in Level 2 of the fair value hierarchy are valued using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

B. Interest Rate Risk

The District measures interest rate risk using the weighted average maturity method based on the fund in which the District makes investments. The District's Investment Strategy specifies limitations for weighted average maturities for investments in all funds and for investments in the General Fund.

For all funds, weighted average maturities of U.S. Agency security investments are limited by the District's investment policy to two years or less. Repurchase agreements are limited to a maximum maturity of 30 days and certificates of deposit are limited to a maximum maturity of one year. For bond proceeds and other bond funds, the District may specifically authorize investments in repurchase agreements with maturities in excess of 30 days, subject to any required approvals from bond insurers and the Board. Under adverse market conditions, the District may deviate from the limitations outlined above for periods of 90 days or less, with the Superintendent's approval, in order to sufficiently maintain safety and liquidity.

C. Credit Risk

Credit risk is the possibility of loss occurring due the inability of an investment instrument to meet financial obligations. As of June 30, 2025, investments were diversified in local government investment pools, money market funds, and U.S. agency securities with sufficient ratings from S&P Global to reduce the probability of loss and comply with the District's investment policy.

The District participates in the First Public Local Government Pool ("Lone Star"), an external local government investment pool serving local governments since 1991. A Board of Trustees composed of active members of the Pool is responsible for the overall management of Lone Star. The funds are managed by two separate investment advisors - American Beacon Advisors and Mellon Investment Corp. GASB Statement No. 31 allows pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value to report net position to compute share price. The fair value of the District's position in Lone Star is the same as the value of Lone Star shares. Lone Star has a Standard & Poor's rating of AAAM.

The District participates in the Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), an external investment pool. Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated AAAM by S&P Global. The AAAM principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management. The District's fair value in Texas CLASS is the same as the value of the pool shares.

The District participates in the Texas Local Government Investment Pool ("TexPool"), a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

Note 3 - Deposits (Cash) and Investments (continued)

C. Credit Risk (continued)

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by S&P Global. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

The District participates in the Texas Range Local Government Investment Pool ("Texas Range"), an external investment pool. Texas Range was established under the provisions of the Interlocal Cooperation's Act, Chapter 791 of the Texas Government Code and Chapter 2256 of the Public Funds Investment Act. An Advisory Board composed of participants and non-participant members elected by the participant shareholders of Texas Range is responsible for the overall management of Texas Range, including formulation and implementation of its investment and operating policies. In addition, Advisory Board members select and oversee the activities of the Investment Advisor and Custodian of Texas Range and monitor investment performance and the method of valuing the shares. Texas Range is a floating net asset value fund and has a rating from S&P Global of AAAM. It is a fundamental objective of Texas Range to assure the return of principal and interest at the date planned for redemption of shares; however, the net asset value of shares may fluctuate prior to the planned redemption date. GASB Statement No. 31 allows that the value at maturity and fair value to be the same for investment positions that mature within one year of the purchase date of the position. Therefore, Texas Range's fair value and the value at maturity for the District's investment are the same.

The District participates in the TexSTAR Local Government Investment Pool ("TexSTAR"), an external investment pool. The pool is overseen by a five-member governing board made up of three participants and one of each of the program's professional administrators. The responsibility of the board includes the ability to influence operations, designation of management, and accountability for fiscal matters. In addition, the pool has a Participant Advisory Board which provides input and feedback on the operations and direction of the program and S&P Global reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. GASB Statement No. 31 allows pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value to report net position to compute share price. The fair value of the District's position in TexSTAR is the same as the value of TexSTAR shares.

The District participates in the Texas Fixed Income Trust Government Pool ("Texas-FIT"), created as a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. Texas-FIT provides Texas' public entities a conservatively managed, PFIA compliant, investment option with no corporate exposure. The Texas-FIT Government Pool seeks preservation of principal, a competitive yield and a stable NAV, while also providing same day liquidity to its participants. Texas-FIT is overseen by a Board of Trustees and an Advisory Board, composed of Participants and other persons who do not have a business relationship with the Trust, but are qualified to advise the Trust. Texas-FIT is rated AAAMmf by Fitch Ratings, Inc. and meets the requirements of GASB Statement No. 79 and, as such, measures its investments at amortized cost.

The Local Government Investment Pools in which the District invests do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

The District's Investment Portfolio policy is diversified by market sector in accordance with the District's investment policy.

Note 3 - Deposits (Cash) and Investments (continued)

C. Credit Risk (continued)

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the district's deposits may not be returned to it. As of June 30, 2025, the District's bank's balances were not exposed to custodial credit risk because they were insured and collateralized with securities held by the District's agent and in the District's name.

Custodial credit risk - investments

For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's agent, the Federal Home Loan Bank of Dallas, holds securities in the District's name; therefore, the District is not exposed to custodial credit risk on its investments.

Note 4 - Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On February 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District (CAD) of Fort Bend County, Texas, establishes appraised values as of January 1 of each year. Prior to July 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate based on the appraised values received from the CAD, thus creating the levy, which Fort Bend County bills and collects on behalf of the District.

Property tax rates, established in accordance with state law, are levied on real and personal property within the District's boundaries for use in financing general government and debt service expenditures.

Tax rates levied to finance general government and debt service expenditures for fiscal year 2025 were \$0.7169 and \$0.27, respectively, per \$100 of valuation, based on an assessed property valuation of approximately \$61.8 billion, resulting in a tax levy of approximately \$573.5 million. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off by the District, as provided by specific statutory authority from the Texas Legislature

Governmental funds net property taxes receivable at June 30, 2025, consisted of the following:

	General Fund	Debt Service Fund	Total
Delinquent Taxes			
Delinquent Taxes Receivable	\$ 15,193,326	\$ 5,144,869	\$ 20,338,195
Penalty and Interest on Delinquent Taxes	6,057,253	1,775,155	7,832,408
Total Delinquent Taxes and Penalty and Interest	21,250,579	6,920,024	28,170,603
Less Allowance for Uncollectible Taxes	(9,845,063)	(2,893,643)	(12,738,706)
Net Property Taxes Receivable	<u>\$ 11,405,516</u>	<u>\$ 4,026,381</u>	<u>\$ 15,431,897</u>

Note 5 - Interfund Receivables, Payables and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the General Fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more Non-major Governmental funds. The District had not cleared the interfund payables and receivables at year-end. Most of the amounts represent short-term borrowings between funds for operating expense payments.

Interfund Receivables	Interfund Payables					Totals
	General Fund	Capital Projects Fund	Non-major Governmental Funds	Internal Service Funds	Enterprise Funds	
General Fund	\$ -	\$ 846	\$ 7,838	\$ 3,985,043	\$ 30	\$ 3,993,757
Capital Projects Fund	287,979	-	-	-	-	287,979
Non-major Governmental Funds	4,930,056	500,000	66,112	220,765	-	5,716,933
Internal Service Funds	-	-	-	-	1,352,119	1,352,119
Enterprise Funds	5,393	-	12,430	5,296	-	23,119
Totals	<u>\$ 5,223,428</u>	<u>\$ 500,846</u>	<u>\$ 86,380</u>	<u>\$ 4,211,104</u>	<u>\$ 1,352,149</u>	<u>\$ 11,373,907</u>

The following transfers were recorded during fiscal year ended June 30, 2025:

- A transfer of \$1.25 million was made from the Extended Learning Fund to the General Fund.
- A transfer of \$1.25 million was made from the Facility Rental Fund to the General Fund.
- A transfer of \$0.5 million was made from the Unemployment Insurance Fund to the Health Insurance Fund to cover current year deficit.
- A transfer of \$324,000 was made from the Facility Rental Fund to the Print Shop Fund to cover current year deficit.

Note 6 - Due From Other Governments and Other Receivables

Receivables as of June 30, 2025 for the District's individual major funds and non-major funds in the aggregate are as follows:

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total
Due from State Agencies				
State Expenditure Reimbursement	\$ 102,194,943	\$ -	\$ 12,356,302	\$ 114,551,245
Due from County Agency	2,301,812	82,973	58,159	2,442,944
Due from Federal Agencies				
Federal Expenditure Reimbursement	189,021	-	-	189,020
Total Due from Other Governments	<u>\$ 104,685,776</u>	<u>\$ 82,973</u>	<u>\$ 12,414,461</u>	<u>\$ 117,183,210</u>

All receivables are expected to be collected within one year from the end of the fiscal year.

FORT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

Exhibit F-1

Note 7 - Capital Assets

Capital asset activity for the governmental activities of the District for the year ended June 30, 2025, are as follows:

	Balance July 1, 2024	Additions	Retirements and Transfers	Balance June 30, 2025
Governmental Activities				
Capital Assets Not Being Depreciated/Amortized				
Land	\$ 105,397,598	\$ 1,535	\$ -	\$ 105,399,133
Construction in Progress	115,471,366	258,930,587	(65,386,153)	309,015,800
Total Capital Assets Not Being Depreciated/Amortized	<u>220,868,964</u>	<u>258,932,122</u>	<u>(65,386,153)</u>	<u>414,414,933</u>
Capital Assets Being Depreciated/Amortized				
Buildings and Improvements	1,952,300,830	65,386,153	(1,798,685)	2,015,888,298
Furniture and Equipment	68,248,086	74,478,945	(6,803,990)	135,923,041
Vehicles	50,978,599	7,337,133	(1,308,332)	57,007,400
Subscription Based IT Assets	8,030,844	4,418,094	(3,064,184)	9,384,754
Right to Use Lease Assets - Equipment	4,816,326	-	(2)	4,816,324
Total Capital Assets Being Depreciated/Amortized	<u>2,084,374,685</u>	<u>151,620,325</u>	<u>(12,975,193)</u>	<u>2,223,019,817</u>
	<u>2,305,243,649</u>	<u>410,552,447</u>	<u>(78,361,346)</u>	<u>2,637,434,750</u>
Less Accumulated Depreciation/Amortization				
Buildings and Improvements	(709,224,256)	(58,730,257)	1,252,710	(766,701,803)
Furniture and Equipment	(50,681,665)	(12,648,567)	7,117,156	(56,213,076)
Vehicles	(39,564,000)	(3,874,181)	1,316,128	(42,122,053)
Subscription Based IT Assets	(3,830,903)	(2,241,021)	3,002,392	(3,069,532)
Right to Use Lease Assets - Equipment	(1,695,596)	(1,508,090)	-	(3,203,686)
Total Accumulated Depreciation/Amortization	<u>(804,996,420)</u>	<u>(79,002,116)</u>	<u>12,688,386</u>	<u>(871,310,150)</u>
Governmental Activities Capital Assets	<u>\$ 1,500,247,229</u>	<u>\$ 331,550,331</u>	<u>\$ (65,672,960)</u>	<u>\$ 1,766,124,600</u>

Capital asset activity for the business-type activities of the District for the year ended June 30, 2025, are as follows:

	Balance July 1, 2024	Additions	Retirements and Transfers	Balance June 30, 2025
Business-type Activities				
Capital Assets Being Depreciated/Amortized				
Buildings and Improvements	\$ 2,993,135	\$ -	\$ -	\$ 2,993,135
Furniture and Equipment (FFE)	1,552,219	573,422	(28,764)	2,096,877
Total Capital Assets Being Depreciated/Amortized	<u>4,545,354</u>	<u>573,422</u>	<u>(28,764)</u>	<u>5,090,012</u>
Less Accumulated Depreciation/Amortization:				
Buildings and Improvements	(1,730,447)	(71,802)	-	(1,802,249)
Furniture and Equipment (FFE)	(1,552,219)	(44,403)	28,764	(1,567,858)
Total Accumulated Depreciation/Amortization	<u>(3,282,666)</u>	<u>(116,205)</u>	<u>28,764</u>	<u>(3,370,107)</u>
Business-type Activities Capital Assets	<u>\$ 1,262,688</u>	<u>\$ 457,217</u>	<u>\$ -</u>	<u>\$ 1,719,905</u>

Note 7 - Capital Assets (continued)

Depreciation/Amortization expense of the governmental activities for the year ending June 30, 2025, was charged to the functions/programs as follows:

Governmental Activities Depreciation/Amortization Expense		
11	Instruction	\$ 58,193,964
12	Instructional Resources and Media Services	2,099,728
13	Curriculum and Staff Development	3,177
21	Instructional Leadership	539,858
23	School Leadership	682,951
31	Guidance, Counseling and Evaluation Services	531,221
32	Social Work Services	51,660
33	Health Services	141,029
34	Student Transportation	2,784,259
35	Food Service	2,360,121
36	Extracurricular activities	1,682,985
41	General Administration	166,717
51	Plant, Maintenance and Operations	1,886,813
52	Security and Monitoring Services	792,599
53	Data Processing Services	3,449,944
61	Community Services	5,624
Total Depreciation Expense-Governmental Activities		<u>\$ 75,372,650</u>
Right to Use Lease Asset Amortization		<u>\$ 1,508,090</u>
Subscription Based IT Asset Amortization		<u>\$ 2,242,416</u>

Construction budgets and remaining commitments under related construction contracts at June 30, 2025, follows:

<u>Project</u>	<u>Contract Expenditures</u>	<u>Other Project Costs</u>	<u>Construction in Progress</u>
New School Construction	\$ 125,436,661	\$ 16,771,626	\$ 142,208,287
Elementary Schools	33,183,147	30,678,613	63,861,760
Middle Schools	23,621,742	6,378,420	30,000,162
High Schools	54,365,093	11,460,732	65,825,825
Support Facilities	4,389,597	2,730,169	7,119,766
Totals	<u>\$ 240,996,240</u>	<u>\$ 68,019,560</u>	<u>\$ 309,015,800</u>

Note 7 - Capital Assets (continued)

Construction Commitments at June 30, 2025 are as follows:

Project	Remaining Commitment
New Schools	
Aldridge ES	\$ 5,433,746
Mission ES	1,716,474
Ferndell ES	2,819,066
Coleman MS	29,854,557
Elementary School #52 FB Tollway	3,859,627
Clements HS Rebuild	166,852,161
Athletic Renovations - Various Campuses	6,263,082
Exterior Lighting - Various Campuses	565,678
Façade Upgrade - Various Campuses	961,614
Flooring - Various Campuses	145,620
HVAC - Various Campuses	21,882,355
Kitchen Renovations - Various Campuses	13,788,630
Miscellaneous Renovations - Various Campuses	38,322,284
Natatorium I & II Renovations	784,945
Renovations - Various Campuses	1,923,704
Restroom Renovations - Various Campuses	9,014,047
Roofing - Various Campuses	7,111,883
Sitework - Various Campuses	4,038,201
T-Buildings - Various Campuses	13,161
	<u>\$ 315,350,835</u>

Note 8 – Right to Use Lease Assets

The District has entered into agreements to lease equipment, modular buildings and warehouse space which have been accounted for in accordance with GASB 87. The District is required to make monthly payments at its incremental borrowing rate, or the interest rate stated or implied in the lease which ranges from 3.5 percent to 4.13 percent.

The future principal and interest lease payments for governmental activities as of June 30, 2025, follow:

Year Ending June 30	Principal	Interest	Total Requirement
2026	\$ 1,380,860	\$ 34,456	\$ 1,415,316
2027	124,671	8,049	132,720
2028	129,105	3,615	132,720
2029	32,987	193	33,180
	<u>\$ 1,667,623</u>	<u>\$ 46,313</u>	<u>\$ 1,713,936</u>

Note 9 – Subscription Based Information Technology Arrangements (SBITA)

The District has entered into arrangements for the right to use other party's information technology software which have been accounted for in accordance with GASB 96. The District is required to make monthly payments at its incremental borrowing rate, or the interest rate stated or implied in the subscription term which ranges from 3.5 percent to 4.13 percent.

The future principal and interest SBITA payments for governmental activities as of June 30, 2025, follow.

Year Ending June 30	Principal	Interest	Total Requirement
2026	\$ 998,108	\$ 60,127	\$ 1,058,235
2027	664,863	35,259	700,122
2028	711,147	18,246	729,393
	<u>\$ 2,374,118</u>	<u>\$ 113,632</u>	<u>\$ 2,487,750</u>

Note 10 - Long-Term Liabilities

The District's long-term liabilities consist of bond indebtedness, self-insured health claims, self-insured workers' compensation, compensated absences, leases, and subscriptions. Current requirements for general obligation bonds principal and interest expenditures are accounted for in the Debt Service Fund. The current requirements for self-funded health and workers' compensation claims are accounted for and liquidated in the respective Internal Service Fund. The current requirements for compensated absences, leases, and subscriptions are accounted for in the General Fund.

A. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities of the District for the year ended June 30, 2025, are as follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Bonds payable					
General obligation bonds	\$ 1,765,610,000	\$ 336,005,000	\$ (175,170,000)	\$ 1,926,445,000	\$ 109,800,000
Premium	110,664,768	9,273,734	(7,715,573)	112,222,929	-
Health claims	7,141,000	81,732,338	(80,761,338)	8,112,000	8,112,000
Workers' compensation claims	3,527,093	1,602,241	(1,776,893)	3,352,441	902,004
Compensated absences *	9,553,133	1,102,235	-	10,655,368	1,102,238
Right to use lease liabilities	3,180,019	-	(1,512,396)	1,667,623	1,380,860
Subscription-based IT arrangements	3,850,793	-	(1,476,675)	2,374,118	998,108
	<u>\$ 1,903,526,806</u>	<u>\$ 429,715,548</u>	<u>\$ (268,412,875)</u>	<u>\$ 2,064,829,479</u>	<u>\$ 122,295,210</u>

*Compensated absences beginning balance has been adjusted upon adoption of GASB 101 - Compensated Absences. The change in compensated absences above is a net change for the year.

All of the \$1.9 billion in outstanding general obligation bonds and related liabilities for the governmental activities of the District is backed by the full faith of the State of Texas Permanent School Fund.

B. General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities and to purchase school buses and land for future schools.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with various amounts of principal maturing each year. Bonds are payable solely from Debt Service Fund revenues which consist primarily of property tax revenues and state aid.

Note 10 - Long-Term Liabilities (continued)

B. General Obligation Bonds (continued)

The following is a summary of changes in the general obligation bonds for the year ended June 30, 2025:

Series	Interest Rate Payable	Amounts Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2014	5.00%	\$ 71,725,000	2030	\$ 6,315,000	\$ -	\$ (1,995,000)	\$ 4,320,000
2016A	5.00%	70,550,000	2026	28,650,000	-	(10,755,000)	17,895,000
2017A	4.00-5.00%	47,505,000	2042	40,930,000	-	(1,400,000)	39,530,000
2017B	2.00-5.00%	36,825,000	2042	31,465,000	-	(1,075,000)	30,390,000
2017E	3.00-5.00%	91,110,000	2027	50,045,000	-	(5,665,000)	44,380,000
2018	3.00-5.00%	132,625,000	2043	126,080,000	-	(1,505,000)	124,575,000
2018(TXBL)	2.44-4.18%	60,000,000	2048	53,855,000	-	(1,320,000)	52,535,000
2019A(R2022)	2.38%	81,555,000	2049	1,675,000	-	(1,675,000)	-
2019B	3.00-5.00%	131,550,000	2034	110,645,000	-	-	110,645,000
2019C	3.00-5.00%	125,330,000	2049	110,655,000	-	(4,080,000)	106,575,000
2020	3.00-5.00%	167,050,000	2050	133,440,000	-	(9,590,000)	123,850,000
2020A	2.00-5.00%	106,605,000	2050	100,590,000	-	(2,125,000)	98,465,000
2020B	0.88%	100,000,000	2050	76,955,000	-	(75,475,000)	1,480,000
2021A	2.30-5.00%	90,705,000	2051	87,825,000	-	(1,760,000)	86,065,000
2021B	0.72%	136,995,000	2051	115,235,000	-	(2,645,000)	112,590,000
2022A	4.00-5.00%	164,505,000	2042	137,255,000	-	(10,650,000)	126,605,000
2023	4.00-5.00%	97,525,000	2053	97,525,000	-	(43,455,000)	54,070,000
2024A	4.25-5.00%	257,840,000	2054	257,840,000	-	-	257,840,000
2024B	3.73%	198,630,000	2054	198,630,000	-	-	198,630,000
2025A	5.00-5.25%	192,170,000	2055	-	192,170,000	-	192,170,000
2025B	3.80%	143,835,000	2055	-	143,835,000	-	143,835,000
Totals - Bonds Payable at Original Par Value				1,765,610,000	336,005,000	(175,170,000)	1,926,445,000
For issuance Premiums				110,664,768	9,273,734	(7,715,573)	112,222,929
Total - Bonds Payable, net				<u>\$ 1,876,274,768</u>	<u>\$ 345,278,734</u>	<u>\$ (182,885,573)</u>	<u>\$ 2,038,667,929</u>

The District is in compliant with all significant bond and note limitations and restrictions.

In April 2025, the District issued \$192,170,000 of fixed rate Series 2025A Unlimited Tax School Building and Refunding Bonds consisting of \$47,935,000 for the Tax-Exempt Commercial Paper (TECP) refunding (consisting of \$44,100,200 from the 2023 Bond Election, \$1,917,400 from the 2018 bond Election, and \$1,917,400 from the 2014 Bond Election) and \$144,235,000 of new debt from the 2023 Bond Election. The transaction had a related premium of \$9,273,734 with a District contribution of \$216,986 at closing and no deferred gain or loss recorded. The new debt has interest rates ranging from 5.00 percent to 5.25 percent with maturities from 2026 to 2055. The District received \$150,000,000 in proceeds from the transaction. Interest on the bonds accrue from the closing date of May 21, 2025, and are payable on February 15 and August 15 thereafter, with the initial interest payment on August 15, 2025.

The refunding portion of the Series 2025A Bonds was for the District's TECP and therefore did not generate cash flow savings or net present value savings.

In addition, the District issued \$143,835,000 of Variable Rate Series 2025B Unlimited Tax Refunding Bonds consisting of \$66,335,000 which refunded the Series 2020B variable rate bonds and \$77,500,000 for the TECP refunding (consisting of \$64,500,000 from the 2023 Bond Election, \$12,000,000 from the 2018 bond Election, and \$1,000,000 from the 2014 Bond Election). The District contributed \$8,759,846 to the closing which includes the \$7,100,000 of debt service funds authorized by the Board of Trustees to redeem outstanding bonds with a resulting deferred loss of \$0.6 million. The proceeds from the refunding of the Series 2020B bonds were deposited into an irrevocable escrow account to provide for future principal

Note 10 - Long-Term Liabilities (continued)

B. General Obligation Bonds (continued)

and interest on the bonds which will be paid in July 2025. The new debt has an interest rate of 3.80 percent for an initial rate period of three years. The bonds convert to a stepped-up interest rate of 7 percent after the initial period in the event the bonds are not remarketed. Interest on the bonds accrue from the closing date of May 21, 2025, and are payable on February 1 and August 1 thereafter, with the initial interest payment on August 1, 2025. Due to the nature of variable rate bonds and the expiration of the five-year initial rate period for the Series 2020B Bonds, cash flow savings and net present value savings cannot be calculated for the refunding of the Series 2020B Bonds which were included in the Series 2025B issuance.

The District has outstanding variable rate unlimited tax refunding bonds. These bonds were issued as term bonds scheduled to mature on various dates. Following the initial rate period, the bonds will bear interest at a term rate determined by the remarketing agent with a term rate period specified by the District; however, the interest rate mode on the bonds may at the District's option, be converted from time to time to a weekly rate, monthly rate, quarterly rate, semiannual rate, or a different term rate period; or to a flexible rate; or to a fixed rate until maturity. The bonds are subject to mandatory redemption and a mandatory redemption schedule for each subseries has been established.

The following is a summary of outstanding variable rate unlimited tax refunding bonds issued by the District as of June 30, 2025:

	Outstanding Principal Amount	Issue Date	Initial/ Current Rate Period	Stated Maturity Date	Initial/ Remarketed Interest Rate	Initial/ Remarketed Yield	Stepped Rate
Series 2021B	\$ 112,590,000	6/24/2021	8/1/2026	8/1/2051	0.72%	0.72%	7.00%
Series 2024B	198,630,000	6/26/2024	8/1/2027	8/1/2054	4.00%	3.73%	7.00%
Series 2025B	143,835,000	5/21/2025	8/1/2028	8/1/2055	3.80%	3.80%	7.00%

The interest rate borne by these bonds cannot exceed the lesser of a maximum rate of 8 percent or the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended. In the event of a failed remarketing, a step rate will be invoked until such a time as the bonds are successfully remarketed. A failed remarketing will not be considered an event of default.

In accordance with the District's Fiscal and Budgetary Strategy, the District can issue a maximum of 25 percent in variable rate debt in proportion to the total debt outstanding. As of June 30, 2025, the District had 23.7 percent of variable rate debt outstanding.

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2025, follow:

Year Ending June 30	Principal	Interest	Total Requirements
2026	\$ 109,800,000	\$ 72,176,776	\$ 181,976,776
2027	106,295,000	73,800,128	180,095,128
2028	61,700,000	72,603,073	134,303,073
2029	81,715,000	72,246,315	153,961,315
2030	82,340,000	70,333,009	152,673,009
2031-2035	353,650,000	296,502,240	650,152,240
2036-2040	286,275,000	227,296,022	513,571,022
2041-2045	309,415,000	161,123,398	470,538,398
2046-2050	327,365,000	90,107,645	417,472,645
2051-2055	196,880,000	25,505,434	222,385,434
2056-2060	11,010,000	457,013	11,467,013
Totals	\$ 1,926,445,000	\$ 1,162,151,053	\$ 3,088,596,053

As of June 30, 2025, the District had \$10.25 million of authorized but unissued unlimited tax bonds from the 2014 bond election, \$41.73 million of authorized but unissued unlimited tax bonds from the 2018 bond election, and \$815.7 million of authorized but unissued unlimited tax bonds from the 2023 bond election.

Note 10 - Long-Term Liabilities (continued)

B. General Obligation Bonds (continued)

The District defeased certain outstanding bonds 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 respective trust account assets and the related liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2025, the following outstanding bond was considered defeased:

Series	Amount	Date Callable
Series 2020B Variable Rate School Building & Refunding Bonds	\$ 73,735,000	8/1/2025

Note 11 – Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income at yields that exceed the issuer's tax-exempt borrowing rates. The Treasury requires that rebatable arbitrage be calculated for tax purposes every fifth year that a debt issue is outstanding and at maturity. In the District's government-wide statements, a liability must be recognized as soon as rebatable arbitrage occurs. However, in the fund financial statements, consistent with the modified accrual basis of accounting, no liability is recognized until due and payable. The District estimates and updates its liability annually for all tax-exempt issuances. As of June 30, 2025, the District has no arbitrage liability that is due and payable.

Note 12 - Short-Term Debt

In September 2016, the District's Board of Trustees adopted an Order ("Order") approving the issuance of District Unlimited Tax Commercial Paper Notes, Series A, in an aggregate principal amount not to exceed \$100.0 million. In January 2019, the Board adopted an amended order raising the maximum principal amount to \$150.0 million. The proceeds of the Commercial Paper Notes shall be used for constructing, renovating, and equipping school buildings for the District, all authorized by the voters of the District in the November 2007, 2014, and 2018 bond elections and the May 2023 bond election. In January 2021, the Board adopted an amendment to the Order eliminating the Series B loan note requirement with the liquidity provider, JPMorgan Chase.

An amendment to the Series B portion of the Program was approved by the Board in October 2022 to extend the expiration date to November 1, 2025, and to transition from the expiring London Interbank Offered Rate (LIBOR) to the Secured Overnight Finance Rate (SOFR) as the preferred alternative to LIBOR. In addition, the District extended the expiration date of the Revolving Credit Agreement supporting the Series A portion of the Commercial Paper Program ("Program") to November 1, 2025.

The Commercial Paper Notes will mature in not more than 270 days from issuance and are supported by the revolving credit agreement with JPMorgan Chase Bank. The short-term ratings on the Commercial Paper Program are F1+ by Fitch. The Commercial Paper Notes are secured by a pledge of the proceeds from the sales of Commercial Paper Notes from time to time issued to pay the principal amount of outstanding Commercial Paper Notes, from the sale of general obligation bonds issued by the District from time-to-time hereafter for the purpose of paying the principal and interest on outstanding Commercial Paper Notes, amounts held in the Commercial Paper note Payment Account and /or proceeds of the tax levy.

Series A of the Commercial Paper Program is used for issuing notes for funds as needed. As of June 30, 2025, the District did not have an outstanding balance of Tax-Exempt Commercial Paper- Series A.

Interest rates that the District obtained for the various Commercial Paper Notes that were issued during the fiscal year ending June 30, 2025, ranged from 2.85 percent to 4.4 percent.

Note 12 - Short-Term Debt (continued)

Changes in the Commercial Paper Program are as follows:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Beginning of the period liability	\$ -	\$ -
Commercial paper issuance	135,000,000	245,000,000
Commercial paper retirements	(135,000,000)	(245,000,000)
End of the period liability	<u>\$ -</u>	<u>\$ -</u>

Note 13 - Deferred Inflows of Resources and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are considered unavailable to liquidate liabilities in the current period. Revenue recognition in governmental and proprietary funds does not occur until resources that have been received in advance are earned. A summary of deferred inflows of resources and unearned revenue by fund follows:

	<u>Deferred Inflows of Resources Relating to Property Taxes</u>	<u>Unearned Revenue</u>
General Fund		
Net property taxes receivable	\$ 9,704,703	\$ -
Summer program prepaid revenues		7,000
Debt Service		
Net property taxes receivable	3,347,097	-
Non-major Governmental Funds		
Grant funds received prior to meeting eligibility requirements	-	1,820,183
National School Breakfast and Lunch prepaid revenues	-	1,072,776
Enterprise Funds		
Summer program prepaid revenues	-	849,702
Internal Service Funds		
Benefit prepaid contributions	-	4,849,736
Total - All Funds	<u>\$ 13,051,800</u>	<u>\$ 8,599,397</u>

Note 14 - Committed, Assigned and Deficit Fund Balance

A. Committed Fund Balance

At June 30, 2025, the District committed \$67.3 million in the General Fund for potential loss of state funding.

The committed fund balance for potential loss of state funding was established by the Board by adopting the District's fiscal policy which states that the District will commit at least thirty days or eight and a third percent (8.33 percent) of net budgeted operating expenditures and by Board resolution of committing fund balances. The committed balance will grow as budgeted operating expenditures increase and any increase will require Board Resolution. If a budgetary shortfall is projected due to loss of state funding, the District would take action as outlined in the fiscal policy budgetary contingency plan. If those actions were insufficient to offset the revenue deficit, the District would develop an expenditure reduction plan for approval by the Board and one option available to the Board would be to utilize the committed fund which would require Board action.

At June 30, 2025, the District committed \$8.0 million in the Non-major Governmental Fund for campus activity funds.

Note 14 - Committed, Assigned and Deficit Fund Balance (continued)

B. Assigned Fund Balance

The District has assigned \$4.1 million for outstanding purchase orders for the purpose of acquiring educational supplies and services that will be honored in fiscal year 2026.

Note 15 – Net Investment in Capital Assets Calculation

The net investment in capital assets as of June 30, 2025, consists of the following:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation/amortization	\$ 1,766,124,600	\$ 1,719,905
Capital related debt:		
Bonds payable	(1,926,445,000)	-
Capital related liabilities	(69,863,389)	-
Unamortized issuance premiums	(112,222,929)	-
Right to use lease assets payable	(1,667,623)	-
Subscription based IT arrangements	(2,374,118)	-
Non-capitalized debt	435,699,792	-
Unspent bond proceeds	137,522,977	-
Capital related deferred gain on refunding	(18,783,567)	-
Net Investment In Capital Assets	<u>\$ 207,990,743</u>	<u>\$ 1,719,905</u>

Note 16 - Revenues from Local, Intermediate and Other Sources

A summary of local revenues recorded in the governmental funds for the fiscal year ended June 30, 2025, follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total
Property Taxes	\$ 402,414,265	\$ 151,557,888	\$ -	\$ -	\$ 553,972,153
Penalties, Interest and Other	1,381,858	331,846	-	-	1,713,704
Tax Related Income					
Insurance Recovery	964,152	-	202,647	-	1,166,799
Summer School, Tuition and Fees	1,325,515	-	-	-	1,325,515
Investment Income	10,333,683	5,355,639	3,901,607	1,147,718	20,738,647
Food Sales	-	-	-	10,706,965	10,706,965
Co-curricular Student Activities	1,310,411	-	-	10,873,057	12,183,468
Other	1,215,498	-	-	866,000	2,081,498
Totals	<u>\$ 418,945,382</u>	<u>\$ 157,245,373</u>	<u>\$ 4,104,254</u>	<u>\$ 23,593,740</u>	<u>\$ 603,888,749</u>

Note 17 - General Fund Federal Program Revenues

A summary of federal program revenues received in the General Fund for the year ended June 30, 2025:

Program or Source	Federal ALN	Amount
School Health and Related Services (SHARS)	N/A	\$ 6,019,313
Reserve Officers' Training Corps (ROTC)	12.000	939,211
E-Rate	N/A	190,616
Indirect Costs:		
ESEA, Title I, Part A - Improving Basic Programs	84.010A	751,511
IDEA - Part B, Formula	84.027A	635,037
IDEA - Part B, Preschool	84.173A	5,225
IDEA - Part B, Discretionary (Deaf)	84.027A	6,110
IDEA C Early Intervention (Deaf)	84.027A	42
Texas Education for Homeless Children and Youth	84.196A	4,527
Child and Adult Care Food Program	10.558	76,826
National School Lunch Program (Commodities)	10.555	221,327
National School Breakfast Program	10.553	391,050
National School Lunch Program	10.555	1,705,024
Perkins V: Strengthening CTE For 21st Century	84.048A	32,882
ESEA, Title II, Part A, Supporting Effective Instruction	84.367A	111,003
ESEA, Title III, Part A, English Language Acquisition and Language Enhancement	84.365A	62,365
ARP ESSER Homeless Children and Youth	84.425W	11,298
Texas COVID Learning Acceleration Supports (TCLAS), ESSER III	84.425U	48,422
ARP Homeless II	84.425W	7,197
Elementary and Secondary School Emergency Relief- ESSER III	84.425U	380,994
Title IV, Part A	84.424A	60,878
Total		\$ 11,660,858

Note 18 - Defined Benefit Retirement Plan

A. Plan Description

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

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

B. Pension Plan Fiduciary Net Position

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

Note 18 - Defined Benefit Retirement Plan (continued)

C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in 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 in (A) above.

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

D. 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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year.

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

	Contribution Rates	
	Measurement Year	
	2025	2024
Member (Employee)	8.25%	8.25%
District (Employer)	8.25%	8.25%
Non-employer Contributing Entity (State)	8.25%	8.25%

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

	Fiscal Year 2025	
	Contributions	
Member (Employee)	\$	52,838,506
District (Employer)		27,614,759
Non-employer Contributing Entity		
On-behalf Contributions (State)		33,864,732

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

Note 18 - Defined Benefit Retirement Plan (continued)

D. Contributions (continued)

are paid by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.9 percent of the member's salary beginning in fiscal year 2024, gradually increasing to 2 percent 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.

E. Actuarial Methods and Assumptions

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

Valuation Date	August 31, 2023 (total pension liability rolled forward from valuation date to measurement date of August 31, 2024)
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	3.87% *
Last year ending August 31 in projection period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

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

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

Note 18 - Defined Benefit Retirement Plan (continued)

F. Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent. The projection of 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 9.54 percent of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payment 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 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 (see page 56 of the 2024 TRS ACFR), 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.	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Absolute Return	0.00%	4.00%	0.00%
Real Return			
Real Assets	15.00%	6.60%	1.20%
Energy and Natural Resources	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity			
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation leverage			
Cash	2.00%	1.00%	0.01%
Asset Allocation leverage	(6.00)%	1.30%	(0.10)%
Inflation Expectation			2.40%
Volatility Drag****			(0.70)%
Expected Return	100.00%		7.90%

*Absolute Return includes credit Sensitive Investments

**Target allocations are based on the FY2024 policy model

***Capital Market Assumptions come from 2024 SAA Study CMA Survey (as of 12/31/2023).

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

Note 18 - Defined Benefit Retirement Plan (continued)

F. Discount Rate (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact to the net pension liability if the discount rate used was one percentage point lower and one percentage point higher than the discount rate that was used in measuring the net pension liability.

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	\$ 464,903,594	\$ 291,064,397	\$ 147,026,264

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

At June 30, 2025, the District reported a liability of \$291,064,397 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 291,064,397
State's proportionate share that is associated with the District	361,264,562
Total	<u>\$ 652,328,959</u>

The net pension liability was measured as of August 31, 2023, and rolled forward to August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023, thru August 31, 2024.

At August 31, 2024, the employer's proportion of the collective net pension liability was 0.4765 percent which was an increase from its proportion measured as of August 31, 2023, of 0.4703 percent.

The General, Capital Projects and Non-major Governmental Funds are used to liquidate pension liabilities.

Changes Since the Prior Actuarial Valuation

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

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

The amount of pension expense recognized by the District in the reporting period was \$46,800,476.

Note 18 - Defined Benefit Retirement Plan (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Pension Expense

The District also recognized an additional on-behalf revenue and expense of \$43,177,153 representing the support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 16,043,073	\$ (2,272,489)
Changes of assumption	15,028,278	(2,014,779)
Net difference between projected and actual earnings on pension plan investments	1,769,278	-
Changes in proportion and differences between District contributions and proportionate share of contributions	17,553,421	(4,235,713)
District contributions subsequent to the measurement date of the net pension liability	22,451,905	-
Total	<u>\$ 72,845,955</u>	<u>\$ (8,522,981)</u>

The District recognized \$22,451,905 as deferred outflows of resources resulted to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Pension Expense
2026	\$ 6,933,269
2027	36,066,979
2028	5,172,807
2029	(7,652,766)
2030	1,350,780
	<u>\$ 41,871,069</u>

Note 19 - Defined Other Post-Employment Benefit Plan

A. Plan Description

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

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

A. Plan Description (continued)

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.

B. 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 <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at PO Box 149676, Austin, TX, 78714-0185, or by calling (800) 223-8778.

C. Benefits Provided

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

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

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

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

D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public-school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2025.

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

D. Contributions (continued)

The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	Measurement Year	
	2025	2024
Active Employee	0.65%	0.65%
District (Employer)		
District, Excluding Federal/Private Funding	0.75%	0.75%
Federal/Private Funding	1.25%	1.25%
Non-employer Contributing Entity (State)	1.25%	1.25%

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

Contributions for all contributors were as follows:

	Fiscal Year 2025
	Contributions
Active Employee	\$ 4,161,619
District (Employer)	5,465,655
Non-employer Contributing Entity	
On-behalf Contributions (State)	11,528,611

E. Actuarial Methods and Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

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

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

E. Actuarial Methods and Assumptions (continued)

Additional Actuarial Methods and Assumptions:

Component	Result
Valuation Date	August 31, 2023, rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

F. Discount Rate

A single discount rate of 3.87 percent was used to measure the Total OPEB Liability. There was an decrease of .26 percent in the discount rate since the previous year.

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

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

G. Discount Rate Sensitivity Analysis

Discount Rate – The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.87 percent) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease	Current Rate	1% Increase
	2.87%	3.87%	4.87%
District's proportional share of the net OPEB liability	\$214,006,437	\$180,133,013	\$152,762,777

Healthcare Cost Trend Rates – The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1 percent less than and 1 percent greater than the health trend rates assumed.

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	\$146,691,596	\$180,133,013	\$223,710,514

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

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

At June 30, 2025 , the District reported a liability of \$180,133,013 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$180,133,013
State's proportionate share that is associated with the District	<u>225,704,222</u>
Total	<u>\$405,837,235</u>

The Net OPEB Liability was measured as of August 31, 2023, and rolled forward to August 31, 2024, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023, through August 31, 2024.

At August 31, 2024, the District's proportion of the collective Net OPEB Liability was 0.5935 percent compared to 0.5992 percent as of August 31, 2023.

The General, Capital Projects and Non-major Governmental Funds are used to liquidate OPEB liabilities.

Changes Since the Prior Actuarial Valuation

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

The single discount rate changed from 4.13%, as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.

Changes of Benefit Terms Since the Prior Measurement Date

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

OPEB Expense

For the fiscal year ended June 30, 2025, the District recognized negative OPEB expense of \$16,141,612. The District also recognized negative on-behalf expense and revenue of \$29,337,383 for support provided by the State.

Note 19 - Defined Other Post-Employment Benefit Plan (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Deferred Outflows and Deferred Inflows of Resources Related to OPEB

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 34,525,451	\$ (89,896,139)
Changes of assumption	23,054,898	(58,775,318)
Net difference between projected and actual earnings on OPEB plan investments	-	(504,431)
Changes in proportion and differences between District contributions and proportionate share of contributions	24,660,760	(11,223,593)
District contributions subsequent to the measurement date of the net OPEB liability	4,514,110	-
Total	<u>\$ 86,755,219</u>	<u>\$ (160,399,481)</u>

The \$4,514,110 reported as 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 year ending June 30, 2026. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB activity will be recognized in OPEB expense as follows:

	OPEB Expense
Fiscal Year	Amount
2026	\$ (20,829,904)
2027	(12,671,049)
2028	(18,815,099)
2029	(15,095,792)
2030	(8,571,908)
Thereafter	(2,174,620)
	<u>\$ (78,158,372)</u>

I. Medicare Part D

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 June 30, 2025, 2024 and 2023 the subsidy payments received by TRS-Care on behalf of the District are as follows:

Fiscal Year	Medicare Part D
2025	\$ 4,195,256
2024	3,298,150
2023	3,139,611

The information for the year ended June 30, 2025, is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds' financial statements of the District.

Note 20 - Risk Management

The District is covered with various insurance to mitigate various risks associated with unforeseen incidents such as natural disasters, thefts, errors and omissions, torts, cybersecurity threats, as well as limiting loss related to coverage for the health and wellbeing of employees of the District. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance, and from participation in a risk pool. The District's participation in the risk pool is limited to payment of premiums.

The District has commercial insurance for property and equipment loss with limits from \$50 million to \$70 million per occurrence with deductible amounts ranging from \$500,000 to three percent of the total insurance value per building.

The District also carries a mandatory catastrophic student accident policy with a \$10 million maximum benefit limit. The district is also insured for cybersecurity threats with a \$1 million limit with no deductible.

Health Insurance

The District provides health benefits to its employees and dependents through a self-insured employee health benefit plan, which is accounted for in the Internal Service Fund and is principally supported by contributions from the District and employees. The District makes contributions to cover a portion of the employees' premiums and the employees are required to make contributions to cover their dependents. The District obtains stop loss coverage through a third-party insurance company for claims in excess of \$450,000. The Internal Service Fund charges the General Fund and other funds for the District's portion of premiums for employees whose salaries are charged to those funds.

Workers Compensation

The District also provides workers' compensation to its employees through a self-insured plan which is accounted for in the Internal Service Fund. The Internal Service Fund charges the General Fund and other funds for premiums for the District's contribution. The District obtains stop loss coverage through a third-party insurance company for claims in excess of \$500,000.

Settled claims have not exceeded insurance coverage in any of the previous three years. There has not been any significant reduction in insurance coverage from that of the previous year.

Estimates of claims payable and of claims incurred but not reported at June 30, 2025, are reflected as accrued expenses of the Fund. Claims payable, including an estimate of claims incurred but not reported, was actuarially determined based on estimate of remaining liability of known claims.

Analysis of claims liability for the fiscal years 2024 and 2025 are as follows:

	Health Insurance		Workers' Compensation	
	2024	2025	2024	2025
Beginning Accrual	\$ 7,280,000	\$ 7,141,000	\$ 3,735,895	\$ 3,527,093
Current Estimates	72,926,358	81,732,338	1,077,707	1,602,241
Payments for Claims	(73,065,358)	(80,761,338)	(1,286,509)	(1,776,893)
Ending Accrual	<u>\$ 7,141,000</u>	<u>\$ 8,112,000</u>	<u>\$ 3,527,093</u>	<u>\$ 3,352,441</u>

Note 21 - Compensated Absences

Compensated absences represent leave for which employees of the District may receive compensation. These include vacation, sick leave, local personal leave, and state personal leave. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 101, the District recognizes a liability for compensated absences under the following conditions:

- The leave is attributable to services already rendered.
- The leave accumulates and may be carried forward to future periods.
- It is more likely than not that the leave will be used for time off or otherwise compensated through cash or noncash settlement.

As of June 30, 2025, the District recorded a total liability of \$10.7 million for compensated absences. This amount includes both:

- Unused leave that is expected to be paid out or used in the future.
- Used leave that has been taken but not yet paid or settled.

Since GASB 101 was implemented in fiscal year 2024-25, the financials have been restated to reflect the beginning compensated liability at the beginning of the year with net position of governmental activities restated as follows:

	Compensated Absence Liability 2024	Net Position 2024
Beginning as previously reported	\$ 2,618,814	\$(356,754,123)
Restatement for change in accounting principle	6,934,319	(6,934,319)
Beginning as restated	<u>\$ 9,553,133</u>	<u>\$(363,688,442)</u>

The liability is measured using the pay rates in effect as of the reporting date and includes salary-related payments such as the employer's share of Social Security and Medicare taxes. The short-term portion of the liability is reported in current liabilities, while the long-term portion is classified as noncurrent.

Note 22 – Litigation, Commitments and Contingencies

In accordance with GASB Statement No. 102, *Certain Risk Disclosures*, the District evaluates potential vulnerabilities arising from concentrations or constraints that may expose it to a substantial financial impact. A **concentration** exists when there is limited diversity in significant inflows or outflows of resources—such as dependence on a single revenue source, grantor, employer group, or vendor. A **constraint** refers to limitations imposed by external parties or through formal actions of the District's highest level of decision-making authority, such as statutory spending restrictions or debt limitations.

The District assesses whether:

1. The concentration or constraint is known as of the date the financial statements are issued;
2. It results in a vulnerability to a substantial impact; and
3. A related event has occurred, is occurring, or is reasonably expected to occur within 12 months of the financial statement issuance date.

When all three criteria are met, the District provides note disclosures describing the nature of the concentration or constraint, the potential impact, and any actions taken to mitigate the associated risk prior to issuance. If mitigating actions fully resolve the vulnerability before the issuance date, disclosure is not required.

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any adverse effect on the accompanying financial statements. In the opinion of the District, there are neither significant contingent liabilities related to year 2025 issues nor future costs that will have a material effect on the financial statements of the District.

Note 23 - Shared Service Arrangements

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides services for hearing impaired students of the District and member districts: Alief ISD, Angleton ISD, Brazosport ISD, Columbia-Brazoria ISD, Lamar CISD, Needville ISD, Stafford MSD and Sweeney ISD. All services are provided by the fiscal agent, and funds are received directly by the fiscal agent from the granting agency. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the appropriate Non-major Governmental Funds and has accounted for these funds using Model 2 in the SSA section of the Resource Guide.

Expenditures of the SSA are summarized below:

	Fort Bend ISD	All Other School Districts
IDEA-B Discretionary	\$ 68,620	\$ 104,228
IDEA-C Deaf (Early Intervention)	337	513
Regional Deaf Co-op	355,146	539,429
Regional Deaf Co-op (Local Shares)	805,846	1,223,993
	<u>\$ 1,229,949</u>	<u>\$ 1,868,163</u>

Note 24 – Health Fund Deficit

The District has budgeted an additional \$15 million health insurance expense in fiscal year 2025-26 budgets within applicable funds to address the majority of the June 30, 2025 Health Fund deficit fund balance of \$16.5 million. The remaining deficit will be addressed in fiscal year 2025-26 through operational efficiencies.

REQUIRED SUPPLEMENTARY INFORMATION

FORT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2025

Exhibit G-1

Data Control Codes		Budgeted Amounts			Variance With Final Budget
		Original	Final	Actual	
Revenues					
5700	Local and intermediate sources	\$ 411,841,934	\$ 419,563,537	\$ 418,945,382	\$ (618,155)
5800	State program revenue	405,969,954	402,819,954	403,924,909	1,104,955
5900	Federal program revenue	9,200,000	9,300,000	11,660,858	2,360,858
5020	Total Revenues	827,011,888	831,683,491	834,531,149	2,847,658
Expenditures					
0011	Instruction	488,520,122	490,860,765	490,104,195	756,570
0012	Instructional resources and media services	8,958,015	8,367,109	8,087,998	279,111
0013	Curriculum and staff development	17,757,593	17,133,939	16,482,967	650,972
0021	Instructional leadership	18,690,462	19,154,288	18,975,867	178,421
0023	School leadership	49,183,858	51,363,913	51,107,346	256,567
0031	Guidance, counseling and evaluation services	39,402,657	44,597,101	43,057,866	1,539,235
0032	Social work services	2,782,239	3,111,353	2,737,902	373,451
0033	Health services	9,609,825	10,015,361	9,894,080	121,281
0034	Student transportation	27,849,712	28,041,078	25,255,692	2,785,386
0035	Food services	50,000	52,702	42,390	10,312
0036	Extracurricular activities	16,592,160	18,949,598	18,618,265	331,333
0041	General administration	19,795,256	20,874,518	20,867,923	6,595
0051	Plant, maintenance and operations	82,902,162	91,887,111	87,293,949	4,593,162
0052	Security and monitoring services	13,591,624	15,350,000	14,814,530	535,470
0053	Data processing services	20,701,924	19,474,405	18,145,078	1,329,327
0061	Community services	809,596	1,107,491	945,785	161,706
0071	Principal on long-term debt	4,495,103	2,831,607	2,729,921	101,686
0081	Facilities acquisition and construction	-	1,360,000	1,013,445	346,555
0093	Payments related to shared service arrangement	460,000	531,360	531,360	-
0099	Payments for tax appraisal costs	6,435,000	6,665,020	6,609,962	55,058
6030	Total Expenditures	828,587,308	851,728,719	837,316,521	14,412,198
1100	Excess (deficiency) of revenues over (under) expenditures	(1,575,420)	(20,045,228)	(2,785,372)	17,259,856
Other Financing Sources (Uses)					
7912	Sale of real or personal property	-	268,578	-	(268,578)
7915	Transfers in	2,500,000	2,500,000	2,500,000	-
8911	Transfers out	-	(6,622)	(6,622)	-
7080	Total Other Financing Sources and Uses	2,500,000	2,761,956	2,493,378	(268,578)
1200	Net change in fund balance	924,580	(17,283,272)	(291,994)	16,991,278
0100	Fund Balance - Beginning	212,110,807	212,110,807	212,110,807	-
3300	Fund Balance - Ending	\$ 213,035,387	\$ 194,827,535	\$ 211,818,813	\$ 16,991,278

FORT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General, School Breakfast and Lunch Program, and Debt Service funds before the beginning of the fiscal year. For fiscal years beginning July 1, the Texas Education Code requires the budget to be prepared not later than June 20 and adopted by June 30 of each year. The District's administration determines budgetary funding priorities, and the budgets are prepared in the same basis of accounting that is used for reporting in accordance with generally accepted accounting principles. Final budget allocations are determined by the Board, which subsequently establishes a tax rate sufficient to support the approved budget. The annual budget, which is prepared on the modified accrual basis of accounting, must be adopted by the Board at a scheduled meeting after giving ten days public notice of the meeting. The District annually adopts legally authorized appropriated budgets for the General, National School Breakfast and Lunch Program, and Debt Service funds.

The District's administration performs budget reviews during the year in which budget requirements are re-evaluated and revisions are recommended to the Board. The Board must approve amendments to the budget at the fund and functional expenditure categories or revenue object accounts as defined by the TEA. Expenditures may not legally exceed budgeted appropriations, as amended, at the function level by fund. Unexpended appropriations lapse at year-end.

The District revised the General Fund budget several times during the year ended June 30, 2025. Budgeted revenue changed by \$4.7 million for the following:

Local Revenues:

- \$3.0 million increase property tax revenues due to higher property values than budgeted
- \$3.5 million increase in interest income due to increasing rates throughout the fiscal year
- \$0.3 million decrease in tuition revenue due to more students qualifying for pre-k versus paid tuition
- \$0.4 million increase in other revenue
- \$0.8 million increase in insurance recovery revenue related to Hurricane Beryl
- \$0.3 million increase in athletic revenue

State Revenues:

- \$9.6 million decrease in state funding due to lower enrollment and lower compensatory education students
- \$6.5 million of increase in state revenue for TRS on behalf revenue

Federal Revenues:

- \$3.7 million increase related to indirect costs from National School Lunch Fund
- \$3.6 million less for shared health and related services revenue due to lower random time study percentages used by the state

Budgeted appropriations for expenditures for the General Fund were increased by \$23.1 million. This was due to:

- \$5.1 million increase for payroll due to vacancy rate being lower than budgeted
- \$6.4 million increase for Hurricane Beryl expenditures
- \$6.45 million increase in TRS on-behalf expense
- \$4.8 million increase for purchase orders rolled from the prior fiscal year
- \$0.2 million for five additional speech pathologists due to increase in special education students
- \$0.1 million for increase band uniforms

FORT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Last Ten Measurement Years Ended August 31

Exhibit G-2

	2024	2023	2022	2021	2020
District's proportion of the net pension liability	0.4765%	0.4703%	0.4843%	0.4504%	0.4119%
District's proportionate share of the net pension liability	\$ 291,064,397	\$ 323,041,012	\$ 287,544,460	\$ 114,694,828	\$ 220,611,616
State's proportionate share of the net pension liability associated with the district	<u>361,264,562</u>	<u>397,670,234</u>	<u>376,010,052</u>	<u>180,265,301</u>	<u>400,457,614</u>
Total	<u>\$ 652,328,959</u>	<u>\$ 720,711,246</u>	<u>\$ 663,554,512</u>	<u>\$ 294,960,129</u>	<u>\$ 621,069,230</u>
District's covered payroll (for Measurement Year)	\$ 604,311,519	\$ 555,436,452	\$ 556,359,644	\$ 558,791,547	\$ 548,708,806
District's proportionate share of the net pension liability as a percentage of it's covered payroll	48.2%	58.2%	51.7%	20.5%	40.2%
Plan's fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%
Plan's net pension liability as a percentage of covered payroll	102.39%	122.32%	112.72%	51.08%	110.36%
	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.3977%	0.4017%	0.3900%	0.3933%	0.4007%
District's proportionate share of the net pension liability	\$ 206,732,032	\$ 221,081,301	\$ 124,695,604	\$ 148,632,453	\$ 141,636,991
State's proportionate share of the net pension liability associated with the district	<u>381,006,412</u>	<u>415,388,067</u>	<u>231,221,503</u>	<u>275,080,136</u>	<u>262,739,729</u>
Total	<u>\$ 587,738,444</u>	<u>\$ 636,469,368</u>	<u>\$ 355,917,107</u>	<u>\$ 423,712,589</u>	<u>\$ 404,376,720</u>
District's covered payroll (for Measurement Year)	\$ 498,140,877	\$ 488,410,149	\$ 449,388,210	\$ 436,161,926	\$ 419,053,098
District's proportionate share of the net pension liability as a percentage of it's covered payroll	41.5%	45.3%	27.7%	34.1%	33.8%
Plan's fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll	114.93%	126.11%	75.93%	92.75%	91.94%

FORT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S RETIREMENT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Last Ten Fiscal Years Ended June 30

Exhibit G-3

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contributions	\$ 27,614,759	\$ 25,468,582	\$ 24,013,542	\$ 22,187,127	\$ 17,904,457
Contributions in relation to the contractual required contributions	<u>27,614,759</u>	<u>25,468,582</u>	<u>24,013,542</u>	<u>22,187,127</u>	<u>17,904,457</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 618,777,457	\$ 582,785,483	\$ 556,865,322	\$ 551,542,326	\$ 559,610,874
Contributions as a percentage of covered payroll	4.46%	4.37%	4.31%	4.02%	3.20%

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 16,643,986	\$ 13,732,525	\$ 13,800,022	\$ 12,540,010	\$ 12,542,835
Contributions in relation to the contractual required contributions	<u>16,643,986</u>	<u>13,732,525</u>	<u>13,800,022</u>	<u>12,540,010</u>	<u>12,542,835</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 543,200,323	\$ 494,685,026	\$ 484,028,838	\$ 443,921,362	\$ 434,547,274
Contributions as a percentage of covered payroll	3.05%	2.78%	2.85%	2.82%	2.89%

FORT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
Teacher Retirement System of Texas

Changes of Assumptions

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017, to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017, to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018, was developed using a roll-forward method from August 31, 2017, valuation.
- Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019, and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.
- Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.
- Measurement Year 2022: Demographic and economic assumptions were updated based on experience study performed for TRS for the period ending August 31, 2021. The primary change was the lowering of the discount rate from 7.25% to 7.00%.

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Other Information

Effective September 1, 2014, employers who did not contribute to Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan.

Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

FORT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Last Eight Measurement Years Ended August 31

Exhibit G-4

	2024	2023	2022	2021
District's proportion of the net OPEB liability	0.5935%	0.5992%	0.6176%	0.5878%
District's proportionate share of the net OPEB liability	\$ 180,133,013	\$ 132,655,437	\$ 147,868,383	\$ 226,752,430
State's proportionate share of the net OPEB liability associated with the District	225,704,222	160,069,175	180,376,196	303,797,723
Total	<u>\$ 405,837,235</u>	<u>\$ 292,724,612</u>	<u>\$ 328,244,579</u>	<u>\$ 530,550,153</u>
District's covered-employee payroll (for Measurement Year)	\$ 604,311,519	\$ 555,436,452	\$ 556,359,644	\$ 558,791,547
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	29.81%	23.88%	26.58%	40.58%
Plan's fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%
Plan's net OPEB liability as a percentage of covered payroll	67.98%	51.86%	59.10%	100.13%
	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.5820%	0.5712%	0.5744%	0.5193%
District's proportionate share of the net OPEB liability	\$ 221,244,800	\$ 270,110,960	\$ 286,788,848	\$ 225,822,040
State's proportionate share of the net OPEB liability associated with the District	297,299,977	358,917,049	424,443,030	360,250,557
Total	<u>\$ 518,544,777</u>	<u>\$ 629,028,009</u>	<u>\$ 711,231,878</u>	<u>\$ 586,072,597</u>
District's covered-employee payroll (for Measurement Year)	\$ 548,708,806	\$ 498,140,877	\$ 488,410,149	\$ 449,388,210
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	40.32%	54.22%	58.72%	50.25%
Plan's fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll	101.46%	135.21%	146.64%	132.55%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2017.

Net OPEB Liability and related ratios will be presented prospectively as data becomes available.

FORT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Last Ten Fiscal Years Ended June 30

Exhibit G-5

	2025	2024	2023	2022	2021
Contractually Required Contributions	\$ 5,465,655	\$ 5,245,371	\$ 5,201,043	\$ 5,030,141	\$ 4,516,683
Contributions in relation to the contractual required contributions	<u>5,465,655</u>	<u>5,245,371</u>	<u>5,201,043</u>	<u>5,030,141</u>	<u>4,516,683</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 618,777,457	\$ 582,785,483	\$ 556,865,322	\$ 551,542,326	\$ 559,610,874
Contributions as a percentage of covered payroll	0.88%	0.90%	0.93%	0.91%	0.81%

	2020	2019	2018	2017	2016
Contractually required contributions	\$ 4,281,603	\$ 4,037,865	\$ 3,775,210	\$ 2,649,663	\$ 2,620,370
Contributions in relation to the contractual required contributions	<u>4,281,603</u>	<u>4,037,865</u>	<u>3,775,210</u>	<u>2,649,663</u>	<u>2,620,370</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 543,200,323	\$ 494,685,026	\$ 484,028,838	\$ 443,921,362	\$ 434,547,274
Contributions as a percentage of covered payroll	0.79%	0.82%	0.78%	0.60%	0.60%

FORT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION
Teacher Retirement System of Texas

Changes of Assumptions

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- Measurement Year 2018: The discount rate changed from 3.42% as of August 31, 2017, to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.
- Measurement Year 2019: The discount rate changed from 3.69% as of August 31, 2018, to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.
- Measurement Year 2020: The discount rate changed from 2.63% as of August 31, 2019, to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.
- Measurement Year 2021: The discount rate changed from 2.33% as of August 31, 2020, to 1.95% as of August 31, 2021.
- Measurement Year 2022: The discount rate changed from 1.95% as of August 31, 2021, to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.
- Measurement Year 2023: The discount rate changed from 3.91% as of August 31, 2022, to 4.13% as of August 31, 2023, lowered the participation rates, and updated the healthcare trend rate assumption.
- Measurement Year 2024: The discount rate changed from 4.13% as of August 31, 2023, to 3.87% as of August 31, 2024.

Changes of Benefit Terms

There were no changes in benefit terms since Prior Measurement Date.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

BRACEWELL

[CLOSING DATE]

We have represented Fort Bend Independent School District (the “District”) as its bond counsel in connection with an issue of bonds described as follows:

FORT BEND INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2026A, dated May 15, 2026, in the aggregate principal amount of \$[_____] (the “Bonds”).

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

We have acted as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Order.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Obligations, on which we have relied in giving our opinion.

The transcript contains certified copies of certain proceedings of the District; an escrow agreement (the “Escrow Agreement”) between the District and Zions Bancorporation, National Association, as escrow agent (the “Escrow Agent”); a report (the “Report”) of Public Finance Partners LLC, verifying the sufficiency of the deposits made with the Escrow Agent for the Refunded Obligations; customary certificates of officers, agents and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Obligations. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which we have not independently verified. In addition, we

Bracewell LLP

T: +1.713.223.2300 F: +1.800.404.3970
711 Louisiana Street, Suite 2300, Houston, Texas 77002-2770
bracewell.com

AUSTIN DALLAS DUBAI HOUSTON LONDON NEW YORK PARIS SAN ANTONIO SEATTLE WASHINGTON, DC
IM-#11015645.2

have assumed for purposes of this opinion continuing compliance with the covenants in the Order, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

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

- (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 effective and, therefore, the Bonds constitute valid and legally binding obligations of the District;
- (2) A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property in the District and pledged irrevocably to the payment of the principal of and interest on the Bonds;
- (3) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to the Order, the Escrow Agreement and the Report, and therefore such obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement; and
- (4) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

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

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

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

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

The regular session of the 89th Texas Legislature (the “Legislature”) convened on January 14, 2025, and 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 may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a first special session, which began on July 21, 2025, and ended on August 15, 2025. The Governor called a second special session, which began on August 15, 2025, and ended on September 4, 2025 (the regular session together with the special sessions may hereinafter be referred to as the “89th Legislative Session”). The TEA, the State Board of Education (the “SBOE”), and the Texas Permanent School Fund Corporation (the “PSF Corporation”) are in the process of monitoring the implementation of legislation signed by the Governor and make no representation regarding any actions taken by the Legislature in the 89th Legislative Session that may materially impact themselves, the Guarantee Program, the Act, and Texas school finance in general.

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, 2025, 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, 2025, 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, 2025, and for a description of the financial results of the PSF for the year ended August 31, 2025, the most recent year for which audited financial information regarding the Fund is available. The 2025 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2025 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 as required by Section 13(f), 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, generally, to four-year terms of office. The PSF Corporation is a special-purpose governmental corporation and instrumentality of the State entitled to sovereign immunity, and is governed by a nine-member board of directors (the “PSFC Board”), which consists of five members of the SBOE, the Land Commissioner, and three appointed members who have substantial background and expertise in investments and asset management, with one member being appointed by the Land Commissioner and the other two appointed by the Governor with confirmation by the Senate.

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

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

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

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The PSF Corporation has internal and external legal 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 appropriated funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2026 and 2027. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund¹

<u>Fiscal Year Ending</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u> ²	<u>2024</u>	<u>2025</u>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156	\$2,156
PSF(SBOE) Distribution	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	215	212	247	306	347	341	432	440	430	428

¹ In millions of dollars. Source: Annual Report for year ended August 31, 2025.

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

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

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

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

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

¹ Includes only distributions to the ASF authorized 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 and allows for the use of derivatives and other leverage. The IPS provides that the Fund's investment objectives are as follows:

- Generate continuous distributions for the benefit of public schools in Texas;
- Maintain purchasing power, after spending, inflation, and student population growth, in order to maintain intergenerational equity with respect to distributions;
- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support distributions and BGP obligations; and
- Strive to 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, effective January 1, 2026 (which is subject to change from time to time):

Asset Class	Target Allocation	Range¹
Cash Equivalent	3.0%	n/a
Core Bonds	9.0%	+/- 5.0%
Non-Core Bonds (High Yield)	3.0%	+/- 5.0%
Non-Core Bonds (Bank Loans)	3.0%	+/- 5.0%
Large Cap U.S. Equity	15.0%	+/- 5.0%
Small/Mid-Cap U.S. Equity	3.0%	+/- 5.0%
Non-U.S. Developed Equity	8.0%	+/- 5.0%
Absolute Return	6.0%	+/- 5.0%
Private Debt (Liquid Substitute)	9.5%	+/- 5.0%
Private Equity (Liquid Substitute)	20.0%	+/- 10.0%
Real Estate	10.5%	+/- 5.0%
Natural Resources	4.0%	+/- 5.0%
Infrastructure	6.0%	+/- 5.0%

¹ Range reflect threshold approved by the Board. Subtracted results will not go below zero.

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2024 and 2025, as set forth in the Annual Report for the 2025 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.

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Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2025 and 2024				
<u>ASSET CLASS</u>	<u>August 31, 2025</u>	<u>August 31, 2024</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
EQUITY				
Domestic Small Cap	\$3,732.4	\$ 3,651.3	\$81.1	2.2%
Domestic Large Cap	<u>7,860.0</u>	<u>8,084.6</u>	<u>(224.6)</u>	<u>-2.7%</u>
Total Domestic Equity	11,592.4	11,735.9	(143.5)	-1.2%
International Equity	<u>5,093.7</u>	<u>4,131.1</u>	<u>962.6</u>	<u>23.3%</u>
TOTAL EQUITY	16,686.1	15,867.0	819.1	5.2%
FIXED INCOME				
Domestic Fixed Income	-	-	-	-
US Treasuries	-	-	-	-
Core Bonds	5,464.4	8,151.6	(2,687.2)	-33.0%
Bank Loans	3,908.4	2,564.1	1,344.3	52.4%
High Yield Bonds	1,569.2	2,699.5	(1,130.3)	-41.9%
Emerging Market Debt	-	-	-	-
TOTAL FIXED INCOME	10,942.0	13,415.2	(2,473.2)	-18.4%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,247.4	3,106.0	141.4	4.6%
Real Estate	6,300.8	6,101.0	199.8	3.3%
Private Equity	12,170.5	8,958.8	3,211.7	35.9%
Emerging Manager Program	-	-	-	-
Real Return	-	-	-	-
Private Credit	3,884.3	2,257.9	1,626.4	72.0%
Real Assets	<u>5,525.2</u>	<u>4,648.1</u>	<u>877.1</u>	<u>18.9%</u>
TOT ALT INVESTMENTS	31,128.2	25,071.8	6,056.4	24.2%
UNALLOCATED CASH				
	<u>1,335.0</u>	<u>2,583.2</u>	<u>(1,248.2)</u>	<u>-48.3%</u>
TOTAL PSF(CORP) INVESTMENTS	\$ 60,091.3	\$ 56,937.2	\$ 3,154.1	5.5%

Source: Annual Report for year ended August 31, 2025.

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The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2025.

Investment Schedule - PSF(SLB)¹

<u>Fair Value (in millions) August 31, 2025</u>	
	<u>As of</u> <u>8-31-25</u>
Investment Type	
Investments in Real Assets	
Sovereign Lands	\$ 279.84
Discretionary Internal Investments	989.22
Other Lands	153.17
Minerals ^{(2), (3)}	<u>4,872.77</u> ⁽⁶⁾
Total Investments ⁽⁴⁾	\$6,294.99
Cash in State Treasury ⁽⁵⁾	575.70
Total Investments & Cash in State Treasury	\$ 6,870.70

¹ Unaudited figures from Table 5 in the FY 2025 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

² Historical Cost of investments at August 31, 2025 was: Sovereign Lands \$838,676.44; Discretionary Internal Investments \$830,739,719.64; Other Lands \$37,306,005.32; and Minerals \$13,437,552.03.

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 investment or 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 2026 fiscal year, the ratio is 8.17%. At February 23, 2026, there were 182 active open-enrollment charter schools in the State and there were 1,027 charter school campuses authorized under such charters, though as of such date, 41 of such campuses are not currently serving students for various reasons; therefore, there are 986 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

In the event of default, holders of guaranteed charter district bonds will receive all payments as and when they become due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal

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

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the "CDBG 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 CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG 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 December 31, 2025 the cost value of the Guarantee Program was \$51,913,224,643 (unaudited), thereby producing an IRS Limit of \$259,566,123,215 in principal amount of guaranteed bonds outstanding.

As of December 31, 2025, the estimated State Capacity Limit is \$181,696,286,251, 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 December 2025. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At December 31, 2025, the Charter District Reserve Fund contained \$153,914,605, which represented approximately 2.61% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

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

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

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

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

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Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Ratings, 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⁾
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	47,047,688,784	62,766,382,537
2025 ⁽²⁾	50,832,583,937	66,549,781,438

⁽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, 2025, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.3 million, and \$830.7 million, respectively, and market values of approximately \$4,872.7 million, \$279.8 million, \$153.1 million, and \$989.2 million, respectively.

Permanent School Fund Guaranteed Bonds	
At 8/31	Principal Amount ⁽¹⁾
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603
2025	143,940,955,098 ⁽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, 2025 (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 \$230,761,751,555, of which \$86,820,796,457 represents interest to be paid. As shown in the table above, at August 31, 2025, there were \$143,940,955,098 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$181,696,286,251 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2025, 7.86% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2025, the amount of outstanding bond guarantees represented 79.16% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2025 values are based on unaudited data, which is subject to adjustment.

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Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

	<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
Fiscal Year Ended <u>8/31</u>	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>	No. of <u>Issues</u>	Principal <u>Amount</u> <u>(\$)</u>	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>
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	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603
2025 ⁽²⁾	3,444	138,140,381,098	113	5,800,574,000	3,557	143,940,955,098

⁽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 December 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$143,822,038,077 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,456 school district issues, aggregating \$137,938,824,077 in principal amount and 114 charter district issues, aggregating \$5,883,214,000 in principal amount. At December 31, 2025 the projected guarantee capacity available was \$32,174,623,697 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2025

The following discussion is derived from the Annual Report for the year ended August 31, 2025, 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 2025, the PSF(CORP) net position was \$60.6 billion. During the year, the PSF(CORP) continued updating and implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation aims to pursue the objectives of the Fund at an acceptable risk level. 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, 2025, net of fees, were 8.20%, 7.95%, and 7.40%, 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, 2025.

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 credit¹, 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 2025 Annual Report which is included by reference herein.

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¹ The Private Credit asset class was renamed Private Debt, beginning in October 2024.

PSF Returns Fiscal Year Ended 8-31-2025¹

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return²</u>
Total PSF(CORP) Portfolio	8.20	7.78
Domestic Large Cap Equities	14.50	15.88
Domestic Small/Mid Cap Equities	7.64	5.80
International Equities	16.16	14.89
Private Credit	6.87	9.26
Core Bonds	4.02	3.14
Absolute Return	14.98	6.90
Real Estate	0.14	0.97
Private Equity	8.17	8.61
High Yield	8.18	8.26
Natural Resources	2.31	0.39
Infrastructure	15.06	8.79
Bank Loans	7.76	7.36
Short Term Investment Portfolio	6.06	4.51

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, 2025.

² Benchmarks are as set forth in the Annual Report for year ended August 31, 2025.

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 2025 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 2025, \$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, 2025, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

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

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the

TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an “obligated person” of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

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

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