

PRELIMINARY OFFICIAL STATEMENT
Dated June 15, 2026

NEW ISSUE – BOOK-ENTRY-ONLY

Enhanced/Unenhanced Ratings:
S&P: “AAA” / “AA-”
PSF: “Applied For”

(See “OTHER PERTINENT INFORMATION – Municipal Bond Rating” herein and “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” attached hereto.)

In the opinion of Cantu Harden Montoya LLP, as Co-Bond Counsel (as defined below), assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See “TAX MATTERS” for a discussion of the opinion of Co-Bond Counsel.



\$43,565,000*
FORNEY INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Kaufman County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

Dated Date: July 1, 2026

Due: as shown on the inside cover page hereto

Interest to Accrue from Date of Delivery

AUTHORITY FOR ISSUANCE ... The Forney Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”) are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including Chapters 1207 and 1371 of the Texas Government Code, as amended, (the “Acts”) and a bond order (the “Bond Order”) adopted by the Board of Trustees (the “Board”) of the District on May 26, 2026. As permitted by the Acts, in the Bond Order, the Board has delegated to certain District officials the ability to execute an approval certificate (the “Pricing Certificate”) evidencing the final sale terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the “Order”) which is expected to be executed on June 23, 2026. See “THE BONDS - Authority for Issuance” herein. The District has applied for and anticipates receiving conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein.

PAYMENT TERMS ... Interest on the Bonds will accrue from the date of initial delivery to the underwriters named below (the “Underwriters”), will be payable on February 15 and August 15 of each year, commencing August 15, 2026, until stated maturity, or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully-registered obligations in principal denominations of \$5,000 or any integral multiple thereof. The definitive Bonds will be registered and delivered to Cede & Co., as the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. DTC will act as the initial securities depository (the “Securities Depository”) for the Bonds. Book-entry interests in the Bonds will be made available for purchase in multiples of \$5,000 of the principal amount. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds (as applicable) will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

PURPOSE ... Proceeds from the sale of the Bonds will be used for (i) the refunding of a portion of the District’s outstanding debt, as more particularly described in “SCHEDULE I – Refunded Bonds” (the “Refunded Bonds”) in order to achieve present value debt service savings, and (ii) paying for the costs of issuance of the Bonds. See “PLAN OF FINANCING – Purpose” and “– Sources and Uses of Funds” herein.

**For Maturity Schedule, Principal Amounts, Interest Rates, Initial Yields, CUSIP Numbers,
and Redemption Provisions for the Bonds, see the inside cover page hereto.**

The Bonds are offered for delivery when, as, and if issued and received by the underwriters named below (the “Underwriters”) and are subject to the approving opinion of the Attorney General of the State of Texas and the opinions of Cantu Harden Montoya LLP, Dallas, Texas, and Walsh Gallegos Kyle Robinson & De Los Santos P.C., San Antonio, Texas, Co-Bond Counsel. See “APPENDIX C – FORMS OF CO-BOND COUNSEL’S OPINIONS” attached hereto. Certain matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the Bonds will be available for delivery through DTC on or about July 16, 2026 (the “Date of Delivery”).*

FHN FINANCIAL CAPITAL MARKETS

PIPER SANDLER & CO.

RAYMOND JAMES

* Preliminary, subject to change.

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

STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS

\$43,565,000*

**FORNEY INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Kaufman County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

CUSIP No. Prefix 346425 ⁽¹⁾

Maturity Date (8/15)	Principal* (\$)	Interest Rate (%)	Initial Yield ⁽²⁾ (%)	CUSIP No. ⁽¹⁾ Suffix
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				

(Interest to accrue from the initial Date of Delivery)

The District reserves the right to redeem the Bonds maturing on and after August 15, 20__, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on August 15, 20__ or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturities are combined into one or more "term bonds" (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Order.

^{*} Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriters, the District, or the Municipal Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers for the Bonds are subject to change after the issuance as a result of various post-issuance events, including, but not limited to, a partial defeasance of the Bonds.

⁽²⁾ The initial yields at which Bonds are priced are established by and are the sole responsibility of the Underwriters and, subject to certain hold-the-offering-price restrictions of limited duration in the purchase agreement for the Bonds, may be changed by the Underwriters.

**FORNEY INDEPENDENT SCHOOL DISTRICT
600 S. Bois D'Arc Street
Forney, Texas 75126**

BOARD OF TRUSTEES

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>	<u>Occupation</u>
Greg Pharris	President	May 2029	Financial Advisor
Chad Johnson	Vice President	May 2028	Attorney
Katrina Burkhalter	Secretary	May 2028	Executive Chief of Staff – AT&T
Dr. Michael Idemudia	Member	May 2027	Doctor of Nursing
Kathy Green	Member	May 2027	Retired Teacher
Hanna Bateman	Member	May 2027	Entrepreneur
Scott Regan	Member	May 2029	Non-Profit Director of Operations

ADMINISTRATION – FINANCE RELATED

<u>Name</u>	<u>Position</u>
Dr. Justin Terry	Superintendent
John Chase	Associate Superintendent of Business & Finance

CONSULTANTS AND ADVISORS

Auditors	Weaver & Tidwell L.L.P., Dallas, Texas
Co-Bond Counsel	Cantu Harden Montoya LLP, Dallas, Texas and Walsh Gallegos Kyle Robinson & De Los Santos P.C., San Antonio, Texas
Municipal Advisor	Live Oak Public Finance, LLC, Austin, Texas

For Additional Information Contact:

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

No dealer, broker, salesman, or other person has been authorized by the District to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources that are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the District.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" attached hereto and "CONTINUING DISCLOSURE" herein for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS 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, Municipal Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System described under the caption "BOOK-ENTRY-ONLY SYSTEM" herein or the affairs of TEA described in "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto 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 contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Bonds, is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

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

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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 purposes.

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

THE DISTRICTThe District is a political subdivision of the State of Texas (the "State" or "Texas") located in Kaufman County. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. See "INTRODUCTION – Description of the District" herein.

AUTHORITY FOR ISSUANCE.....The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapters 1207 and 1371 of the Texas Government Code, as amended, (the "Acts") and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on May 26, 2026. As permitted by the Acts, in the Bond Order, the Board has delegated to certain District officials the ability to execute an approval certificate (the "Pricing Certificate") evidencing the final sale terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order") which is expected to be executed on June 23, 2026. See "THE BONDS - Authority for Issuance" herein.

THE BONDSThe Bonds shall mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. See "THE BONDS – Description of the Bonds" herein.

DATED DATEJuly 1, 2026.

PAYMENT OF INTEREST ..Interest on the Bonds will accrue from the date of initial delivery to the Underwriters, will be payable on each August 15 and February 15, commencing August 15, 2026, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. See "THE BONDS – Description of the Bonds" herein.

REDEMPTIONThe District reserves the option to redeem the Bonds maturing on and after August 15, 20__*, in whole or in part before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on August 15, 20__*, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturities are combined into one or more "term bonds" (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. See "THE BONDS – Redemption Provisions of the Bonds" herein.

SECURITY FOR THE BONDSThe Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount. Additionally, the payment of the Bonds is expected to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See "THE BONDS – Security and Source of Payment" and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

TAX MATTERSIn the opinion of Cantu Harden Montoya LLP, Dallas, Texas, assuming continuing compliance by the District after the date of initial delivery of the Bonds with certain covenants contained in the Order and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See "TAX MATTERS" herein. The opinion of Walsh Gallegos Kyle Robinson & De Los Santos, P.C. will not address federal tax matters.

PERMANENT SCHOOL FUND GUARANTEE The District has applied for and anticipates receiving conditional approval from the Texas Education Agency for the payment of principal and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of the State of Texas approves the Bonds. See "THE BONDS – Permanent School Fund Guarantee" herein and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

PAYING AGENT/REGISTRARThe initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.

MUNICIPAL BOND RATINGThe presently outstanding unlimited tax-supported debt of the District including the Bonds is rated "AA-" by S&P Global Ratings, Inc. ("S&P") without regard to credit enhancement, and "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State. See "OTHER PERTINENT INFORMATION – Municipal Bond Rating" and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

USE OF PROCEEDS Proceeds from the sale of the Bonds will be used for (i) the refunding of a portion of the District's outstanding debt, as more particularly described in "SCHEDULE I – Refunded Bonds" (the "Refunded Bonds") in order to achieve present value debt service savings, and (ii) paying for the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose" and "- Sources and Uses of Funds" herein.

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

* Preliminary, subject to change.

PAYMENT RECORDThe District has never defaulted on the payment of its bonded indebtedness.

DELIVERYWhen issued, anticipated to occur on or about July 16, 2026.*

LEGALITYThe Bonds are subject to the receipt of an approving opinion from the Attorney General of the State of Texas and opinions from Cantu Harden Montoya LLP, Dallas, Texas, and Walsh Gallegos Kyle Robinson & De Los Santos P.C., San Antonio, Texas, Co-Bond Counsel. See "APPENDIX C – FORMS OF CO-BOND COUNSEL'S OPINIONS" attached hereto.

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT

Relating to

\$43,565,000*

FORNEY INDEPENDENT SCHOOL DISTRICT (A political subdivision of the State of Texas located in Kaufman County) UNLIMITED TAX REFUNDING BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the schedule and appendices attached hereto, and incorporated herein, provides certain information regarding the issuance of the \$43,565,000* Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") of the Forney Independent School District (the "District"). The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapters 1207 and 1371 of the Texas Government Code, as amended, (the "Acts") and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on May 26, 2026. As permitted by the Acts, in the Bond Order, the Board has delegated to certain District officials the ability to execute an approval certificate (the "Pricing Certificate") evidencing the final sale terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order") which is expected to be executed on June 23, 2026. See "THE BONDS - Authority for Issuance" herein.

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future. See "OTHER PERTINENT INFORMATION – Forward-Looking Statements" herein.

Included in this Official Statement are descriptions of the Bonds, the Order, and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Forney Independent School District, 600 South Bois D'Arc Street, Forney, Texas 75126, Attention: Chief Financial Officer and, during the offering period from the District's Municipal Advisor, Live Oak Public Finance, LLC, 1515 W. Capital of Texas Hwy., Suite 206, Austin, Texas 78746, Attention: Christian Merritt, upon payment of reasonable copying, mailing and handling charges.

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

Description of the District

The District is a political subdivision of the State located in Kaufman County, Texas. The District is governed by a seven-member Board of Trustees (the "Board") who serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 84.5 square miles in Kaufman, County, and fully encompasses the City of Forney, Texas.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used for (i) the refunding of a portion of the District's outstanding debt, as more particularly described in "SCHEDULE I – Refunded Bonds" (the "Refunded Bonds") in order to achieve present value debt service savings, and (ii) paying for the costs of issuance of the Bonds. See "- Sources and Uses of Funds" herein.

Refunded Bonds

A description and identification of the Refunded Bonds appears in Schedule I attached hereto. The Refunded Bonds and the interest due thereon are to be paid on the interest payment dates and the scheduled redemption date from funds to be deposited with BOKF, NA,

* Preliminary, subject to change.

Dallas Texas (the "Escrow Agent") pursuant to an Escrow Agreement (the "Escrow Agreement") between the District and the Escrow Agent.

The Order provides that from the proceeds of the sale of the Bonds to the Underwriters shown on the cover page of this Official Statement (the "Underwriters"), the District will deposit with the Escrow Agent an amount which, together with the Escrowed Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Pricing Officer adopts or approves the Pricing Certificate, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date the Pricing Officer approves the Pricing Certificate, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. Money held in the Escrow Fund will not be available to pay debt service on the Bonds.

Public Finance Partners, Minneapolis, Minnesota (the "Verification Agent") will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, in the Escrow Fund, will be sufficient to pay, the principal of and interest on the Refunded Bonds on their redemption dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds. See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS" herein.

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the ordinance authorizing the issuance of the Refunded Bonds. It is the opinion of Co-Bond Counsel that as a result of such defeasance, and in reliance upon the report of the Verification Agent, firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds will have been made and therefore the Refunded Bonds will be deemed fully paid and no longer outstanding except for the purpose of receiving payments from the Escrowed Securities and cash held for such purpose by the Escrow Agent. See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS" herein.

Sources and Uses of Funds

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

<u>Sources of Funds:</u>	
Par Amount of Bonds	\$
[Net] Reoffering Premium on the Bonds	
TOTAL SOURCES	\$
 <u>Uses of Funds:</u>	
Deposit to Escrow Fund	\$
Underwriters' Discount	
Costs of Issuance & Rounding Amount ⁽¹⁾	
TOTAL USES	\$

⁽¹⁾ Includes fees of consultants, bond rating agencies, and other costs of issuance.

THE BONDS

Description of the Bonds

The Bonds will be dated July 1, 2026 (the "Dated Date") and mature on August 15 in each of the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will accrue from the date of initial delivery to the Underwriters (detailed below), will be payable on each August 15 and February 15, commencing August 15, 2026, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully-registered form in denominations of \$5,000 of the principal amount or any integral multiple thereof within a stated maturity.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books kept by the Paying Agent/Registrar relating to the Bonds (the "Bond Register") on the Record Date (detailed below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the Bond Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of,

the registered owner. The principal of the Bonds is payable at stated maturity or prior redemption upon presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully-registered form in any integral multiple of \$5,000 of the principal amount for any one maturity.

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

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State, including the Acts and a Bond Order adopted by the Board on May 26, 2026. As permitted by the Acts, in the Bond Order, the Board has delegated to certain District officials the ability to execute the Pricing Certificate evidencing the final sale terms of the Bonds which is expected to be executed on June 23, 2026.

Security and Source of Payment

The Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount. See “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” herein. Additionally, the payment of the Bonds is expected to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” attached hereto.

Permanent School Fund Guarantee

The District received conditional approval from the State Commissioner of Education (the “Education Commissioner”) for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program pursuant to Chapter 45, Subchapter C of the Texas Education Code. Subject to certain conditions discussed under “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” attached hereto, 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, Beneficial Owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

Redemption Provisions of the Bonds

The District reserves the option to redeem the Bonds maturing on and after August 15, 20__*, in whole or in part before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on August 15, 20__*, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. Additionally, if two or more Bonds of consecutive maturity are combined into one or more “term” Bonds (the “Term Bonds”) by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order.

Selection of Bonds for Redemption

If fewer than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be so redeemed. If fewer than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot 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.

Notice of Redemption

No fewer 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 each registered owner of a Bond to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice.

* Preliminary, subject to change.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, 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.

DTC Redemption Provisions

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

Defeasance

The Order provides that the Bonds may be defeased, refunded or discharged in any manner permitted by applicable law. Upon defeasance, such defeased Bonds shall no longer be regarded to be outstanding or unpaid. The District reserves the right to modify the scope of eligible defeasance securities. Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

Amendments

The District may amend the Order without the consent of any beneficial owner in any manner not detrimental to the interests of the beneficial owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of all of the beneficial owners of the Bonds then outstanding, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereof or in any other way modify the terms of payment of the principal or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the percentage of the aggregate principal amount of Bonds required to be held for beneficial owners for consent to any amendment, addition, or waiver, or rescission.

Default and Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authority for Issuance"), 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. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged

source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Co-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 and general principles of equity which permit the exercise of judicial discretion.

Payment Record

The District has never defaulted on the payment of its bonded indebtedness.

Legality

The Bonds are offered when, as, and if issued, and subject to the receipt of an approving opinion of the Attorney General of the State of Texas and the opinion of the District's Co-bond counsel, Cantu Harden Montoya LLP, Dallas, Texas, and Walsh Gallegos Kyle Robinson & De Los Santos P.C., San Antonio, Texas.

Delivery

When issued; anticipated to occur on or about July 16, 2026.*

Future Issues

The District has \$841,400,000 authorized but unissued ad valorem tax bonds. Aside from the Bonds and any future refunding bonds issued for debt service savings, the District does not anticipate the issuance of new money ad valorem tax-supported debt in the next twelve months.

The District's voters could authorize the issuance of new money bonds at a future election. In addition, the District may, without voter approval, incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance and operations taxes, public property finance contractual obligations payable from its collection of debt service taxes, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance and operations taxes.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Order provides for the District's right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any changes 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.

Record Date for Interest Payment

The record date ("Record Date") for determining the registered owner entitled to receive a payment of interest on any Bond is the close of business on the last business day of the month preceding each interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United

* Preliminary, Subject to Change

States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the Bond Register at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the Bond Register only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond(s) will be delivered by the Paying Agent/Registrar in lieu of the Bond(s) being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. A new Bond(s) issued in an exchange or transfer of a Bond(s) will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bond(s) to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. Any new Bond(s) registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities as the Bond(s) surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bond(s).

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required (i) to make any transfer or exchange during a period beginning at the opening of business forty-five (45) days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within forty-five (45) calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

BOOK-ENTRY-ONLY SYSTEM

The following describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC (defined below) while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Municipal 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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, 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 of such maturity, and will be deposited with DTC.

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

Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payment 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. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed physical Bond certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and

registration provisions as set forth in the Order and summarized under the caption “REGISTRATION, TRANSFER AND EXCHANGE” above.

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” attached hereto for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in APPENDIX D attached hereto is incorporated herein and made a part hereof for all purposes.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for county-wide 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 Kaufman County 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.

Through December 31, 2026, an appraisal district may only increase the appraised value of real property during the 2026 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5.32 million dollars (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). 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. After December 31, 2026, the value limitation provisions for non-homestead properties will expire unless extended by future legislation.

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

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

State-Mandated Homestead Exemptions

State law grants, with respect to taxes for general elementary and secondary public school purposes, (1) a \$140,000 exemption of the appraised value of all residence homesteads (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of a recent increase in this exemption), (2) a \$60,000 exemption of the appraised value of the residence homesteads of person sixty-five (65) years of age or older and the disabled (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of a recent increase in this exemption), and (3) various exemptions for disabled veterans and their

families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all residence homesteads (but not less than \$5,000); and (2) an additional exemption of at least \$3,000 of the appraised value of the residence 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 residence homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2) above may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties and school districts are prohibited from reducing or repealing a general optional homestead exemption described in (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 residence 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 residence homestead qualified for such exemption. This freeze is transferable to a different residence homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of a person sixty-five (65) years of age or older, but not the disabled.

The total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is 65 years of age or older or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the maximum compressed rate of the maintenance and operations taxes imposed for those purposes on the homestead.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. From and after the 2026 tax year, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-in-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or fewer 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 of 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 of 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 retail manufactured housing inventory, or a dealer’s motor vehicle, vessel and outboard motor, 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

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. Under Section 11.35, Texas Tax Code, property is only damaged if it has sustained physical damage. For more information on the exemption, reference is made to Section 11.35, Texas Tax Code, as amended.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (former Chapter 313, Texas Tax Code, as amended) previously allowed school districts to grant limitations on appraised property values to certain entities to encourage economic development within the school district. Generally, during 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. The 87th Texas Legislature did not vote to extend this program, which expired by its terms on December 31, 2022 (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts").

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

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

For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" 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 (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount," as determined State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$62,883,169 for the 2026 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Kaufman County.

The Appraisal District is governed by a board of nine directors. Five members are appointed by members of the governing bodies of various political subdivisions within Kaufman County, three members are elected by voters and the Kaufman County Tax Assessor-Collector will be the ninth member.

Property within the District is assessed as of January 1 of each year, taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

The District provides the State-mandated exemption to the market value of residence homesteads of \$140,000 (increased from \$100,000 to \$140,000 effective for tax years 2025 and thereafter).

The District grants a State-mandated \$60,000 residence homestead exemption for persons 65 years of age or older or the disabled (increased from \$10,000 to \$60,000 effective for tax years 2025 and thereafter).

The District has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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

The District does tax nonbusiness personal property.

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

The District does collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by Kaufman County Tax Office.

The District does permit split payments of taxes and does not give discounts for early payment of taxes.

The District does not participate in a tax increment financing zone. The District has not granted any value limitation agreements under Chapter 313 of the Texas Tax Code. The District has not granted any tax abatements.

The District has taken action to tax goods-in-transit.

The District does not tax freeport property as the result of the District's adoption of a resolution on April 9, 2018.

Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

<u>Month</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest ^(b)</u>	<u>Total</u>
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	32% ^(a)	6%	38%

^(a) Includes additional penalty of 20% assessed after July 1 in order to defray attorney collection expenses.

^(b) Taxes delinquent after July 1 incur an additional interest penalty of 20% of the sum of the delinquent taxes plus the penalties and interest to defray attorney collection fees.

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

substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the Finance System. The information contained under the captions “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “TAX RATE LIMITATIONS” is subject to change, and only reflects the District’s understanding based on information available to the District as of the date of this Official Statement. Voter approval of constitutional amendments submitted to the voters at an election held on November 4, 2025 are noted below. See “– 2025 Legislative Session,” below. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

Local funding for school districts is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations (“M&O”) tax to pay current expenses and an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax at a rate intended to create a surplus in M&O tax revenues to pay the district’s debt service. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount. See “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein. Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize, on a per student basis, local funding generated by a school district’s M&O tax rate.

2025 Legislative Sessions

The regular session of the 89th Texas Legislature commenced on January 14, 2025 and concluded on June 2, 2025. The Texas Legislature (the “Legislature”) meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call special sessions when the Legislature is not in session, 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 (any such special sessions, collectively with the 89th Regular Session, are referred to herein as the “2025 Legislative Sessions”).

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. At an election held on November 4, 2025 voters approved of constitutional amendments necessary to implement legislation increasing: (1) effective January 1, 2025, the State mandated general homestead exemption of the appraised value for all homesteads from \$100,000 to \$140,000, (2) effective January 1, 2025, the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000, and (3) effective January 1, 2026, the exemption for tangible personal property used in the “production of income” from \$2,500 to \$125,000. Additionally, legislation signed into law authorizes roughly \$8.5 billion in funding for public schools and would provide districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation signed into law will create an education savings account (“ESA”) program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective on 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 2026-2027 biennium may not exceed \$1 billion. The legislation applies beginning with the 2026-2027 school year. Beginning on September 1, 2027, the legislation requires that the amount appropriated for purposes of the program for a state fiscal biennium must be established by the legislature by appropriation for that biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District’s attendance-based funding. The District is still in the process of reviewing legislation passed during the 2025 Legislative Sessions and cannot make any representations as to the full impact of such legislation.

Further, the District can make no representations or predictions regarding the scope of legislation that may be considered in any special session or future session of the Legislature or the potential impact of such legislation at this time. The District does intend to monitor applicable legislation related thereto.

Local Funding for School Districts

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

State Compression Percentage. The State Compression Percentage (the “SCP”) is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district’s Maximum Compressed Tax Rate (described below). The SCP is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the 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 Maximum Compressed Tax Rate (the “MCR”) is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district’s current year SCP multiplied by \$1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than 90% of any other school district’s MCR for the current year, then the school district’s MCR is instead equal to the school district’s prior year MCR, until TEA determines that the difference between the school district’s MCR and any other school district’s MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2025 Legislative Session, the Legislature took action to reduce the MCR range for the 2025-2026 school year, establishing a maximum MCR of \$0.6322 and a floor of \$0.5689.

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. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two” herein.

State Funding for School Districts

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

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

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

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

The Basic Allotment for 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 a school district 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), and (iii) a college, career and military readiness allotment to further the State’s goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive compensation allotment to increase teacher retention in disadvantaged or rural school districts. A school district’s total Tier One funding divided by the district’s Basic Allotment is a school district’s measure of students in “Weighted Average Daily Attendance” (“WADA”), which serves to calculate Tier Two funding.

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

Beginning with the 2026-2027 fiscal biennium, school districts will also receive an annual allotment of \$106 per enrolled student. The funds under this allotment may only be used for specific operational costs related to transportation, hiring retired teachers, providing health insurance and employee benefits and paying for payroll taxes, contributions and other costs related to member contributions under the Teacher Retirement System of Texas, utilities, and property and casualty insurance.

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 of \$129.52 per student in WADA for each Golden Penny levied.

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

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

Since future-year IFA awards were not funded by the Legislature for the 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. In the 2025 Legislative Sessions, the State Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 fiscal biennium.

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

For the 2026-2027 fiscal biennium, 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 as it existed on January 1, 2025, if any increases in the residence homestead exemptions under the Texas Constitution 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, Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue in excess of entitlement, Chapter 49 school districts are generally subject to a process known as "recapture," which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "Options for Local Revenue Levels in Excess of Entitlement." Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six (6) options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters. 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 Education 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 Education 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 fiscal year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's "excess local revenues" must be tested for each future school year and, if it exceeds the maximum permitted level, the district must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted value in future school years, it will be required to exercise one or more of the permitted wealth equalization options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's 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.

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy M&O taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is \$1.50 per \$100 of assessed valuation as approved by the voters at an election held on November 14, 1972, under Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code).

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

For the State fiscal year ending in 2026 (the 2025-2026 school year), the maximum MCR was set at \$0.6322 and the MCR for the District is \$0.6169 per \$100 taxable value. For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts" herein.

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

I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Attorney General of the State of Texas that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the 50-cent Test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes

a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. The Bonds are issued as refunding bonds under Chapter 1207, Texas Government Code. As such, they are not subject to the 50-cent Test.

Public Hearing and Voter-Approval Tax Rate

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, or (b) the rate of \$0.05 per \$100 of taxable value; and (iii) the school district's current I&S tax rate (as described below). A school district's M&O tax rate may not exceed the rate equal to the sum of (i) \$0.17 and (ii) the school district's MCR. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate.

Effective for the 2026 tax year and thereafter, a district's current I&S tax rate defaults to a rate that provides the minimum dollar amount required to service the school district's debt for the current year (taking into account State assistance for debt service and any excess collections from the prior year not used to service debt), unless a higher rate is approved in accordance with Section 26.05(a-1), Texas Tax Code. Under Section 26.05(a-1), Texas Tax Code, the governing body of a school district may approve an I&S tax rate that exceeds such minimum rate only if (i) the rate is proposed by a motion that states the minimum rate, the proposed rate, the difference between the two rates, and the purpose for which the excess revenue will be used, and (ii) the motion is approved by at least 60 percent of the members of the governing body. If the governing body approves a higher I&S rate under such procedure, that rate is considered the current I&S rate for the applicable tax year, and the Voter-Approval Tax Rate is recalculated to reflect the higher I&S tax rate. This procedure does not limit the District's obligation to levy taxes at a rate sufficient to pay debt service on its outstanding obligations, including the Bonds. However, this tax rate setting limitation could constrain the District's ability to create a surplus from which the Bonds could be repaid in the event of unexpected delays in the receipt of I&S taxes.

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.

Except with respect to the required procedure to exceed the default minimum I&S tax rate (as discussed above), 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 Sections 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 of Public Accounts.

DEBT LIMITATIONS

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate the ability to pay "new debt" from a tax rate of \$0.50. In demonstrating compliance with the requirement, a district may take into account State equalization payments and, if compliance with such requirement is contingent on receiving state assistance, a district may not adopt a tax rate for a year for purposes of paying the principal of and interest on the bonds unless the district credits to the interest and sinking fund for the bonds the amount of State assistance received or to be received in that year. The State Attorney General reviews a district's calculations showing compliance with such test as a condition to the legal approval of the debt. As noted above, the Bonds are not issued as "new debt" and, therefore, are not subject to the 50-cent test requirement.

EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. See "Notes to the Financial Statements – Note 10. – Defined Benefit Pension Plan" as set out in the audited financial statements of the District for the year ended June 30, 2025, as set forth in APPENDIX B attached hereto.

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. See "Notes to the Financial Statements, Note 11. – Defined Other Post-Employment Benefits Plans" in the audited financial statements of the District for the year ended June 30, 2025, as set forth in APPENDIX B attached hereto.

In June 2012, the Government Accounting Standards Board ("GASB") issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which was later amended by GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, each in an effort to improve accounting and financial reporting by state and local governments related to pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. Reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. See "CHANGE IN NET ASSETS" in APPENDIX B attached hereto. GASB Statement No. 68 applies only to pension benefits and does not apply to OPEB or TRS-Care related liabilities. At the conclusion of the 2024-2025 fiscal year, the District had a net pension liability of \$57,739,991.

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

INVESTMENT POLICIES

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

Legal Investments

Available District funds are invested as authorized by State law and in accordance with investment policies approved by the Board.

Under State law, the District is authorized to make investments meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA"), which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (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. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds

and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

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

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

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

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

Under State law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the District's Board of Trustees detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period 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 strategies and (b) State law. No person may invest District funds without express written authority from the District's Board of Trustees.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (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 entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new

disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

LEGAL MATTERS

The delivery of the Bonds is subject to receipt of the approving opinion of the Attorney General of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the opinion of Co-Bond counsel, Cantu Harden Montoya LLP, Dallas, Texas, and Walsh Gallegos Kyle Robinson & De Los Santos P.C., San Antonio, Texas, that the Bonds are valid and legally binding obligations of the District. Cantu Harden Montoya LLP will deliver its opinion that interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Code and other matters as set forth under "TAX MATTERS" herein. Copies of the opinion of Co-bond counsel issued in connection with the issuance of the Bonds are attached hereto as APPENDIX C – FORMS OF CO-BOND COUNSEL'S OPINIONS. The legal fees to be paid to Co-Bond Counsel are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fee to be paid to counsel to the Underwriters for services rendered in connection with the issuance of the Bonds is contingent upon the sale of the delivery of the Bonds.

Co-Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Co-Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING" (except with respect to the caption "Sources and Uses of Funds," as to which no opinion is expressed), "THE BONDS" (exclusive of the subcaptions "Payment Record," "Future Issues," "Permanent School Fund Guarantee" and "Default and Remedies," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS," "LEGAL MATTERS" (excluding the information under the subcaption "Litigation," as to which no opinion is expressed), "CONTINUING DISCLOSURE" (excluding the information under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "OTHER PERTINENT INFORMATION – Registration and Qualification of Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order.

Though they represent the Municipal Advisor and the Underwriters from time to time in matters unrelated to the Bonds, Co-Bond Counsel has been engaged by and only represent the District with respect to the issuance of the Bonds. The legal opinions to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed therein. In rendering legal opinions, the attorneys do 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 such opinions guarantee the outcome of any legal dispute that may arise from the transaction.

Litigation

At the time of the initial delivery of the Bonds, one or more officials of the District will provide the Underwriters with a certificate to the effect that, to the best of their knowledge, except as disclosed in this Official Statement, (i) there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body (either State or federal) wherein an adverse decision would materially adversely affect the financial condition of the District and (ii) no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

TAX MATTERS

Opinion

The delivery of the Bonds is subject to the opinion of Cantu Harden Montoya LLP, Dallas, Texas, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinions are based are subject to change. A form of Cantu Harden Montoya LLP's legal opinion appears in APPENDIX C hereto.

In rendering the foregoing opinion, Cantu Harden Montoya LLP will rely upon the representations and certifications of the District made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Order by the District subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds

of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage “profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Cantu Harden Montoya LLP as Co-Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Co-Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Cantu Harden Montoya LLP and Cantu Harden Montoya LLP’s legal opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Issuer may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain bonds may be less than the amount payable on such bonds at maturity (the “Discount Bonds”). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the underwriter of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the underwriter, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an underwriter in a different amount from the amount of the payment denominated as interest actually received by the underwriter during his taxable year.

However, such accrued interest may be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain bonds may be greater than the stated redemption price on such bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the underwriter of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such underwriter must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an underwriter is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

CONTINUING DISCLOSURE

The District in the Order 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 ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB". This information will be available to the public free of charge from the MSRB via the EMMA system at www.emma.msrb.org. See "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of specified events related to the guarantee to the MSRB.

Annual Reports

The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District, financial information and operating data with respect to the District of the general type included in APPENDIX A of this Official Statement, exclusive of the table reflecting "ESTIMATED OVERLAPPING DEBT STATEMENT", (the "Annual Financial Information"), and (2) if not provided as part

of such financial information and operating data, audited financial statements of the District. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in APPENDIX C hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in this Official Statement, and (ii) audited, if the District commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will file notice of such change with the MSRB (and of the date of the new fiscal year end).

Notice 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 (not more than ten (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 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 (as defined by Rule 15c2-12, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such 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 (with the exception of the Texas Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) in the first paragraph of this subcaption 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.

Additionally, the District intends the words used in clauses (15) and (16) of the first paragraph of this subcaption and the definition of "financial obligation" in these clauses to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information from MSRB

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations,

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

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

Compliance with Prior Agreements

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

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

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

OTHER PERTINENT INFORMATION

Other Obligations

On February 6, 2020, the District closed on its sale via private placement to JPMorgan Chase Bank NA of \$6,576,000 Maintenance Tax Notes, Series 2020 for the purposes of renovating, repairing, and equipping existing facilities. On September 9, 2015, the District entered into a public property finance contract with Prosperity Bank valued at \$4,634,000. The proceeds of the contract are being used to complete energy conservation updates to various facilities throughout the District. For more information regarding these obligations, see APPENDIX A.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources, which are believed to be reliable. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Registration and Qualification of Bonds for Sale

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

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

Municipal Bond Rating

The Bonds are expected to be rated "AAA" by S&P Global Ratings, Inc. ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The presently outstanding debt of the District, including the Bonds, is rated "AA-" by S&P without regard to credit enhancement.

An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Municipal Advisor

Live Oak Public Finance, LLC (the "Municipal Advisor") is employed as the Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Live Oak Public Finance, LLC, in its capacity as Municipal Advisor, has relied on the opinions of Co-Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds.

The Municipal Advisor has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with 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 Municipal 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 at the price equal to the initial offering prices to the public, as shown on page -ii- herein, less an Underwriters' discount of \$ _____ (and no accrued interest). The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. Subject to certain hold-the-offering-price restrictions in the purchase agreement related to the Bonds that are of limited duration, the Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. 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 and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Piper Sandler & Co., an underwriter of the Bonds, has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Use of Audited Financial Statements

Weaver & Tidwell L.L.P. LLP, Dallas, Texas (the “Auditor”), the District’s independent auditor, has not been engaged to perform and has not performed, since the date of the report included herein, any procedures on the financial statements addressed in that report. The Auditor has not performed any procedures relating to this Official Statement.

Verification of Arithmetical and Mathematical Computations

The Verification Agent 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 Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

The Verification Agent 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, the Verification Agent has relied on any information provided to it by the District’s retained advisors, consultants or legal counsel.

The verification report will be relied upon by Co-Bond Counsel in rendering their opinions with respect to the defeasance of the Refunded Bonds.

Forward-Looking Statements

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

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

Information from External Sources

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

Authorization of the Official Statement

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

As authorized by the Board in the Bond Order, the Pricing Officer will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Bonds by the Underwriters.

FORNEY INDEPENDENT SCHOOL DISTRICT

/s/ _____
Pricing Officer

SCHEDULE I
REFUNDED BONDS

Refunded Bonds*

Series	Principal Amount	Maturities	Principal Being Redeemed	Interest Rates	Redemption Date and Price
Forney Independent School District Unlimited Tax Refunding Bonds Series 2016					
	\$540,000	08/15/2027	\$540,000	4.000%	08/15/2026@100.00%
	1,285,000	08/15/2028	1,285,000	4.000%	08/15/2026@100.00%
	1,780,000	08/15/2029	1,780,000	4.000%	08/15/2026@100.00%
	1,970,000	08/15/2030	1,970,000	4.000%	08/15/2026@100.00%
	2,055,000	08/15/2031	2,055,000	4.000%	08/15/2026@100.00%

**Preliminary, subject to change.*

Series	Principal Amount	Maturities	Principal Being Redeemed	Interest Rates	Redemption Date and Price
Forney Independent School District Unlimited Tax Refunding Bonds Series 2017					
	\$2,090,000	08/15/2030	\$2,090,000	5.000%	08/15/2026@100.00%
	2,440,000	08/15/2031	2,440,000	5.000%	08/15/2026@100.00%
	2,570,000	08/15/2032	2,570,000	5.000%	08/15/2026@100.00%
	3,305,000	08/15/2033	3,305,000	5.000%	08/15/2026@100.00%
	1,200,000	08/15/2034	1,200,000	5.000%	08/15/2026@100.00%
	6,400,000	08/15/2035	6,400,000	5.000%	08/15/2026@100.00%
	7,725,000	08/15/2036	7,725,000	5.000%	08/15/2026@100.00%
	7,040,000	08/15/2037	7,040,000	5.000%	08/15/2026@100.00%
	6,480,000	08/15/2038	6,480,000	5.000%	08/15/2026@100.00%

**Preliminary, subject to change.*

APPENDIX A
SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 - Valuation, Exemption & Tax Supported Debt

<u>District Direct Debt</u>	
2026 Preliminary Tax Year Total Valuation ⁽¹⁾	\$16,019,880,541
Less: Exemptions and Deductions ⁽¹⁾	<u>(4,749,777,626)</u>
2026 Preliminary Tax Year Net Taxable Valuation ⁽¹⁾	<u>\$11,270,102,915</u>
Unlimited Tax Bonds Outstanding (As of May 1, 2026)	\$1,260,869,911
Plus: The Bonds ⁽²⁾	\$43,565,000
Less: Refunded Bonds ⁽²⁾	<u>(\$46,880,000)</u>
Total Unlimited Tax Bonds	<u>\$1,257,554,911</u>
Less: Interest & Sinking Fund Balance (As of May 1, 2026) ⁽³⁾	<u>(\$75,594,258)</u>
Net Unlimited Tax Debt	\$1,181,960,653
Ratio of Net Unlimited Tax Debt to Net Taxable Valuation	10.49%
Estimated District Population ⁽⁴⁾	69,201
Per Capita Net Taxable Valuation	\$162,860
Per Capita Net Unlimited Tax Debt	\$17,080

⁽¹⁾ Source: Kaufman Central Appraisal District. Tax Year 2026 Preliminary Values.

⁽²⁾ Preliminary, subject to change.

⁽³⁾ Source: District's records. Unaudited.

⁽⁴⁾ Source: The Municipal Advisory Council of Texas

TABLE 2 - Historical Net Taxable Assessed Valuation ⁽¹⁾

	Tax Year 2026	Tax Year 2025 ⁽²⁾	Tax Year 2024	Tax Year 2023	Tax Year 2022
Gross Value	\$16,019,880,541	\$15,278,295,231	\$14,348,790,113	\$13,491,733,250	\$11,164,708,681
Less: Exemptions	<u>(4,749,777,626)</u>	<u>(4,662,723,023)</u>	<u>(3,599,843,654)</u>	<u>(3,863,273,747)</u>	<u>(2,596,618,023)</u>
Net Taxable Value	<u>\$11,270,102,915</u>	<u>\$10,615,572,208</u>	<u>\$10,748,946,459</u>	<u>\$9,628,459,503</u>	<u>\$8,568,090,658</u>

⁽¹⁾ Source: Kaufman Central Appraisal District. Tax Year 2026 Preliminary Values.

⁽²⁾ Total Valuation includes an increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 and an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to a constitutional amendment approved at a statewide election held on November 4, 2025.

TABLE 3 - Valuation and Tax Supported Debt History

Fiscal Year Ended 6/30	Estimated Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽²⁾	Net Taxable AV Per Capita	Tax Supported Debt Outstanding	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2022	53,035	\$6,663,590,617	\$125,645	\$664,837,859	9.98%	\$12,536
2023	58,286	8,568,090,658	147,001	947,305,067	11.06%	16,253
2024	60,677	9,628,459,503	158,684	1,129,255,925	11.73%	18,611
2025	65,422	10,748,946,459	164,302	1,151,952,272	10.72%	17,608
2026	69,201	10,615,572,208 ⁽³⁾	153,402	1,260,869,911	11.88%	18,220
2027	69,201	11,270,102,915 ⁽⁴⁾	162,860	1,245,759,853 ⁽⁵⁾	11.05%	18,002

⁽¹⁾ Source: The Municipal Advisory Council of Texas

⁽²⁾ Source: Kaufman Central Appraisal District.

⁽³⁾ Total Valuation includes an increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 and an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to a constitutional amendment approved at a statewide election held on November 4, 2025.

⁽⁴⁾ Preliminary Value, subject to change.

⁽⁵⁾ Includes the Bonds and excludes the Refunded Bonds. Preliminary; subject to change.

TABLE 4 - Tax Rate, Levy and Collection History ⁽¹⁾⁽²⁾

Fiscal Year Ended 6/30	Total Tax Rate	Local Maintenance	I&S Fund	Tax Levy	Percent Collections ⁽³⁾	
					Current	Total
2021	\$1.3747	\$0.8747	\$0.5000	\$75,558,146	98.67%	100.67%
2022	1.3720	0.8720	0.5000	88,950,779	98.79%	99.70%
2023	1.3546	0.8546	0.5000	113,167,459	98.88%	100.25%
2024	1.2892	0.7892	0.5000	118,459,887	99.05%	99.79%
2025	1.2869	0.7869	0.5000	132,484,277	98.99%	99.72%
2026	1.2869	0.7869	0.5000	133,549,239	96.95% ⁽⁴⁾	97.61% ⁽⁴⁾

⁽¹⁾ Source: Kaufman Central Appraisal District.

⁽²⁾ Source: Districts Audited Financial Statements.

⁽³⁾ Excludes Penalties and Interest.

⁽⁴⁾ Source: The District's records as of May 1, 2026.

TABLE 5 - Largest Taxpayers, Tax Year 2025 ⁽¹⁾

Taxpayer Name	Property Type	AV	% of Total
Vistra Corp	Electric Utility/Power Plant	\$590,679,120	5.56%
Gateway Distribution Center LLC	Distribution Center	120,249,158	1.13%
Amazon.Com Services LLC	Distribution Center	115,785,841	1.09%
SRPF C/Trinity Pointe Phase I LP	Industrial Park/Warehouses	91,250,000	0.86%
NLP Goodyear BTS LLC	Distribution Center	90,000,000	0.85%
ASVRF Lovett Logistics Owner LLC	Industrial Park/Warehouses	85,277,927	0.80%
MPLD II Forney LLC	Distribution Center	82,150,000	0.77%
Exeter US Highway 80	Industrial Park/Warehouses	77,000,000	0.73%
Exeter 11333 County LP	Industrial Park/Warehouses	71,132,546	0.67%
CIVF VI DEV-TX1B01-B02 LLC	Industrial Park/Warehouses	67,520,097	0.64%
Top 10 Totals:		\$1,391,044,689	13.10%

⁽¹⁾ Source: Kaufman County Appraisal District

TABLE 6 - Estimated Overlapping Debt ⁽¹⁾

Taxing Jurisdiction	As Of	Total Debt	Estimated % Overlapping	Overlapping Debt
City of Forney	4/30/2026	\$13,375,000	100.00%	13,375,000
Kaufman County	4/30/2026	200,305,000	47.04%	94,223,472
Kaufman County FWSD # 7-A	4/30/2026	4,545,000	18.94%	860,823
Kaufman County FWSD # 1-B	4/30/2026	3,765,000	100.00%	3,765,000
Kaufman County FWSD # 1-C	4/30/2026	32,000,000	100.00%	32,000,000
Kaufman County FWSD # 1-D	4/30/2026	34,530,000	100.00%	34,530,000
Kaufman County FWSD # 6	4/30/2026	34,880,000	100.00%	34,880,000
Kaufman Co MUD # 2	4/30/2026	30,330,000	100.00%	30,330,000
Kaufman Co MUD # 3	4/30/2026	79,620,000	100.00%	79,620,000
Kaufman Co MUD # 4	4/30/2026	50,955,000	100.00%	50,955,000
Kaufman Co MUD # 5	4/30/2026	80,598,220	100.00%	80,598,220
Kaufman Co MUD # 6	4/30/2026	60,434,460	92.70%	56,022,744
Kaufman Co MUD # 7	4/30/2026	38,082,320	32.86%	12,513,850
Las Lomas MUD 4A of Kaufman County	4/30/2026	11,600,000	100.00%	11,600,000
City of Mesquite	4/30/2026	270,425,000	2.06%	5,570,755
City of Talty	4/30/2026	6,790,000	100.00%	6,790,000
City of Terrell	4/30/2026	110,275,000	⁽²⁾	-
Walden Pond FWSD	4/30/2026	32,565,000	100.00%	32,565,000
Estimated (Net) Overlapping Debt				\$580,199,865
Forney ISD ⁽³⁾⁽⁴⁾		\$1,257,554,911	100.00%	\$1,257,554,911
Total Direct & Estimated Overlapping Debt				\$1,837,754,776
Total and Overlapping Debt as a % of 2026 Preliminary Taxable Assessed Valuation				16.31%
Total and Overlapping Debt as a Per Capita				\$26,557

⁽¹⁾ Source: The Municipal Advisory Council of Texas.

⁽²⁾ Less than 0.01%.

⁽³⁾ Excludes \$2,800,000 of the Maintenance Tax Notes, Series 2020.

⁽⁴⁾ Includes the Bonds and excludes the Refunded Bonds. Preliminary; subject to change.

TABLE 7 - Pro-Forma General Obligation Tax Supported Debt Service Requirements

Fiscal Year Ending 06/30	Outstanding Debt Service	Less: The Refunded Bonds ⁽²⁾	The Bonds ⁽¹⁾			New Total Debt Service Requirements
			Principal	Interest	Total	
2027	\$60,486,119	\$2,267,700	\$2,000,000	\$1,214,595	\$3,214,595	\$61,433,014
2028	64,015,944	2,796,900	155,000	2,074,375	2,229,375	63,448,419
2029	66,317,819	3,505,400	890,000	2,048,250	2,938,250	65,750,669
2030	68,950,269	3,939,100	1,375,000	1,991,625	3,366,625	68,377,794
2031	69,134,594	6,091,850	3,655,000	1,865,875	5,520,875	68,563,619
2032	73,328,044	6,333,100	4,085,000	1,672,375	5,757,375	72,752,319
2033	74,707,469	4,241,750	2,165,000	1,516,125	3,681,125	74,146,844
2034	79,354,269	4,829,875	2,875,000	1,390,125	4,265,125	78,789,519
2035	81,279,950	2,612,250	750,000	1,299,500	2,049,500	80,717,200
2036	83,065,950	7,622,250	5,930,000	1,132,500	7,062,500	82,506,200
2037	85,354,112	8,594,125	7,230,000	803,500	8,033,500	84,793,487
2038	87,496,875	7,540,000	6,520,000	459,750	6,979,750	86,936,625
2039	88,762,619	6,642,000	5,935,000	148,375	6,083,375	88,203,994
2040	89,827,019	-	-	-	-	89,827,019
2041	89,798,069	-	-	-	-	89,798,069
2042	89,819,644	-	-	-	-	89,819,644
2043	89,494,131	-	-	-	-	89,494,131
2044	89,412,094	-	-	-	-	89,412,094
2045	86,619,931	-	-	-	-	86,619,931
2046	86,656,731	-	-	-	-	86,656,731
2047	86,602,169	-	-	-	-	86,602,169
2048	86,559,562	-	-	-	-	86,559,562
2049	86,520,519	-	-	-	-	86,520,519
2050	84,443,037	-	-	-	-	84,443,037
2051	80,139,247	-	-	-	-	80,139,247
2052	72,309,378	-	-	-	-	72,309,378
2053	68,258,878	-	-	-	-	68,258,878
2054	35,382,950	-	-	-	-	35,382,950
2055	12,916,313	-	-	-	-	12,916,313
2056	10,980,875	-	-	-	-	10,980,875
Total	\$2,227,994,578	\$67,016,300	\$43,565,000	\$17,616,970	\$61,181,970	\$2,222,160,248
Average Annual Debt Service Requirement						\$74,072,008
Maximum Debt Service Requirement						\$89,827,019

⁽¹⁾ Interest calculated at assumed rates for purposes of illustration. Preliminary; subject to change.

⁽²⁾ Preliminary; subject to change.

Maintenance Tax Supported Debt Service Requirements

Fiscal Year Ending 6/30	Principal	Interest	Total
2027	\$679,000	\$49,702	\$728,702
2028	693,000	35,845	728,845
2029	707,000	21,705	728,705
2030	721,000	7,282	728,282
Total	\$2,800,000	\$114,534	\$2,914,534

TABLE 8 – Authorized but Unissued Bonds

Following the issuance of the Bonds, the District has \$841,400,000 in voted but unissued bonds as further described below.

A summary of the bonds authorized at said Election is as follows:

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Remaining
School Building	5/7/2022	\$1,294,000,000	\$452,600,000	\$841,400,000

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

TABLE 9 - Other Obligations ⁽¹⁾

As of the date hereof, other obligations of the District included the following capital leases and SBITAs:

	Interest Rate	Liability at Commencement	Term in Years	Balance 6/30/2025
Copiers - Leases	4.230%	\$142,744	5	\$120,045
Software - SBITAs	4.000%	\$583,634	3	\$413,559
				<u>\$533,604</u>

Future lease payable debt service requirements to maturity are as follows:

Period Ending 6/30 of	Principal	Interest	Total
2026	\$25,786	\$4,582	\$30,368
2027	26,898	3,470	30,368
2028	28,058	2,310	30,368
2029	29,269	1,099	30,368
2030	10,034	89	10,123
	<u>\$120,045</u>	<u>\$11,550</u>	<u>\$131,595</u>

Future SBITA debt service requirements to maturity are as follows:

Period Ending 6/30 of	Principal	Interest	Total
2026	\$196,853	\$16,542	\$213,395
2027	216,706	8,668	225,374
	<u>\$413,559</u>	<u>\$25,210</u>	<u>\$438,769</u>

The District is obligated under two loans payable as follows:

Loans Payable	Interest Rate	Date of Loan	Final Maturity Date	Original Amount	Balance 6/30/2025	Purpose
Public Property Finance Contract, Series 2015	3.050%	9/9/2015	4/1/2030	\$4,634,000	\$2,048,000	Energy Management
Maintenance Tax Notes, Series 2020	2.020%	2/6/2020	10/1/2029	6,576,000	3,465,000	Maintenance and Renovations
				<u>\$11,210,000</u>	<u>\$5,513,000</u>	

Future loans payable debt service requirements to maturity are as follows:

Period Ending 6/30 of	Principal	Interest	Total
2026	\$1,047,000	\$125,741	\$1,172,741
2027	1,074,000	100,515	1,174,515
2028	1,102,000	74,611	1,176,611
2029	1,131,000	47,996	1,178,996
2030	1,159,000	20,641	1,179,641
	<u>\$5,513,000</u>	<u>\$369,504</u>	<u>\$5,882,504</u>

⁽¹⁾ Source: The District's Audited Financial Statements

**TABLE 10 - Schedule of General Fund Revenues and Expenditure History ⁽¹⁾
For Fiscal Year ended June 30,**

	2025	2024	2023	2022	2021
REVENUES:					
Total Local and Intermediate Sources	\$87,061,144	\$77,537,498	\$76,197,288	\$59,656,823	\$50,026,994
State Program Revenues	130,950,542	117,583,098	80,619,641	71,007,499	60,748,571
Federal Program Revenues	752,954	2,231,628	2,352,851	3,200,710	665,288
Total Revenues	\$218,764,640	\$197,352,224	\$159,169,780	\$133,865,032	\$111,440,853
EXPENDITURES:					
Instruction	\$108,258,413	\$102,838,090	\$83,068,624	\$66,617,827	\$57,868,027
Instructional Resources & Media Services	1,504,706	1,455,947	1,292,147	1,041,630	824,060
Curriculum and Instructional Staff Development	6,170,272	5,998,895	4,263,095	2,719,606	2,469,494
Instructional Leadership	3,650,814	3,573,587	2,831,213	1,584,419	1,392,337
School Leadership	13,071,253	11,944,772	9,246,094	7,448,684	6,172,901
Guidance, Counseling & Evaluation Services	9,554,105	7,680,489	6,068,015	4,718,984	4,165,285
Social Work Services	2,289	-	-	-	-
Health Services	2,623,874	2,281,245	1,824,840	1,593,051	1,439,510
Student Transportation	7,008,633	7,413,091	7,213,517	5,124,725	4,235,322
Food Services	55,742	243,449	-	-	-
Extracurricular Activities	6,601,127	5,516,158	4,316,361	3,652,788	3,258,356
General Administration	6,397,632	6,185,738	5,565,458	4,245,109	3,123,842
Facilities Maintenance and Operations	24,066,224	19,874,761	15,730,079	12,576,098	10,532,688
Security Monitoring and Services	6,259,268	4,048,429	2,798,632	2,048,604	1,527,445
Data Processing Services	5,263,750	4,539,029	4,930,140	2,992,595	2,391,203
Community Services	1,104,479	261,529	128,429	118,575	108,292
Debt Service:					
Principal on Long Term Debt	1,039,700	1,016,000	979,000	1,253,062	1,942,913
Interest on Long Term Debt	155,313	174,135	197,677	227,143	291,436
Debt Service Cost and Fees	-	-	-	-	-
Capital Outlay:					
Facilities, Acquisition & Construction	258,508	413,928	5,115,958	11,217,122	2,773,624
Intergovernmental:					
Payments to Fiscal Agents/Member Districts of SSA	-	-	-	-	-
Payments to Juvenile Justice Alternative Ed	-	-	-	-	-
Programs	-	-	-	-	-
Other Intergovernmental	1,154,935	1,080,271	1,102,398	994,299	813,997
Total Expenses	\$204,201,037	\$186,539,543	\$156,671,677	\$130,174,321	\$105,330,732
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$14,563,603	\$10,812,681	\$2,498,103	\$3,690,711	\$6,110,121
Other Financing Sources and (Uses):					
Sale of Real or Personal Property	757,485	7,000	170,138	-	205,899
Capital Leases	556,304	-	-	-	-
Non-Current Loans	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Transfers In	-	-	-	-	-
Premium or Discount on Issuance of Bonds	-	-	-	-	-
Transfers Out (Use)	-	-	-	-	(155,530)
Payment to Refunding Escrow Fund	-	-	-	-	-
Other Uses	-	-	-	-	-
Extraordinary Item - Resources	-	-	-	-	-
Extraordinary Item - Uses	-	-	-	-	-
Total Other Financing Sources and (Uses):	\$1,313,789	\$7,000	\$170,138	\$-	\$50,369
Net Change in Fund Balances	\$15,877,392	\$10,819,681	\$2,668,241	\$3,690,711	\$6,160,490
Fund Balances - Beginning	\$70,053,072	\$59,233,391	\$56,565,150	\$52,874,439	\$46,713,949
Prior Period Adjustments	-	-	-	-	-
Fund Balances - Ending ⁽²⁾	\$85,930,464	\$70,053,072	\$59,233,391	\$56,565,150	\$52,874,439

⁽¹⁾ Source: The District's Audited Financial Statements.

⁽²⁾ The District's Unaudited General Fund Balance is estimated to be \$84,044,088 on June 30, 2026.

TABLE 11 - General Operating Fund Comparative Balance Sheet

Fiscal Year Ended June 30:	2025	2024	2023	2022	2021
ASSETS:					
Cash & Cash Equivalents	\$72,181,751	\$50,916,525	\$46,082,897	\$41,159,293	\$47,751,704
Property Taxes - Delinquent	2,163,092	1,852,263	1,664,511	1,334,732	1,273,169
Allowance for Uncollectible taxes (credit)	(463,389)	(368,437)	(317,156)	(266,776)	(242,707)
Receivables from Other Governments	32,735,893	33,699,041	22,583,590	19,481,460	13,784,355
Due from Other Funds	1,191,297	1,258,317	3,469,535	11,444,659	1,324,225
Other Receivables	42,688	39,082	29,148	146,853	98,470
Deferred Expenditures	-	-	-	-	-
Prepayments	1,359,129	1,955,781	1,948,599	1,163,157	321,481
Restricted Cash and Investments	-	-	-	-	-
Total Assets	\$109,210,461	\$89,352,572	\$75,461,124	\$74,463,378	\$64,310,697
LIABILITIES:					
Accounts Payable	\$2,671,815	\$925,040	\$2,237,051	\$2,159,156	\$1,326,711
Payroll Deductions and Withholdings Payable	-	-	-	-	-
Accrued Wages Payable	16,416,006	14,805,647	12,318,024	9,941,568	8,855,683
Due to Other Funds	-	100	-	-	-
Payable to Other Governments	2,089,635	1,694,656	5,560	-	-
Accrued Expenditures	402,838	390,231	319,744	310,602	223,402
Deferred/Unearned Revenues	-	-	-	-	-
Total Liabilities	\$21,580,294	\$17,815,674	\$14,880,379	\$12,411,326	\$10,405,796
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	\$1,699,703	\$1,483,826	\$1,347,354	\$1,067,957	\$1,030,462
Unavailable Revenue - State Foundation Program	-	-	-	4,418,945	-
Total Deferred Inflows of Resources	\$1,699,703	\$1,483,826	\$1,347,354	\$5,486,902	\$1,030,462
FUND BALANCES:					
Non-Spendable Fund Balances:					
Prepaid Items	\$1,359,129	\$1,955,781	\$1,948,599	\$1,163,157	\$321,481
Restricted Fund Balances:					
Federal/State Funds Grant Restrictions	-	-	-	-	-
Capital Acquisitions & Contractual Obligations	-	-	-	-	2,400,854
Retirement of Long-Term Debt	-	-	-	-	-
Committed Fund Balance:	-	-	-	-	-
Assigned Fund Balance:					
Construction	4,000,000	-	-	5,040,223	7,574,842
Equipment	450,749	1,128,905	571,252	-	-
Retirement of Long-term Debt	15,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Other Assigned Fund Balance	206,916	724,333	1,206,943	3,048,376	750,049
Unassigned Fund Balance:	64,913,670	56,244,053	45,506,597	37,313,394	31,827,213
Total Fund Balances	\$85,930,464	\$70,053,072	\$59,233,391	\$56,565,150	\$52,874,439
Total Liabilities, Deferred Inflow of Resources & Fund Balances	\$109,210,461	\$89,352,572	\$75,461,124	\$74,463,378	\$64,310,697

⁽¹⁾ Source: District's Audited Financial Statements

TABLE 12 - Current Investments ⁽¹⁾

As of May 1, 2026 the District's investable funds were invested in the following categories:

	Percent	Book Value	Market Value
Cash and Deposits - Governmental Funds	2.54%	\$7,435,164	\$7,435,164
Local Government Investment Pools:			
LOGIC	1.23%	\$3,613,631	\$3,613,631
Texas Class	95.64%	280,282,529	280,282,529
TexPool	0.55%	1,605,412	1,605,412
Cash and Deposits - Custodial Funds	0.04%	114,927	114,927
Total	100.00%	\$293,051,662	\$293,051,662

⁽¹⁾ Source: District's records. Unaudited.

TABLE 13 - Tax Adequacy

2027 Net Principal and Interest Requirements	\$61,433,014	(1)
\$0.5563 Tax Rate at 98% Collection Produces	\$61,441,671	(2)(3)
Average Net Annual Principal and Interest Requirements, 2026-2056		
\$0.6707 Tax Rate at 98% Collection Produces	\$74,072,008	(1)
	\$74,076,809	(2)(3)
Maximum Net Principal and Interest Requirements, 2040		
\$0.8134 Tax Rate at 98% Collection Produces	\$89,827,019	(1)
	\$89,837,597	(2)(3)

⁽¹⁾ Includes the Bonds and excludes the Refunded Bonds. Preliminary; subject to change. Excludes principal and interest associated with the Maintenance Tax Notes, Series 2020.

⁽²⁾ The District has utilized State tier one funds to pass the Attorney General 's 50-cent Test with respect to bonds issued for new construction purposes. As a result, the District must credit State assistance payments (including any tier one State funding used to demonstrate the District's ability to pass the \$0.50 bond issuance test) to the District's interest and sinking fund each year in an amount equal to the amount used by the District to demonstrate its ability to comply with the \$0.50 test, and the District may not adopt its annual interest and sinking fund tax rate until such amount of State funding has been credited to the District's interest and sinking fund. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for Local School Districts, "DEBT LIMITATIONS" and "TAX RATE LIMITATIONS."

⁽³⁾ Based upon 2026 Preliminary Taxable Net Assessed Valuation of \$11,270,102,915.

TABLE 14 - Interest and Sinking Fund Budget Projection

Interest & Sinking Fund Balance, 06/30/2025 ⁽¹⁾		\$68,875,395
Estimated Tax Supported Debt Service Requirements for FYE Ended 2026	(\$57,233,062)	
Projected Interest & Sinking Fund Local Revenue ⁽²⁾⁽³⁾	\$50,074,098	
Debt Subsidy from Texas Education Agency ⁽⁴⁾	\$8,580,539	
Projected Interest & Sinking Fund Balance, 06/30/2026 (Ending)		\$70,296,970
 Net Increase/(Decrease) in Fund Balance		 \$1,421,575

⁽¹⁾ Source: The District's Audited Financial Statements.

⁽²⁾ Based upon 2025 Certified Freeze Adjusted Taxable Assessed Valuation of \$10,014,819,527.

⁽³⁾ Does not include penalties or interest.

⁽⁴⁾ Source: 2025-2026 TEA Summary of Finances dated April 10, 2026.

APPENDIX B

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the Forney Independent School District Audited Financial Statements (the "Report") for the fiscal year ended June 30, 2025.

The information presented represents only a part of the Report and does not purport to be a complete statement of the District's financial condition. Reference is made to the complete Annual Audit Report for additional information.

Forney Independent School District
Annual Financial Report
For the Fiscal Year Ended June 30, 2025

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Forney Independent School District

Annual Financial Report

For the Fiscal Year Ended June 30, 2025

Prepared by
Forney ISD Finance Department
Forney, Texas

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Forney Independent School District
 Annual Financial Report
 For the Fiscal Year Ended June 30, 2025
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Certificate of Board

Forney Independent School District
Name of School District

Kaufman
County

129-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the fiscal year ended June 30, 2025 at a meeting of the Board of Trustees of such school district on the 6th day of October, 2025.



Signature of Board Secretary



Signature of Board President

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Financial Section

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forney 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 present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 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. 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.

Emphasis of Matter

As discussed in Note 5 to the basic financial statements, during the year ended June 30, 2025 the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Beginning net position has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

The Combining Nonmajor Governmental Fund Financial Statements, required TEA schedules, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Nonmajor Governmental Fund Financial Statements, required TEA schedules, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
September 29, 2025

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Management's Discussion and Analysis

As management of Forney Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2025.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$99,132,174) (deficit net position).
- The District's total net position decreased by \$4,679,304 during the current fiscal year from the result of current year operations, and by \$1,463,738 due to the change in accounting principle from the implementation of GASB 101, *Compensated Absences*. In total, net position decreased \$6,143,042 from the prior fiscal year.
- As of June 30, 2025, the District's governmental funds reported combined ending fund balances of \$200,674,584, a decrease of \$43,505,665 compared to the prior year. The decrease in governmental fund balances was due primarily to a decrease in the capital projects fund balance of \$65,843,900, an increase in the Debt Service Fund of \$6,566,973, and an increase in the General Fund balance of \$15,877,392.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$64,913,670 or 31.8 percent of total general fund expenditures.
- The District's total bonded debt (par value) increased, net, by \$22.7 million during the current fiscal year as a result of new bond issues.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Capital Outlay, Payments Related to Shared Services Arrangements, and Other Intergovernmental Charges. The government-wide financial statements can be found on pages 18 through 19 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds. Data from the other seventeen governmental funds are combined into 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, debt service fund, and Child Nutrition Fund special revenue fund.

The basic governmental fund financial statements can be found on pages 20 through 27 of this report.

Custodial Funds

Custodial funds are used to account for resources held for the benefit of students. Custodial funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The funds are custodial in nature.

The basic custodial fund financial statements can be found on pages 28 through 29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 63 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. In addition, four schedules of required supplementary information are presented containing information on the District's participation in the Teacher Retirement System of Texas pension plan and other post-employment benefit (OPEB) plan (TRS-Care). The required supplementary information can be found on pages 66 through 77.

Other Information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 81 through 96 of this report.

Government-wide Financial Analysis

As noted earlier, net position (deficit) may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$99,132,174) at the close of the fiscal year.

The District's net investments in capital assets (e.g., land, buildings and improvements, and furniture and equipment) less any outstanding related debt used to acquire those assets, amounted to (\$126,250,016). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities.

	Governmental Activities	
	2025	2024
Current and other assets	\$ 233,274,358	\$ 303,657,092
Capital and non-current assets	1,063,320,296	998,225,699
Total assets	1,296,594,654	1,301,882,791
Deferred charge on bond refundings	7,161,389	7,806,217
Deferred outflows - pension	23,680,918	33,372,812
Deferred outflows - OPEB	33,715,864	26,565,923
Total deferred outflows of resources	64,558,171	67,744,952
Current liabilities	46,672,515	73,525,109
Long-term liabilities	1,383,527,509	1,351,927,298
Total liabilities	1,430,200,024	1,425,452,407
Deferred inflows - pension	962,142	2,318,282
Deferred inflows - OPEB	29,122,833	34,846,186
Total deferred inflows of resources	30,084,975	37,164,468
Net Position (deficit):		
Net investments in capital assets	(126,250,016)	(104,796,700)
Restricted	53,803,000	47,842,111
Unrestricted	(26,685,158)	(36,034,543)
Total net position (deficit)	\$ (99,132,174)	\$ (92,989,132)

At the end of the current fiscal year, the District reports deficit balances in net investment in capital assets and in unrestricted net position, while reporting a positive balance in restricted net position. The District's net position decreased by \$6,143,042, and of that \$1,463,738, was a change in accounting principle due to the implementation of GASB 101, *Compensated Absences*. Outside of this change, net position decreased \$4,679,304 during the current fiscal year.

	Governmental Activities	
	2025	2024
Program revenues:		
Charges for services	\$ 6,712,066	\$ 5,046,634
Operating grants	30,054,210	27,302,609
General revenues:		
Property taxes	131,303,878	117,952,987
State aid - formula grants	120,028,716	108,325,824
Investment earnings	11,061,333	20,534,983
Gain on sale of capital assets	243,860	-
Special item	800,000	-
Other	1,147,090	793,882
Total revenues	301,351,153	279,956,919
Expenses:		
Instruction	128,120,380	122,117,740
Instructional resources and media services	1,817,421	1,720,700
Curriculum and staff development	7,460,275	7,083,450
Instructional leadership	4,246,119	4,085,390
School leadership	15,659,688	14,011,231
Guidance, counseling, and evaluation services	12,742,741	10,059,311
Social work services	476,103	-
Health services	3,049,754	2,602,275
Student transportation	7,398,358	6,974,292
Food service	11,944,471	10,766,174
Extracurricular activities	8,635,824	7,046,772
General administration	7,409,817	7,037,557
Facilities maintenance and operations	27,352,516	22,160,268
Security and monitoring services	5,633,506	4,700,100
Data processing services	4,796,589	4,462,674
Community services	1,405,778	349,060
Interest on long-term debt	45,774,465	48,360,437
Bond issuance costs and fees	879,841	1,722,493
Capital outlay	9,541,120	12,387,054
Payments related to shared services arrangements	530,756	459,978
Other intergovernmental charges	1,154,935	1,080,271
Total expenses	306,030,457	289,187,227
Increase (decrease) in net position	(4,679,304)	(9,230,308)
Net position (deficit) - beginning , as previously presented	(92,989,132)	(83,758,824)
Change in accounting principle - GASB 101	(1,463,738)	-
Net position (deficit) - beginning , as restated	(94,452,870)	(83,758,824)
Net position (deficit) - ending	\$ (99,132,174)	\$ (92,989,132)

Governmental Activities

Governmental activities decreased the District's net position by \$4,679,304. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent \$281,386,804 of total revenues. The remaining \$19,964,349 is generated from charges for services, investment earnings, and miscellaneous revenues.

	Total Revenues	% of Total Revenues
Property taxes	\$ 131,303,878	44%
State aid - formula grants	120,028,716	40%
Operating grants and contributions	30,054,210	10%
Charges for services	6,712,066	2%
Other revenue	13,252,283	4%
Total revenues	\$ 301,351,153	100%

The primary functional expenses of the District are instruction, facilities maintenance and operations, and interest on long term debt, which represent 66 percent of total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

	Total Expenses	% of Total Expenses
Instruction	\$ 128,120,380	42%
Facilities maintenance and operations	27,352,516	9%
Interest on long-term debt	45,774,465	15%
Other expenses	104,783,096	34%
Total expenses	\$ 306,030,457	100%

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$200,674,584, a decrease of \$43,505,665 compared to the prior fiscal year. The decrease in ending governmental fund balances is primarily due to spending on capital projects combined with proceeds and premium from issuance of debt in both the debt service and capital projects funds.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$64,913,670, while total fund balance was \$85,930,464. 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 31.8 percent of total general fund expenditures, while total fund balance represents 42.1 percent of that same amount. The fund balance of the District's general fund increased by \$15,877,392 during the current fiscal year. The increase in fund balance was due to increased tax collections resulting from higher taxable values and increased state aid resulting from increased enrollment. Approximately \$4.7 million of fund balance is earmarked for projects approved during the current fiscal year, but not completed until the 2025-2026 fiscal year.

The debt service fund has a total fund balance of \$68,875,395, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of \$6,566,973 was in line with budgeted expectations. The School Board of Trustees goal was to have debt service fund balance equal to the upcoming August bond payment. The August 2025 bond payment was \$31,709,738.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	Budget	
	Original	Final Amended
Total revenues	\$ 203,600,220	\$ 213,412,281
Total expenditures	(203,600,220)	(225,828,204)
Other sources (uses)	-	1,313,791
Net change in fund balance	\$ -	\$ (11,102,132)

The review of the amended budget versus actual for the general fund reflected that revenues were decreased to account for decreased state program revenues. Among the largest expenditure budget amendments, budgeted expenditures were amended to account for decreased facilities and acquisition and construction.

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2025 includes land, buildings and improvements and furniture and equipment. The investment in capital assets as of June 30, 2025 was \$1,063,320,296. The following table summarizes the investment in capital assets as of June 30, 2025 and 2024.

	2025	2024
Land	\$ 29,120,929	\$ 19,492,418
Construction in progress	40,082,373	263,615,379
Building and improvements	1,164,931,798	861,674,956
Right to use lease equipment	1,959,467	1,233,088
Furniture and equipment	42,188,687	36,143,997
Total	1,278,283,254	1,182,159,838
Accumulated depreciation	(214,962,958)	(183,934,139)
Net capital assets	\$ 1,063,320,296	\$ 998,225,699

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

Long-term Liabilities

At the end of the current fiscal year, the District had \$1,383,527,509 in bonds and other long-term debt (including accreted interest on bonds) versus \$1,353,391,035 in the prior year. The change in accounting principle that came with the implementation of GASB 101, *Compensated Absences*, increased the beginning balance by \$1,463,738. There was a current year increase in long-term liabilities of \$30,136,474. The District issued school building bonds and refunding bonds during the year. The District's general obligation bond rating is "AAA" according to national rating agencies. This is the result of guarantees of the Texas Permanent School Fund. Standard & Poor's and Moody's Investors Service issued the following underlying ratings of the District's general obligation bonds:

Standard & Poor's	A+
Moody's Investor Service	Aa3

Changes in long-term debt for the year ended June 30, 2025 are as follows:

	Balance 7/1/2024	Additions	Retired/ Refunded	Balance 6/30/2025	Due Within One Year
General obligation bonds	\$ 1,129,255,925	\$ 46,949,527	\$ (24,253,180)	\$ 1,151,952,272	\$ 9,862,361
Premiums/discounts	77,581,997	670,164	(4,206,212)	74,045,949	5,274,325
Accreted interest -					
Capital appreciation bonds	47,605,406	28,630,334	(27,528,172)	48,707,568	1,987,876
Loans payable	6,530,000	-	(1,017,000)	5,513,000	1,047,000
Leases payable	-	142,745	(22,700)	120,045	25,786
Subscription-based information technology arrangements	-	413,559	-	413,559	196,853
Compensated absences	1,463,738	190,294	-	1,654,032	1,654,032
Arbitrage rebate liability	6,832,377	1,382,283	-	8,214,660	-
Net pension liability	60,149,869	11,009,901	(13,419,779)	57,739,991	-
Net OPEB liability	23,971,723	12,343,925	(1,149,215)	35,166,433	-
Totals	\$ 1,353,391,035	\$ 101,732,732	\$ (71,596,258)	\$ 1,383,527,509	\$ 20,048,233

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The District is located approximately 18 miles east of Dallas, with access to the greater Dallas-Fort Worth metropolitan area using U.S. Highway 80 or Interstate 20. Access to the Dallas-Fort Worth area has been driving both enrollment and tax base growth, as substantial residential development activity continues within the District's boundaries. The District works with a demographer who provides quarterly updates. According to the demographer, the District's average annual new home starts was 2,153 between 2020 and 2024. Construction of several large retail, grocery, and light commercial buildings have also occurred during this timeframe. Residential development is expected to continue at this pace over the next 5 years. All of this building activity, along with escalating value of existing property, has resulted in rapid increases in the District's total property value.

The District's average annual property value growth rate was 17% over the last four years. Property value will be up 10% for the upcoming fiscal year before the application of an additional \$40,000 homestead exemption. This increased exemption was approved by the 89th Texas Legislature and is expected to be approved by voters in an election in November 2025.

The State of Texas funds public schools using a wealth equalization formula that is based on property value and average daily student attendance. Therefore, increases or decreases in average daily attendance can lead to corresponding increases or decreases in the amount of state revenue a district receives. Student enrollment during the 2025 fiscal year was 18,565. Enrollment in fiscal year 2026 is expected to be 20,200, an 8.8% increase over the prior year. Over the next 10 years, student enrollment is expected to grow an average of 7.1% per year.

The following are highlights of the 2026 budget:

- Total revenue in the General Fund is budgeted to increase 13.4%.
- Total expenditures in the General Fund is budgeted to increase 7.2%.
- Taxable property value used to prepare the 2025 budget was up \$136.6 million, or 1.3%. This value includes the reduction of \$898.8 million for an additional \$40,000 homestead exemption expected to be approved by voters in the November 2025 election. Also included in this amount is \$690.8 million for new property added to the tax roll for the first time.
- The maintenance and operations tax rate will be .7869¢ per \$100 valuation, which is the same as the prior year. The debt service rate will be 50¢ per \$100 valuation, which is also the same as the prior year.

The above factors were taken into consideration when adopting the budget for 2026. Total General Fund revenue is expected to increase \$30.1 million. Much of this funding is dedicated to increasing teacher pay with 5 or more years of experience by \$5,000. All other staff were given a 3% pay increase. The budget also included funding for 211 new personnel units.

Requests for Information

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

600 South Bois d'Arc Street
Forney, TX 75126
Telephone: (469) 762-4100

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Basic Financial Statements

Forney Independent School District

Statement of Net Position

June 30, 2025

Exhibit A-1

<u>Data Control Codes</u>		<u>Primary Government Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 194,797,652
1220	Property taxes - delinquent	3,439,370
1230	Allowance for uncollectible taxes	(699,753)
1240	Due from other governments	34,330,972
1290	Other receivables, net	42,688
1410	Prepayments	1,363,429
	Capital assets:	
1510	Land	29,120,929
1520	Buildings, net	974,258,431
1530	Furniture and equipment, net	19,355,277
1550	Right to use lease equipment, net	503,286
1580	Construction in progress	40,082,373
1000	Total assets	1,296,594,654
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred charge on bond refundings	7,161,389
1705	Deferred resource outflows related to TRS Pension	23,680,918
1706	Deferred resource outflows related to TRS OPEB	33,715,864
	Total deferred outflows of resources	64,558,171
LIABILITIES		
2110	Accounts payable	9,674,493
2140	Accrued interest payable	16,812,358
2160	Accrued wages payable	17,428,665
2180	Due to other governments	2,091,068
2200	Accrued expenses	402,838
2300	Unearned revenue	263,093
	Long term liabilities:	
2501	Due within one year: loans, note, leases, SBITAs, etc.	20,048,233
	Due in more than one year:	
2502	Bonds, notes, leases, SBITAs, etc.	1,270,572,852
2540	Net pension liability (District's share)	57,739,991
2545	Net OPEB liability (District's share)	35,166,433
2000	Total liabilities	1,430,200,024
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred resource inflows related to TRS Pension	962,142
2606	Deferred resource inflows related to TRS OPEB	29,122,833
	Total deferred inflows of resources	30,084,975
NET POSITION (DEFICIT)		
3200	Net investment in capital assets	(126,250,016)
	Restricted:	
3820	Federal and state programs	700,049
3850	Debt service	53,102,951
3900	Unrestricted	(26,685,158)
3000	TOTAL NET POSITION (DEFICIT)	\$ (99,132,174)

The Notes to Basic Financial Statements are an integral part of this statement.

Forney Independent School District
Statement of Activities
For the Fiscal Year Ended June 30, 2025

Exhibit B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
PRIMARY GOVERNMENT					
	Governmental activities:				
11	Instruction	\$ 128,120,380	\$ 1,837,165	8,835,289	\$ (117,447,926)
12	Instructional resources and media services	1,817,421	-	120,648	(1,696,773)
13	Curriculum and instructional staff development	7,460,275	-	556,613	(6,903,662)
21	Instructional leadership	4,246,119	-	194,403	(4,051,716)
23	School leadership	15,659,688	-	1,017,443	(14,642,245)
31	Guidance, counseling, and evaluation services	12,742,741	-	1,966,553	(10,776,188)
32	Social work services	476,103	-	406,991	(69,112)
33	Health services	3,049,754	-	136,795	(2,912,959)
34	Student (pupil) transportation	7,398,358	-	501,439	(6,896,919)
35	Food services	11,944,471	3,354,138	6,502,345	(2,087,988)
36	Extracurricular activities	8,635,824	624,355	1,091,173	(6,920,296)
41	General administration	7,409,817	-	340,137	(7,069,680)
51	Facilities maintenance and operations	27,352,516	896,408	1,393,314	(25,062,794)
52	Security and monitoring services	5,633,506	-	365,582	(5,267,924)
53	Data processing services	4,796,589	-	296,030	(4,500,559)
61	Community services	1,405,778	-	151,795	(1,253,983)
72	Debt service - interest on long-term debt	45,774,465	-	5,646,904	(40,127,561)
73	Debt service - bond issuance cost and fees	879,841	-	-	(879,841)
81	Facilities acquisition and construction	9,541,120	-	-	(9,541,120)
93	Payments related to shared services arrangements	530,756	-	530,756	-
99	Other intergovernmental charges	1,154,935	-	-	(1,154,935)
TP	TOTAL PRIMARY GOVERNMENT	\$ 306,030,457	\$ 6,712,066	\$ 30,054,210	(269,264,181)
Data Control Codes	General revenues:				
	Taxes:				
MT	Property taxes, levied for general purposes			80,359,404	
DT	Property taxes, levied for debt service			50,944,474	
SF	State aid - formula grants			120,028,716	
IE	Investment earnings			11,061,333	
S1	Gain on sale of capital assets			243,860	
S2	Special item			800,000	
MI	Miscellaneous			1,147,090	
TR	Total general revenues			264,584,877	
CN	Change in net position			(4,679,304)	
NB	Net position (deficit) - beginning, as previously presented			(92,989,132)	
PA	Change in accounting principle - GASB 101			(1,463,738)	
	Net position (deficit) - beginning, as restated			(94,452,870)	
NE	NET POSITION (DEFICIT) - ENDING			\$ (99,132,174)	

The Notes to Basic Financial Statements are an integral part of this statement.

Forney Independent School District

Balance Sheet
 Governmental Funds
 June 30, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
ASSETS				
1110	Cash and cash equivalents	\$ 72,181,751	\$ 67,494,598	\$ 51,855,418
1220	Property taxes delinquent	2,163,092	1,276,278	-
1230	Allowance for uncollectable taxes (credit)	(463,389)	(236,364)	-
1240	Due from other governments	32,735,893	-	-
1260	Due from other funds	1,191,297	1,382,282	-
1290	Other receivables	42,688	-	-
1410	Prepaid items	1,359,129	-	-
1000	Total assets	\$ 109,210,461	\$ 69,916,794	\$ 51,855,418
LIABILITIES				
2110	Accounts payable	\$ 2,671,815	\$ 1,485	\$ 6,870,213
2160	Accrued wages payable	16,416,006	-	-
2170	Due to other funds	-	-	1,457,421
2180	Due to other governments	2,089,635	-	-
2200	Accrued expenditures	402,838	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	21,580,294	1,485	8,327,634
DEFERRED INFLOWS OF RESOURCES				
2600	Unavailable revenue - property taxes	1,699,703	1,039,914	-
	Total deferred inflows of resources	1,699,703	1,039,914	-
FUND BALANCES				
Nonspendable				
3430	Prepaid items	1,359,129	-	-
Restricted				
3450	Federal or state funds grant restriction	-	-	-
3470	Capital acquisition and contractual obligation	-	-	43,527,784
3480	Retirement of long-term debt	-	68,875,395	-
Committed				
3545	Other committed fund balance	-	-	-
Assigned				
3550	Construction	4,000,000	-	-
3570	Equipment	450,749	-	-
3565	Retirement of long-term debt	15,000,000	-	-
3590	Other assigned fund balance	206,916	-	-
3600	Unassigned	64,913,670	-	-
3000	Total fund balances	85,930,464	68,875,395	43,527,784
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 109,210,461	\$ 69,916,794	\$ 51,855,418

The Notes to Basic Financial Statements are an integral part of this statement.

Other Funds	98 Total Governmental Funds
\$ 3,265,885	\$ 194,797,652
-	3,439,370
-	(699,753)
1,595,079	34,330,972
-	2,573,579
-	42,688
4,300	1,363,429
<u>\$ 4,865,264</u>	<u>\$ 235,847,937</u>
\$ 130,980	\$ 9,674,493
1,012,659	17,428,665
1,116,158	2,573,579
1,433	2,091,068
-	402,838
263,093	263,093
<u>2,524,323</u>	<u>32,433,736</u>
-	2,739,617
-	2,739,617
4,300	1,363,429
700,049	700,049
-	43,527,784
-	68,875,395
1,636,592	1,636,592
-	4,000,000
-	450,749
-	15,000,000
-	206,916
-	64,913,670
<u>2,340,941</u>	<u>200,674,584</u>
<u>\$ 4,865,264</u>	<u>\$ 235,847,937</u>

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Forney Independent School District**Exhibit C-2**Reconciliation of the Balance Sheet - Governmental Funds
to the Government-Wide Statement of Net Position
June 30, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 200,674,584
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	1,278,283,254
2 Accumulated depreciation is not reported in the fund financial statements.	(214,962,958)
3 Bonds payable, financed purchases, loans payable, arbitrage liability, leases and SBITA's are not reported in the fund financial statements.	(1,167,867,568)
4 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(48,707,568)
5 Bond premiums on outstanding bonds payable are not reported in the fund financial statements.	(74,045,949)
6 Revenue from property taxes reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	2,739,617
7 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are recorded when due.	(16,812,358)
8 The deferred charge on bond refunding's is not recorded in the fund financial statements, but is shown as a deferred outflow of resources in the government-wide financial statements.	7,161,389
9 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$57,739,991. Deferred Inflows of Resources related to TRS in the amount of \$962,142, and Deferred Outflows of Resources related to TRS Pension in the amount of \$23,680,918. This results in a net decrease in Net Position in the amount of \$35,021,215.	(35,021,215)
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$35,166,433, Deferred Inflows of Resources related to TRS OPEB in the amount of \$29,122,833, and Deferred Outflows of Resources related to TRS OPEB in the amount of \$33,715,864. This results in a net decrease in Net Position in the amount of \$30,573,402.	<u>(30,573,402)</u>
19 NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (99,132,174)</u>

The Notes to Basic Financial Statements are an integral part of this statement.

Forney Independent School District
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2025

Data Control Codes		10	50	60
		General Fund	Debt Service Fund	Capital Projects Fund
REVENUES				
5700	Total local and intermediate sources	\$ 87,061,144	\$ 53,356,107	\$ 4,854,098
5800	State program revenues	130,950,542	5,646,904	-
5900	Federal program revenues	752,954	-	-
5020	Total revenues	218,764,640	59,003,011	4,854,098
EXPENDITURES				
Current:				
0011	Instruction	108,258,413	-	-
0012	Instructional resources and media services	1,504,706	-	-
0013	Curriculum and instructional staff development	6,170,272	-	-
0021	Instructional leadership	3,650,814	-	-
0023	School leadership	13,071,253	-	-
0031	Guidance, counseling, and evaluation services	9,554,105	-	-
0032	Social work services	2,289	-	-
0033	Health services	2,623,874	-	-
0034	Student (pupil) transportation	7,008,633	-	-
0035	Food services	55,742	-	-
0036	Extracurricular activities	6,601,127	-	-
0041	General administration	6,397,632	-	-
0051	Facilities maintenance and operations	24,066,224	-	-
0052	Security and monitoring services	6,259,268	-	-
0053	Data processing services	5,263,750	-	-
0061	Community services	1,104,479	-	-
Debt service:				
0071	Principal on long-term debt	1,039,700	6,940,195	-
0072	Interest on long-term debt	155,313	46,861,916	-
0073	Bond issuance cost and fees	-	572,319	307,522
Capital outlay:				
0081	Facilities acquisition and construction	258,508	-	100,115,716
Intergovernmental:				
0093	Payments to fiscal agent/member districts of SSA	-	-	-
0099	Other intergovernmental charges	1,154,935	-	-
6030	Total expenditures	204,201,037	54,374,430	100,423,238
1100	Excess (deficiency) of revenues over (under) expenditures	14,563,603	4,628,581	(95,569,140)
OTHER FINANCING SOURCES (USES)				
7901	Refunding bonds issued	-	17,309,527	-
7911	Capital related debt issued	-	-	29,640,000
7912	Sale of real or personal property	757,485	-	-
7913	Proceed from right to use leased assets	556,304	-	-
7915	Transfers in	-	1,382,282	-
7916	Premium or discount on issuance of bonds	-	25,352,935	667,522
7918	Special items (resource)	-	-	800,000
8911	Transfers out (use)	-	-	(1,382,282)
8940	Payment to bond refunding escrow agent	-	(42,106,352)	-
7080	Total other financing sources (uses)	1,313,789	1,938,392	29,725,240
1200	Net change in fund balances	15,877,392	6,566,973	(65,843,900)
0100	Fund balances - July 1 (beginning)	70,053,072	62,308,422	109,371,684
3000	FUND BALANCES - JUNE 30 (ENDING)	\$ 85,930,464	\$ 68,875,395	\$ 43,527,784

The Notes to Basic Financial Statements are an integral part of this statement.

	98	
Other	Total	
Funds	Governmental	
Funds	Funds	
\$ 5,468,578	\$ 150,739,927	
2,028,666	138,626,112	
11,219,856	11,972,810	
<hr/>	<hr/>	
18,717,100	301,338,849	
<hr/>	<hr/>	
3,387,594	111,646,007	
73,264	1,577,970	
265,254	6,435,526	
4,298	3,655,112	
421,606	13,492,859	
1,519,803	11,073,908	
409,652	411,941	
2,669	2,626,543	
91,920	7,100,553	
10,356,288	10,412,030	
1,015,485	7,616,612	
-	6,397,632	
670	24,066,894	
627,020	6,886,288	
-	5,263,750	
116,951	1,221,430	
-	7,979,895	
-	47,017,229	
-	879,841	
-	100,374,224	
530,756	530,756	
-	1,154,935	
<hr/>	<hr/>	
18,823,230	377,821,935	
<hr/>	<hr/>	
(106,130)	(76,483,086)	
-	17,309,527	
-	29,640,000	
-	757,485	
-	556,304	
-	1,382,282	
-	26,020,457	
-	800,000	
-	(1,382,282)	
-	(42,106,352)	
<hr/>	<hr/>	
-	32,977,421	
<hr/>	<hr/>	
(106,130)	(43,505,665)	
2,447,071	244,180,249	
<hr/>	<hr/>	
\$ 2,340,941	\$ 200,674,584	
<hr/>	<hr/>	

Forney Independent School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Government-Wide Statement of Activities For the Fiscal Year Ended June 30, 2025

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (43,505,665)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions increases government-wide net position.	96,661,656
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease government-wide net position.	(31,053,435)
The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.	(513,624)
Current year long-term debt principal payments on financed purchases, bonds payable, leases and SBITAs, and loans payable are expenditures in the fund financial statements, but are shown as reductions of long-term debt in the government-wide financial statements.	7,979,895
The current year change in accreted interest payable on capital appreciation bonds is not recorded in the fund financial statements. The net effect of the current year's change in accreted interest payable on capital appreciation bonds is to increase government-wide net position.	(545,235)
Current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.	4,206,212
Current year amortization of the deferred charge on bond refundings is not reflected in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements. This also includes current year additions and refundings.	(644,828)
Interest is accrued on outstanding debt in the government-wide financial statements, but interest is expended as due in the fund financial statements.	(391,103)
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible amounts in the government-wide financial statements.	366,628
Current year issuances of capital related bonds are shown as other financing sources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(29,640,000)
The premiums on the current year issuances of capital related bonds are recorded as other financing sources in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements.	(667,522)

The Notes to Basic Financial Statements are an integral part of this statement.

Current year issuances of refunding bonds are shown as other financing sources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(17,309,527)
The premiums on the current year issuances of refunding bonds are recorded as other financing sources in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements.	(25,352,935)
The current year payment to the escrow agent for defeased debt is an other financing use in the fund financial statements, but is reported as a reduction in long-term debt in the government-wide financial statements.	42,106,352
Current year issuances of right-to-use leases and SBITAs are shown as other financing sources in the fund financial statements, but are shown as increase in long-term debt in the government-wide financial statements.	(556,304)
The arbitrage liability is not recorded on the fund level financial statements as it represents a future liability, and thus is recorded as an increase in long-term debt in the government-wide financial statements.	(1,382,283)
The compensated absences liability is not recorded on the fund level financial statements as it represents a future liability, and thus is recorded as an increase in long-term debt in the government-wide financial statements.	(190,294)
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of a decrease in deferred outflows (\$9,691,894); a decrease in deferred inflows (\$1,356,140); and a decrease in net pension liability (\$2,409,878).	(5,925,876)
The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of an increase in deferred outflows (\$7,149,941); a decrease in deferred inflows (\$5,723,353); and an increase in net OPEB liability (\$11,194,710).	1,678,584
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (4,679,304)</u>

Forney Independent School District

Statement of Fiduciary Net Position

Custodial Fund

June 30, 2025

Exhibit E-1

	Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 104,268
TOTAL ASSETS	<u>\$ 104,268</u>
NET POSITION	
Unrestricted net position	\$ 104,268
TOTAL NET POSITION	<u>\$ 104,268</u>

The Notes to Basic Financial Statements are an integral part of this statement.

Forney Independent School District
Statement of Changes in Fiduciary Net Position
Custodial Fund
June 30, 2025

Exhibit E-2

	<u>Custodial Fund</u>
ADDITIONS	
Contributions to student groups	\$ 210,782
Total additions	<u>210,782</u>
DEDUCTIONS	
Expenses of student groups	<u>196,999</u>
Total deductions	<u>196,999</u>
Change in fiduciary net position	13,783
Total Net Position - July 1 (Beginning)	<u>90,485</u>
TOTAL NET POSITION - June 30 (Ending)	<u><u>\$ 104,268</u></u>

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Forney Independent School District

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District has no business-type activities.

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

Forney Independent School District

Notes to the Basic Financial Statements

Fund Financial Statements:

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

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

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

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** – These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Custodial Fund** – The District accounts for resources held for others in a custodial capacity in custodial funds. The District's custodial fund is the student activity fund. The fund is used to account for assets held by the District as a custodian for student and other organizations. If any unused resources are declared surplus by the student groups, they are continued to be reported in the net position of the custodial fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. Measurement Focus/Basis of Accounting

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

Forney Independent School District

Notes to the Basic Financial Statements

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

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

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

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to other postemployment 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.

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

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

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

Forney Independent School District
Notes to the Basic Financial Statements

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

D. Budgetary Control

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

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

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

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

	June 30, 2025 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 694,930
Nonappropriated Budget Funds	1,646,011
	<hr/>
All Special Revenue Funds	\$ 2,340,941

E. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at June 30, 2025.

Forney Independent School District

Notes to the Basic Financial Statements

F. Inventories and Prepaid Items

The purchase method is used to account for inventories of paper and other supplies. Under this method, these items are charged to expenditures when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

G. Interfund Activity

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

H. Capital Assets

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

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

Buildings and improvements	15-50 years
Vehicles	5-10 years
Equipment	3-15 years

I. Deferred Outflows/Inflows of Resources

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

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

Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at June 30, 2025 was \$7,161,389

Forney Independent School District

Notes to the Basic Financial Statements

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, the results of differences between expected and actual actuarial experience, changes of assumptions, difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between the District's contributions and the proportionate share of contributions. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan. The amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2025 was \$23,680,918.

Deferred outflows of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability, the results of differences between expected and actual actuarial experience, changes of assumptions, difference between projected and actual earnings on OPEB plan investments, and changes in proportion and differences between the District's contributions and the proportionate share of contributions. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan. The amount of deferred outflows reported in the governmental activities for deferred OPEB expenses at June 30, 2025 was \$33,715,864.

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

Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2025 was \$2,739,617.

Deferred inflows of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience, changes in assumptions, and differences between projected and actual earnings on OPEB plan investments, and changes in proportion and differences between the District's contributions and the proportionate share of contributions. These amounts 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. In fiscal year 2025, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$962,142.

Deferred inflows of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience, changes in assumptions, and differences between projected and actual earnings on OPEB plan investments. These amounts 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. In fiscal year 2025, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$29,122,833.

Forney Independent School District

Notes to the Basic Financial Statements

J. Cash Equivalents

Investments are considered to be cash equivalents if they are highly liquid and have a maturity of three months or less when purchased.

K. Net Position

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

L. Long-Term Obligations

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

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

Compensated Absences

The District recognizes a liability 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 (for example paid in cash to the employee or payment to an employee benefit account) during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

GASB 87 Leases

GASB Statement No. 87, *Leases*, was issued in June 2017 and provides better information of financial statements to the users by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The District has one lease that qualifies under this standard.

Forney Independent School District

Notes to the Basic Financial Statements

GASB 96 SBITA (Subscription Based Information Technology Arrangements)

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, the District recognizes a right-to use subscription asset—an intangible asset—and a corresponding subscription liability at the commencement of the subscription term when the subscription asset is placed into service. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the incremental borrowing rate specified in the agreement. The District recognizes amortization of the principal payment on the subscription liability as an outflow of resources.

M. Risk Management

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2025, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts 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.

Note 2. Fund Balances

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

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

Forney Independent School District

Notes to the Basic Financial Statements

The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Unspent bond proceeds and unspent proceeds of maintenance tax notes are restricted for future capital acquisition. The fund balance of certain grant programs is restricted for those grant programs.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. The Board of Trustees have committed resources as of June 30, 2025 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of June 30, 2025 for funding of projects and construction approved by the Board.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

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

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

General Fund

The General Fund has unassigned fund balance of \$64,913,644 at June 30, 2025. Prepaid items of \$1,359,129 are considered nonspendable fund balance. The District has assigned \$19,657,665 of fund balance for various projects that have been approved but not completed and for future debt reduction.

Forney Independent School District

Notes to the Basic Financial Statements

Debt Service Fund

The Debt Service Fund has restricted funds of \$68,875,395 at June 30, 2025 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Capital Projects Fund

The Capital Projects Fund has \$43,527,784 of fund balance at June 30, 2025 restricted for future construction and renovation projects.

Other Funds

The fund balance of \$1,636,592 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The Special Revenue Funds include \$700,049 of fund balance restricted for Federal or State grant programs. Prepaid items of \$4,300 are considered nonspendable fund balance.

Note 3. Deposits and Investments

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

1. Cash Deposits:

At June 30, 2025, the carrying amount of the District's deposit checking accounts and interest-bearing demand accounts was \$8,486,332 and the bank balance was \$11,953,565. The District's cash deposits at June 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. During the year ended June 30, 2025, District deposits were fully collateralized throughout the year.

2. Investments:

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

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. Management believes the District is in substantial compliance with the requirements of the Act and with local policies.

Forney Independent School District

Notes to the Basic Financial Statements

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

- a. **Custodial Credit Risk: Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, the District's cash deposits (including certificates of deposit) totaled \$11,953,565. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk as of June 30, 2025.
- b. **Custodial Credit Risk: Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2025, the District held investments in three public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for all investment pools at year-end was AAAM (Standard & Poor's).
- d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for each investment pool is less than 90 days.
- e. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2025, the District was not exposed to foreign currency risk.
- f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District's investments in public funds investment pools are not subject to the concentration risk.

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

Forney Independent School District
Notes to the Basic Financial Statements

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

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

	<u>June 30, 2025</u>	<u>Weighted Average Maturity (Days)</u>
Governmental Activities		
Cash and deposits	<u>\$ 8,383,690</u>	N/A
Investments		
Local Government Investments Pools		
LOGIC	3,493,451	35
Texas CLASS	181,367,066	37
TexPool	<u>1,553,445</u>	38
Total Investments	<u>186,413,962</u>	
Total Governmental Activities	<u>194,797,652</u>	
Custodial Funds		
Cash and Deposits	<u>104,268</u>	N/A
Total Custodial Funds	<u>104,268</u>	
Total	<u><u>\$ 194,901,920</u></u>	

Investment pools are measured at amortized cost or net asset value and are exempt for fair value reporting.

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. The Texas CLASS Trust Agreement (Trust) is an agreement of indefinite term regarding the investment, reinvestment and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate (the Participants), MBIA Municipal Investors Service Corporation as Program Administrator (the Program Administrator) and Wells Fargo Bank Texas, NA as Custodian (the Custodian).

Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian, and the Program Administrator. The Board administers the affairs of the Trust. It also selects the consultants for Texas CLASS, including the Program Administrator and the Custodian.

The Board of Trustees has appointed an Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust and are qualified to advise the Trust.

Forney Independent School District

Notes to the Basic Financial Statements

The Advisory Board provides advice to the Board of Trustees and the Program Administrator about the investment policy and investment strategy of the Trust and about other matters as requested by the Board of Trustees and the Program Administrator.

The Fund is rated AAAm by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's.

The District is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexPool is rated AAAm by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's.

LOGIC is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Southwest Asset Management, Inc. and J.P. Morgan Investment Management, Inc. (JPMIM), and managed by JPMIM. J.P. Morgan Chase provides custody, fund accounting and transfer agency services. LOGIC may invest in obligations of the U.S. or its agencies and instrumentalities; repurchase agreements; SEC-registered money market funds rated in the highest rating category by at least one nationally recognized statistical rating organization (NRSRO); and commercial paper rated A-1, P-1 or equivalent by on NRSRO and is fully secured by an irrevocable letter of credit.

The amount of interest earned on the District's investments for the fiscal year ended June 30, 2025, was \$11,061,333.

Fair Value Measurements

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

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

The District's investments in public funds investment pools are not required to be measured at fair value but are measured at amortized cost or net asset value.

Forney Independent School District
Notes to the Basic Financial Statements

Note 4. Capital Assets

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

	Balance July 1	Additions	Retirements/ Adjustments	Transfers	Balance June 30
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 19,492,418	\$ 10,142,135	\$ (513,624)	\$ -	\$ 29,120,929
Construction in progress	263,615,379	34,540,544	-	(258,073,550)	40,082,373
Total capital assets not being depreciated	283,107,797	44,682,679	(513,624)	(258,073,550)	69,203,302
Capital assets being depreciated:					
Buildings and improvements	861,674,956	45,183,292	-	258,073,550	1,164,931,798
Right to use lease equipment	1,233,088	726,379	-	-	1,959,467
Vehicles	12,785,210	2,443,939	(24,616)	-	15,204,533
Furniture and equipment	23,358,787	3,625,367	-	-	26,984,154
Total capital assets being depreciated	899,052,041	51,978,977	(24,616)	-	1,209,079,952
Less accumulated depreciation for:					
Buildings and improvements	(164,282,392)	(26,390,975)	-	-	(190,673,367)
Right to use lease equipment	(1,233,088)	(223,093)	-	-	(1,456,181)
Vehicles	(7,183,101)	(1,456,609)	24,616	-	(8,615,094)
Furniture and equipment	(11,235,558)	(2,982,758)	-	-	(14,218,316)
Total accumulated depreciation	(183,934,139)	(31,053,435)	24,616	-	(214,962,958)
Total capital assets being depreciated, net	715,117,902	20,925,542	-	-	994,116,994
Governmental activities capital assets, net	\$ 998,225,699	\$ 65,608,221	\$ (513,624)	\$ (258,073,550)	\$ 1,063,320,296

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

Instruction	\$ 16,011,169
Instructional resources & media services	227,261
Curriculum & staff development	933,378
Instructional leadership	530,277
School leadership	1,955,810
Guidance, counseling & evaluation services	1,592,661
Social work services	59,764
Health services	381,054
Student transportation	925,128
Food services	1,503,904
Cocurricular/extracurricular activities	1,083,251
General administration	927,880
Plant maintenance and operations	3,439,540
Security & monitoring services	705,478
Data processing services	601,182
Community services	175,698
Total depreciation expense - governmental activities	\$ 31,053,435

Forney Independent School District
Notes to the Basic Financial Statements

Note 5. Long-Term Liabilities

Long-term liabilities includes par bonds, capital appreciation (deep discount) serial bonds, capital leases payable, and loans payable. All long-term debt represents transactions in the District's governmental activities.

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

Loans Payable

The District is obligated under two loans payable as follows:

	Interest Rate	Date of Loan	Final Maturity Date	Original Amount	Balance July 1, 2024	Increases	Payments	Balance June 30, 2025	Due in One Year	Purpose
Public Property Finance Contract, Series 2015	3.050%	9/9/2015	4/1/2030	\$ 4,634,000	\$ 2,413,000	\$ -	\$ 365,000	\$ 2,048,000	\$ 382,000	Energy management
Maintenance Tax Notes Series 2020	2.020%	2/6/2020	10/1/2029	6,576,000	4,117,000	-	652,000	3,465,000	665,000	Maintenance & renovations
				<u>\$ 11,210,000</u>	<u>\$ 6,530,000</u>	<u>\$ -</u>	<u>\$ 1,017,000</u>	<u>\$ 5,513,000</u>	<u>\$ 1,047,000</u>	

Future loans payable debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2026	\$ 1,047,000	\$ 125,741	\$ 1,172,741
2027	1,074,000	100,515	1,174,515
2028	1,102,000	74,611	1,176,611
2029	1,131,000	47,996	1,178,996
2030	1,159,000	20,641	1,179,641
	<u>\$ 5,513,000</u>	<u>\$ 369,504</u>	<u>\$ 5,882,504</u>

Leases Payable

The District has entered into a multiple year lease agreement as lessee. The lease allows the District the right to use copy machines over the term of the lease. The District is required to make monthly payments at its incremental borrowing rate. The lease rate, term, and ending lease liability is as follows:

	Interest Rate(s)	Liability at Commencement	Term in Years	Ending Balance
Copiers - Leases	4.23%	142,744	5	\$ 120,045
				<u>\$ 120,045</u>

The lease liabilities are recorded in the government-wide financial statements. The principal and interest are liquidated at the fund level through the General Fund.

Forney Independent School District
Notes to the Basic Financial Statements

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 25,786	\$ 4,582	\$ 30,368
2027	26,898	3,470	30,368
2028	28,058	2,310	30,368
2029	29,269	1,099	30,368
2030	10,034	89	10,123
	<u>\$ 120,045</u>	<u>\$ 11,550</u>	<u>\$ 131,595</u>

The value of the right-to-use asset at June 30, 2025 was \$142,744 and had accumulated amortization of \$28,549.

Subscription-Based Information Technology Arrangements (SBITA)

The District has two subscription contracts that qualify as SBITAs as of June 30, 2025. Future subscription payments should be discounted using the interest rate the SBITA vendor charges. If the interest rate cannot be readily determined, the District uses the yield rates of bonds issued by the District. For fiscal year 2025, the District used 4.00% as the interest rate. The SBITA term and ending subscription liability are as follows:

	Interest Rate(s)	Liability at Commencement	Term in Years	Ending Balance
Software - SBITAs	4.00%	583,634	3	\$ 413,559
				<u>\$ 413,559</u>

The subscription liabilities are recorded in the government-wide financial statements. The principal and interest are liquidated at the fund level through the General Fund.

Year Ending June 30,	Principal	Interest	Total
2026	\$ 196,853	\$ 16,542	\$ 213,395
2027	216,706	8,668	225,374
	<u>\$ 413,559</u>	<u>\$ 25,210</u>	<u>\$ 438,769</u>

The value of the subscription assets at June 30, 2025 was \$583,634 and had accumulated amortization of \$194,545.

Forney Independent School District
Notes to the Basic Financial Statements

Bonds Payable

On September 1, 2024, the District issued "Forney Independent School District Unlimited Tax School Building Bonds, Series 2024," totaling \$29,640,000. These bonds incur an average cost over the life of the bonds at a rate of 4.00-5.00% and mature annually with semi-annual interest payments. The proceeds were used to construct and renovate school buildings. The bonds will fully mature in 2054.

On September 1, 2024, the District issued "Forney Independent School District Unlimited Tax Refunding Bonds, Series 2024A," totaling \$17,309,527 to refund a portion of the outstanding bonds. These bonds incur an average cost over the life of the bonds at a rate of 4.31-4.92% and mature annually with semi-annual interest payments. The proceeds were used to purchase U.S. Government securities and these securities were placed in an irrevocable escrow account until the refunded bonds are redeemed. The District, in effect, decreased the aggregate debt service payments by \$60,540,000 through 2054 and resulted in an economic gain (difference between present values of the old and new debt service payment) of \$21,507,498. The bonds will fully mature in 2053.

The District has the following bonds payable outstanding as of June 30, 2025:

Description	Interest Rate Payable	Original Issuance Amount	Amounts Outstanding 6/30/2025
Bonded Indebtedness:			
Unlimited Tax School Building and Refunding Bonds, Series 2000	6.760%	\$ 13,329,945	\$ 257,447
Unlimited Tax School Building Bonds, Series 2010	3.000-5.500%	14,999,965	427,185
Unlimited Tax Refunding Bonds, Series 2013	3.000-3.250%	5,420,000	5,420,000
Unlimited Tax Refunding Bonds, Series 2015	2.000-5.000%	103,095,000	88,735,000
Unlimited Tax Refunding Bonds, Series 2016	2.000-5.000%	14,485,000	7,630,000
Unlimited Tax Refunding Bonds, Series 2017	2.350-5.000%	41,103,183	41,103,183
Unlimited Tax School Building and Refunding Bonds, Series 2018	1.830%-5.000%	35,758,029	23,705,000
Unlimited Tax School Building Bonds, Series 2019	3.000%-5.000%	19,800,000	17,490,000
Unlimited Tax School Building Bonds, Series 2020	3.000%-5.000%	65,200,000	65,200,000
Unlimited Tax School Building and Refunding Bonds, Series 2020A	2.000%-5.000%	34,995,000	34,995,000
Unlimited Tax School Building Bonds, Series 2021A	2.000%-3.000%	101,260,000	101,260,000
Unlimited Tax School Building and Refunding Bonds, Series 2021B	2.781%-5.000%	79,667,075	76,329,092
Unlimited Tax School Building Bonds, Series 2022A	2.500%-4.000%	160,665,000	160,665,000
Unlimited Tax School Building Bonds, Series 2022B	4.000%-5.000%	290,900,000	290,900,000
Unlimited Tax Refunding Bonds, Series 2022C	4.300%-4.450%	731,065	731,065
Unlimited Tax School Building Bonds, Series 2023	4.000%-5.000%	189,250,000	189,250,000
Unlimited Tax Refunding Bonds, Series 2023A	4.610%-4.770%	904,773	904,773
Unlimited Tax School Building Bonds, Series 2024	4.000%-5.000%	29,640,000	29,640,000
Unlimited Tax Refunding Bonds, Series 2024A	4.310%-4.920%	17,309,527	17,309,527
Total bonded indebtedness			\$ 1,151,952,272

Forney Independent School District
Notes to the Basic Financial Statements

Bonds payable debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2026	\$ 9,862,361	\$ 46,492,946	\$ 56,355,307
2027	10,550,058	44,538,649	55,088,707
2028	11,577,463	43,571,318	55,148,781
2029	13,829,934	43,173,972	57,003,906
2030	17,224,918	42,418,813	59,643,731
2031-2035	159,442,173	195,066,464	354,508,637
2036-2040	238,668,643	171,154,370	409,823,013
2041-2045	236,963,340	152,887,004	389,850,344
2046-2050	281,788,080	93,576,445	375,364,525
2051-2055	172,045,302	41,840,826	213,886,128
	<u>\$ 1,151,952,272</u>	<u>\$ 874,720,807</u>	<u>\$ 2,026,673,079</u>

A portion of the bonds sold in the school building series as well as several refunding series included capital appreciation bonds commonly referred to as "premium compound interest bonds". The District annually records the appreciation of bond principal for the accreted value of the bonds through maturity of the issue. The interest of these bond series will be paid upon maturity. The following table summarizes the key features of the individual bonds, by issue:

Series	Par Amount	Accreted Interest at Issue	Accreted Interest Since Issue	Total Accreted Value	Maturity Amount	Maturity Dates
2000	\$ 257,447	\$ 17,019	\$ 1,109,556	\$ 1,384,022	\$ 1,395,000	2026
2010	427,185	182,384	586,408	1,195,977	1,230,000	2026-2027
2017	1,853,183	-	461,618	2,314,801	2,540,000	2027-2031
2021B	259,092	458,046	12,453	729,591	730,000	2026
2022C	731,065	8,329,766	1,188,397	10,249,228	18,455,000	2038-2040
2023A	904,773	8,503,969	861,134	10,269,876	21,650,000	2040-2044
2024A	17,309,527	25,350,293	1,646,525	44,306,345	119,380,000	2040-2054
Total	<u>\$ 21,742,272</u>	<u>\$ 42,841,477</u>	<u>\$ 5,866,091</u>	<u>\$ 70,449,840</u>	<u>\$ 165,380,000</u>	

Forney Independent School District
Notes to the Basic Financial Statements

Changes in the long-term liabilities of the District for the year ended June 30, 2025 were as follows:

Description	Balance 7/1/2024	Additions	Retired/ Refunded	Balance 6/30/2025	Due Within One Year
Bonded Indebtedness:					
General obligation bonds	\$ 1,129,255,925	\$ 46,949,527	\$ (24,253,180)	\$ 1,151,952,272	\$ 9,862,361
Premiums/discounts	77,581,997	670,164	(4,206,212)	74,045,949	5,274,325
Accreted interest -					
capital appreciation bonds	47,605,406	28,630,334	(27,528,172)	48,707,568	1,987,876
Loans payable	6,530,000	-	(1,017,000)	5,513,000	1,047,000
Leases payable	-	142,745	(22,700)	120,045	25,786
Subscription-based information					
technology arrangements	-	583,634	(170,075)	413,559	196,853
Compensated absences *	1,463,738	190,294	-	1,654,032	1,654,032
Arbitrage liability	6,832,377	1,382,283	-	8,214,660	-
Net pension liability	60,149,869	11,009,901	(13,419,779)	57,739,991	-
Net OPEB liability	23,971,723	12,343,925	(1,149,215)	35,166,433	-
	<u>\$ 1,353,391,035</u>	<u>\$ 101,902,807</u>	<u>\$ (71,766,333)</u>	<u>\$ 1,383,527,509</u>	<u>\$ 20,048,233</u>

* Compensated absences are reported as a net change for the year as allowed under the provisions of GASB 101, paragraph 30.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2025.

Defeased Debt

In prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly the trust account assets and liability for the defeased debt are not included in the District's financial statements. At June 30, 2025 all debt was paid.

Forney Independent School District
Notes to the Basic Financial Statements

Compensated Absences

The District recognizes a liability 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 (for example paid in cash to the employee or payment to an employee benefit account) during or upon separation from employment. Based on the criteria listed, the following types of leave qualify for liability recognition for compensated absences – vacation and sick leave. 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 because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

State Personal Leave

The District is required under Texas Education Code 22.003 to provide eligible employees with a minimum of five days of personal leave per year (state leave) with no limit on accumulation and no restrictions on transfer between Districts.

Local Leave

The District's policy provides eligible employees with five days of local personal leave per year (local leave) with no limit on accumulation.

Sick Leave

The District's policy permits employees to accumulate earned but unused sick leave benefits, with no limit on accumulation.

The District does not have a monetary obligation for accumulated leave benefits upon separation from service. However, a liability for the estimated value of leave benefits that will be used by employees as time off is included in the liability for compensated absences.

Note 6. Deferred Charges on Bond Refundings

The District's deferred charges on bond refundings are as follows:

Balance — June 30, 2024	\$ 7,806,217
Current year loss/(gain) on bond refunding	1,672,417
Removal or prior year deferred charges due to current year refunding	(1,794,402)
Current period amortization	<u>522,843</u>
Balance — June 30, 2025	<u><u>\$ 7,161,389</u></u>

Forney Independent School District
Notes to the Basic Financial Statements

Note 7. Cancellable and Short Term Leases

Commitments under cancellable or short term leases (noncapitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of June 30, 2025. The imputed interest on the leases is not readily determinable.

Note 8. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2024-25 fiscal period was based was \$10,294,838,537. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the period ended June 30, 2025, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.7869 and \$0.5000 per \$100 valuation, respectively, for a total of \$1.2869 per \$ 100 valuation.

Current tax collections for the period ended June 30, 2025 were 97.0% of the June 30, 2025 adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2025, property taxes and penalty and interest receivable, net of estimated uncollectible taxes, totaled \$1,699,703 and \$1,039,914 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

Forney Independent School District
Notes to the Basic Financial Statements

Note 9. Interfund Balances and Activities

Interfund receivables and payables at June 30, 2025 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2025.

Fund	Due from Other Funds	Due to Other Funds
Major governmental funds:		
General fund:		
Non-major special revenue fund	\$ 1,116,158	\$ -
Capital projects fund	75,139	-
Debt service fund:		
Capital projects fund	1,382,282	-
Capital projects fund:		
Debt service fund	-	1,382,282
General fund	-	75,139
Total major governmental funds	2,573,579	1,457,421
Nonmajor governmental funds:		
Special revenue funds:		
General fund	-	1,116,158
Total nonmajor governmental funds	-	1,116,158
Total	\$ 2,573,579	\$ 2,573,579

The District made interfund transfers of \$1,382,282 from the Capital Projects Fund to the Debt Service Fund to fund future arbitrage payments.

Note 10. Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

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

Forney Independent School District

Notes to the Basic Financial Statements

Benefits Provided

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

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

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

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

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

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

Contributions

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

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

Forney Independent School District
Notes to the Basic Financial Statements

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2025	2024
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers/District	8.25%	8.25%

The contribution amounts for the District's fiscal year 2025 are as follows:

District Employer Contributions	\$	6,023,362
Member Contributions		11,984,962
NECE On-Behalf Contributions (State)		7,174,964

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

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

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

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

- All public schools, charter schools, and regional education 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.

Forney Independent School District
Notes to the Basic Financial Statements

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 \$57,739,991 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	\$ 57,739,991
State's proportionate share that is associated with District	<u>77,772,709</u>
Total	<u>\$ 135,512,700</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

On August 31, 2024, the District's proportion of the collective net pension liability was 0.09452%, an increase of 0.0069% from its proportionate share of 0.08757% at August 31, 2023.

For the fiscal year ended June 30, 2025, the District recognized pension expense of \$5,925,876 and revenue of \$7,174,964 for support provided by the State.

At June 30, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,182,550	\$ (450,806)
Changes of assumptions	2,981,239	(399,682)
Difference between projected and actual earnings on pension plan investments	350,982	-
Changes in proportion and differences between District's contributions and the proportionate share of contributions	12,039,606	(111,654)
District contributions paid subsequent to the measurement date	<u>5,126,542</u>	<u>-</u>
Total	<u>\$ 23,680,919</u>	<u>\$ (962,142)</u>

Forney Independent School District
Notes to the Basic Financial Statements

\$5,126,542 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense (Income)
2026	\$ 3,824,925
2027	9,712,861
2028	3,435,901
2029	9,176
2030	609,372
Thereafter	-
Total	<u>\$ 17,592,235</u>

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2023. Update procedures were used to roll forward the total pension liability to August 31, 2024 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.00%
Long-term expected investment rate of return	7.00%
Municipal bond rate as of August 2024	3.87% - 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.
Last year ending August 31 in projection period (100 years)	2123
Inflation	2.30%
Salary increases, including inflation	2.95% to 8.95%
Ad hoc post employment benefit changes	None
Mortality Rates	The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioners Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

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

Forney Independent School District

Notes to the Basic Financial Statements

Discount Rate and Long-Term Expected Rate of Return

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the legislature in the 2019 session. It is assumed that future employer and state contributions will be 9.54 percent of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

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

Asset Class	Target Allocation**	Long-term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.0%	4.4%	1.0%
Non - U.S. Developed	13.0%	4.2%	0.8%
Emerging Markets	9.0%	5.2%	0.7%
Private Equity	14.0%	6.7%	1.2%
Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Stable Value Hedge Funds	5.0%	3.0%	0.2%
Absolute Return*	0.0%	4.0%	0.0%
Real Return			
Real Estate	15.0%	6.6%	1.2%
Energy, Natural Resources and Infrastructure	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk Parity	8.0%	4.0%	0.4%
Asset Allocation Leverage			
Cash	2.0%	1.0%	0.0%
Asset Allocation Leverage	-6.0%	1.3%	-0.1%
Inflation Expectation			2.4%
Volatility drag****			-0.7%
Total	100%		7.9%

* Absolute Return Includes Credit Sensitive Investments

** Target allocations are based on the FY2024 policy model

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

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

Forney Independent School District
Notes to the Basic Financial Statements

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Forney ISD's proportionate share of the net pension liability:	\$ 92,225,396	\$ 57,739,991	\$ 29,166,381

Change of Assumptions Since the Prior Measurement Date

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

Change of Benefit Terms Since the Prior Measurement Date

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

Note 11. Defined Other Post-Employment Benefit Plans

Plan Description

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

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

OPEB Plan Fiduciary Net Position

Detail information about TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/learning-resources/publications> ; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling 1-800-223-8778.

Benefits Provided

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

Forney Independent School District
Notes to the Basic Financial Statements

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

	TRS-Care Monthly Premium Rates	
	Medicare	Non-Medicare
Retiree or surviving spouse	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

Contributions

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

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

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2025	2024
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

*Contributions paid from federal funds and private grants are remitted by the District and paid at the State rate.

The contribution amounts for the District's fiscal year 2025 are as follows:

District Employer Contributions	\$ 1,181,470
Member Contributions	944,270
NECE On-behalf Contributions	1,318,701

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

Forney Independent School District
Notes to the Basic Financial Statements

The State of Texas also contributed \$954,091, \$744,343, and \$560,555 in 2025, 2024, and 2023, respectively, for on-behalf payments for Medicare Part D.

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

At June 30, 2025, the District reported a liability of \$35,166,433 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	\$ 35,166,433
State's proportionate share of the net OPEB liability associated with the District	<u>44,063,063</u>
Total	<u><u>\$ 79,229,496</u></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 employer's proportion of the net OPEB liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At the measurement date of August 31, 2024, the employer's proportion of the collective net OPEB liability was 0.00116% which was a decrease of 0.10712% from its proportion measured as of August 31, 2023.

For the fiscal year ended June 30, 2025, the District recognized net OPEB revenue of \$1,678,584 due to recognition of deferred inflows in excess of deferred outflows and current year expense. OPEB revenue of \$1,318,701 was recognized for support provided by the State.

At June 30, 2025, the District reported 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 6,740,224	\$ (17,549,956)
Changes of assumptions	4,500,888	(11,474,400)
Difference between projected and actual earnings on OPEB plan investments	-	(98,477)
Changes in proportion and difference between District's contributions and the proportionate share of contributions	21,469,144	-
District contributions paid subsequent to the measurement date	<u>1,005,608</u>	<u>-</u>
	<u><u>\$ 33,715,864</u></u>	<u><u>\$ (29,122,833)</u></u>

Forney Independent School District
Notes to the Basic Financial Statements

\$1,005,608 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense (Income)
2026	\$ (1,403,816)
2027	188,918
2028	(497,900)
2029	(82,875)
2030	998,145
Thereafter	4,384,951
Total	<u>\$ 3,587,423</u>

Actuarial Methods and Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were 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:

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

See Note 10 for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

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

The initial medical trend 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.

Forney Independent School District
Notes to the Basic Financial Statements

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

Actuarial Cost Method	Individual entry age normal
Single Discount Rate	3.87% as of August 31, 2024
	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Aging Factors	
Election Rates	Normal retirement: 62% participation prior to age 65 and 25% after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc post-employment benefit changes	None

Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability at August 31, 2024. This was a decrease of 0.26% in the discount rate since the August 31, 2023 measurement date. The plan is essentially a "pay-as-you-go" plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current plan members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The source for the rate is the same used for the pension plan.

Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the net OPEB liability	\$ 41,779,365	\$ 35,166,433	\$ 29,823,084

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the net OPEB liability	\$ 28,637,838	\$ 35,166,433	\$ 43,673,842

Forney Independent School District

Notes to the Basic Financial Statements

Change of Assumptions Since the Prior Measurement Date

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

- The discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024. Additionally, the tables used to model the impact of aging on the underlying claims were revised.

Change of Benefit Terms Since the Prior Measurement Date

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

Note 12. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, IRS-Care receives drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the year ended June 30, 2025, the subsidy payments received by TRS-Care on behalf of the District were \$954,091. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

Note 13. Health Care

During the period ended June 30, 2025, employees of Forney Independent School District were covered by a health insurance plan (the Plan). The District contributed \$225 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

Note 14. Workers Compensation

The District participates in the Texas Public Schools Workers Compensation Project Self-Insurance Joint Fund ("the fund"). The District was partially self-funded to a loss fund maximum of \$852,403 for the 24-25 fiscal period. Additionally, the District incurred fixed costs of \$338,886 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Creative Risk Funding provides claims administration. The District's self-insured retention is \$150,000 per occurrence. Excess insurance is provided by Safety National Casualty Corporation. The policy provides for specific stop-loss attachment at \$350,000 per occurrence and aggregate stop-loss attachment at \$11,947,411. Settled claims have not exceeded this commercial coverage in any of the past fiscal years. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$402,838 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Forney Independent School District
Notes to the Basic Financial Statements

Changes in workers compensation claims liability amounts in fiscal periods 2025 and 2024 are represented below:

Fiscal Year	Beginning of Period Claims Liability	Claims and Changes in Estimates	Claims Payments	End of Period Claims Liability
2025	\$ 390,231	\$ 129,577	\$ 116,970	\$ 402,838
2024	319,744	134,510	64,023	390,231

Note 15. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments in the governmental funds as of June 30, 2025, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Government	Total
General	\$ 32,735,405	\$ 488	\$ 32,735,893
Special revenue	-	1,595,079	1,595,079
Total	<u>\$ 32,735,405</u>	<u>\$ 1,595,567</u>	<u>\$ 34,330,972</u>

Note 16. Litigation and Contingencies

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2025 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note 17. Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Service Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated it has an arbitrage liability of \$8,214,660 as of June 30, 2025. This amount is considered a long-term liability, and as such, is reported only on the government-wide financial statements.

Forney Independent School District
Notes to the Basic Financial Statements

Note 18. Revenues from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources in the fund-basis financial statements consisted of the following:

Fund	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds	Total
Property Taxes	\$ 79,780,112	\$ 50,681,505	\$ -	\$ -	\$ 130,461,617
Food Sales	-	-	-	3,354,138	3,354,138
Investment Income	3,627,017	2,494,045	4,854,098	86,173	11,061,333
Penalties, interest and other tax related income	295,076	180,557	-	-	475,633
Co-curricular and student activities	503,840	-	-	2,028,267	2,532,107
Other	2,855,099	-	-	-	2,855,099
Total	\$ 87,061,144	\$ 53,356,107	\$ 4,854,098	\$ 5,468,578	\$ 150,739,927

Note 19. General Fund Federal Source Revenues

The following federal revenue sources are reported in the District's general fund:

Program or Source	Assistance Listing #	Amount
Indirect Costs:		
School Breakfast Program	10.553	\$ 237,882
Career and Technical Basic Grant	84.048A	4,897
IDEA-B Preschool	84.027A	527
IDEA-B Formula	84.027A	89,295
E-Rate	N/A	258,098
SHARS	N/A	83,256
JROTC	N/A	78,999
		<u>\$ 752,954</u>

Note 20. Unearned Revenue

Unearned revenue at June 30, 2025 consisted of the following:

	Special Revenue Fund
Student account balances	\$ 258,314
Grant funds	4,779
Total	\$ 263,093

Forney Independent School District

Notes to the Basic Financial Statements

Note 21. Shared Service Arrangements/Joint Ventures

The District participates in a shared services arrangement ("SSA") for a federal program with Mesquite ISD for deaf education services. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Mesquite ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Note 22. Construction Commitments

As of June 30, 2025, the District had entered into contracts for various construction and renovation projects. At June 30, 2025, there was \$88,912,765 remaining costs under these contracts. These projects are to be paid from Capital Projects Fund's fund balance as well as General Fund resources.

Note 23. Recent Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences* (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. The District implemented GASB 101 in fiscal year 2025.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The District implemented GASB 101 in fiscal year 2025. The District implemented GASB 102 in fiscal year 2025, with no significant impact.

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), establishes new accounting and financial reporting requirements – or modifies existing requirements – related to the following:

- Management's discussion & analysis
- Unusual or infrequent items
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
- Information about major component units in basic financial statements
- Budgetary comparison information
- Financial trends information in the statistical section

GASB 103 will be implemented in the District's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. GASB 104 will be implemented in the District's fiscal year 2026 financial statements and the impact has not yet been determined.

Forney Independent School District
Notes to the Basic Financial Statements

Note 24. Adjustments to and Restatements of Beginning Balances

During fiscal year 2025, changes in accounting principles (GASB Statement 101, *Compensated Absences*), resulted in adjustments to and restatements of beginning net position, as follows:

	<u>Government-Wide</u> Governmental Activities
Beginning net position, as previously presented	\$ (92,989,132)
Change in accounting principle - GASB 101	<u>(1,463,738)</u>
Beginning net position, as restated	\$ (94,452,870)

Note 25. Subsequent Event

On August 1, 2025, the District issued the "Forney Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2025" in the amount of \$207,515,000 for the purpose of purchasing sites for school facilities and refunding Series 2015 Unlimited Tax Refunding Bonds.

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Required Supplementary Information

Forney Independent School District

Exhibit G-1

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund For the Fiscal Year Ended June 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With Final Budget
		Original	Final	GAAP BASIS	Positive or (Negative)
REVENUES					
5700	Total local and intermediate sources	\$ 86,743,871	\$ 86,695,080	\$ 87,061,144	\$ 366,064
5800	State program revenues	114,845,114	124,705,966	130,950,542	6,244,576
5900	Federal program revenues	2,011,235	2,011,235	752,954	(1,258,281)
5020	Total revenues	203,600,220	213,412,281	218,764,640	5,352,359
EXPENDITURES					
Current:					
0011	Instruction	108,703,852	111,918,143	108,258,413	3,659,730
0012	Instructional resources and media services	1,525,360	1,646,817	1,504,706	142,111
0013	Curriculum and instructional staff development	6,630,530	6,796,129	6,170,272	625,857
0021	Instructional leadership	3,622,839	3,842,551	3,650,814	191,737
0023	School leadership	12,880,325	13,467,791	13,071,253	396,538
0031	Guidance, counseling, and evaluation services	9,191,864	9,641,218	9,554,105	87,113
0032	Social work services	-	2,289	2,289	-
0033	Health services	2,691,371	2,778,644	2,623,874	154,770
0034	Student (pupil) transportation	6,892,937	7,184,171	7,008,633	175,538
0035	Food services	-	100,000.00	55,742	44,258
0036	Extracurricular activities	6,755,459	6,949,384	6,601,127	348,257
0041	General administration	6,477,520	6,620,468	6,397,632	222,836
0051	Facilities maintenance and operations	23,777,323	24,642,098	24,066,224	575,874
0052	Security and monitoring services	5,945,821	7,129,601	6,259,268	870,333
0053	Data processing services	4,848,178	5,344,001	5,263,750	80,251
0061	Community services	1,222,497	1,319,056	1,104,479	214,577
Debt service:					
0071	Principal on long-term debt	1,017,000	1,039,700	1,039,700	-
0072	Interest on long-term debt	150,186	155,324	155,313	11
Capital outlay:					
0081	Facilities acquisition and construction	65,000	14,048,661	258,508	13,790,153
Intergovernmental:					
0099	Other intergovernmental charges	1,202,158	1,202,158	1,154,935	47,223
6030	Total expenditures	203,600,220	225,828,204	204,201,037	21,627,167
1100	Excess (deficiency) of revenues over (under) expenditures	-	(12,415,923)	14,563,603	26,979,526
OTHER FINANCING SOURCES :					
7912	Sale of real and personal property	-	757,485	757,485	-
7913	Proceed from right to use leased assets	-	556,306	556,304	(2)
7080	Total other financing sources	-	1,313,791	1,313,789	(2)
1200	Net change in fund balances	-	(11,102,132)	15,877,392	26,979,524
0100	Fund balance - July 1 (beginning)	70,053,072	70,053,072	70,053,072	-
3000	FUND BALANCE - JUNE 30 (ENDING)	\$ 70,053,072	\$ 58,950,940	\$ 85,930,464	\$ 26,979,524

Forney Independent School District

Notes to Required Supplementary Information
Budget Information
For the Year Ended June 30, 2025

Budgets and Budgetary Accounting

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended June 30, 2025. During the year ended June 30, 2025, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>
Amendments approved	\$ 22,227,984

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principals and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by June 30, 2025. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Forney Independent School District
 Schedule of the District's Proportionate
 Share of the Net Pension Liability
 Teacher Retirement System of Texas
 Last Ten Fiscal Years

	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2023</u>
	<u>Plan Year 2024</u>	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>
District's proportion of the net pension liability (asset)	0.0945253%	0.0875667%	0.0718580%
District's proportionate share of net pension liability (asset)	\$ 57,739,991	\$ 60,149,869	\$ 42,660,243
State's proportionate share of the net pension liability (asset) associated with the District	<u>77,772,709</u>	<u>77,478,624</u>	<u>59,986,152</u>
TOTALS	<u>\$ 135,512,700</u>	<u>\$ 137,628,493</u>	<u>\$ 102,646,395</u>
District's covered payroll	\$ 131,429,380	\$ 111,477,859	\$ 89,759,212
District's proportionate share of the net pension liability as a percentage of its covered payroll	44%	54%	48%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2024 are for year 2025, August 31, 2023 are for year 2024, August 31, 2022 are for year 2023, August 31, 2021 are for year 2022, August 31, 2020 are for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for 2018, August 31, 2016 for year 2017, and August 31, 2015 for year 2016.

<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>
<u>Plan Year 2021</u>	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>	<u>Plan Year 2016</u>	<u>Plan Year 2015</u>
0.0585172%	0.0492495%	0.0504946%	0.0471434%	0.0431618%	0.0387341%	0.0416884%
\$ 14,902,249	\$ 26,377,017	\$ 26,248,659	\$ 25,948,857	\$ 13,800,819	\$ 14,637,024	\$ 14,736,295
<u>25,069,898</u>	<u>48,380,593</u>	<u>40,619,625</u>	<u>42,315,516</u>	<u>25,002,570</u>	<u>29,594,886</u>	<u>28,115,166</u>
<u>\$ 39,972,147</u>	<u>\$ 74,757,610</u>	<u>\$ 66,868,284</u>	<u>\$ 68,264,373</u>	<u>\$ 38,803,389</u>	<u>\$ 44,231,910</u>	<u>\$ 42,851,461</u>
\$ 75,959,322	\$ 65,937,445	\$ 57,611,162	\$ 53,028,117	\$ 49,484,106	\$ 45,915,687	\$ 44,674,140
20%	40%	46%	49%	28%	32%	33%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

Forney Independent School District
 Schedule of District's Contributions for Pensions
 Teacher Retirement System of Texas
 Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually required contributions	\$ 6,023,362	\$ 5,183,658	\$ 4,362,603
Contributions in relation to the contractually required contributions	<u>(6,023,362)</u>	<u>(5,183,658)</u>	<u>(4,362,603)</u>
CONTRIBUTIONS DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 145,272,269	\$ 128,512,009	\$ 107,969,964
Contribution as a percentage of covered payroll	4.15%	4.03%	4.04%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Exhibit G-3

2022	2021	2020	2019	2018	2017	2016
\$ 3,195,432	\$ 2,430,341	\$ 2,005,352	\$ 1,729,888	\$ 1,557,673	\$ 1,364,826	\$ 1,219,018
(3,195,432)	(2,430,341)	(2,005,352)	(1,729,888)	(1,557,673)	(1,364,826)	(1,219,018)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 86,753,373	\$ 74,015,422	\$ 64,453,642	\$ 56,924,091	\$ 52,395,548	\$ 48,837,086	\$ 45,546,050
3.68%	3.28%	3.11%	3.04%	2.97%	2.79%	2.68%

Forney Independent School District
 Schedule of the District's Proportionate
 Share of the Net OPEB Liability
 Teacher Retirement System of Texas
 Last Eight Fiscal Years

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's proportion of the net OPEB liability for Other Postemployment Benefits	0.001158638%	0.108281654%	0.092468921%
District's proportionate share of the net OPEB liability (asset)	\$ 35,166,433	\$ 23,971,723	\$ 22,140,763
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>44,063,063</u>	<u>28,925,568</u>	<u>27,008,253</u>
TOTALS	<u>\$ 79,229,496</u>	<u>\$ 52,897,291</u>	<u>\$ 49,149,016</u>
District's covered payroll	\$ 131,429,380	\$ 111,477,859	\$ 89,759,212
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	26.76%	21.50%	24.67%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2025 are for the measurement date of August 31, 2024. The amounts reported for FY 2024 are for the measurement date of August 31, 2023. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts for FY 2022 are for the measurement date of August 31, 2021. The amounts for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are based on the August 31, 2018 measurement date. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2022</u> <u>Plan Year 2021</u>	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.079896229%	0.070078821%	0.065026761%	0.060665755%	0.057731363%
\$ 30,819,546	\$ 26,640,124	\$ 30,751,952	\$ 30,290,967	\$ 25,105,204
<u>41,291,323</u>	<u>35,797,941</u>	<u>40,862,465</u>	<u>46,658,254</u>	<u>39,899,269</u>
<u>\$ 72,110,869</u>	<u>\$ 62,438,065</u>	<u>\$ 71,614,417</u>	<u>\$ 76,949,221</u>	<u>\$ 65,004,473</u>
\$ 75,959,322	\$ 65,937,445	\$ 57,611,162	\$ 89,139,344	\$ 87,243,269
40.57%	40.40%	53.38%	33.98%	28.78%
6.18%	4.99%	2.66%	1.57%	0.91%

Forney Independent School District
 Schedule of the District's Contributions for
 Other Postemployment Benefits (OPEB)
 Teacher Retirement System of Texas
 Last Eight Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually required contributions	\$ 1,181,470	\$ 1,029,539	\$ 919,086
Contributions in relation to the contractually required contributions	<u>(1,181,470)</u>	<u>(1,029,539)</u>	<u>(919,086)</u>
CONTRIBUTIONS DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 145,272,269	\$ 128,512,009	\$ 107,969,964
Contribution as a percentage of covered payroll	0.81%	0.80%	0.85%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 736,799	\$ 611,272	\$ 496,685	\$ 455,767	\$ 398,401
<u>(736,799)</u>	<u>(611,272)</u>	<u>(496,685)</u>	<u>(455,767)</u>	<u>(398,401)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 86,753,373	\$ 74,015,422	\$ 64,453,642	\$ 56,924,091	\$ 52,395,548
0.85%	0.83%	0.77%	0.80%	0.76%

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Forney Independent School District

Notes to Required Supplementary Information

Pension Liability

Changes of benefit terms

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

Changes of assumptions

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

OPEB Liability

Changes of benefit terms

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

Changes of assumptions

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

- The discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024. Additionally, the tables used to model the impact of aging on the underlying claims were revised.

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Combining Schedules

Forney Independent School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2025

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA B - High Cost Fund
ASSETS				
1110 Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240 Due from other governments	402,092	690,039	-	32,139
1410 Prepayments	-	-	-	-
1000 Total assets	<u>\$ 402,092</u>	<u>\$ 690,039</u>	<u>\$ -</u>	<u>\$ 32,139</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
2110 Accounts payable	\$ 50	\$ -	\$ -	\$ -
2160 Accrued wages payable	128,366	214,525	-	-
2170 Due to other funds	273,676	475,514	-	32,139
2180 Due to other governments	-	-	-	-
2300 Unearned revenues	-	-	-	-
2000 Total liabilities	402,092	690,039	-	32,139
FUND BALANCES				
Nonspendable:				
3430 Prepaid items	-	-	-	-
Restricted:				
3450 Federal or state funds grant restriction	-	-	-	-
Committed:				
3545 Other committed fund balance	-	-	-	-
3000 Total fund balances	-	-	-	-
4000 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 402,092</u>	<u>\$ 690,039</u>	<u>\$ -</u>	<u>\$ 32,139</u>

240	244	255	263	280
Food Service Fund	Career and Technical - Basic Grant	ESEA, Title II, Part A	Title III, A English Lang. Acquisition	ARP Act - Homeless II
\$ 1,500,210	\$ -	\$ -	\$ -	\$ -
43,116	41,761	87,610	86,770	-
-	-	-	-	-
<u>\$ 1,543,326</u>	<u>\$ 41,761</u>	<u>\$ 87,610</u>	<u>\$ 86,770</u>	<u>\$ -</u>
\$ 23,949	\$ -	\$ -	\$ -	\$ -
566,133	-	23,325	9,616	-
-	41,761	64,285	77,154	-
-	-	-	-	-
258,314	-	-	-	-
848,396	41,761	87,610	86,770	-
-	-	-	-	-
694,930	-	-	-	-
-	-	-	-	-
694,930	-	-	-	-
<u>\$ 1,543,326</u>	<u>\$ 41,761</u>	<u>\$ 87,610</u>	<u>\$ 86,770</u>	<u>\$ -</u>

Forney Independent School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2025

Data Control Codes	288	289	385	397
	Title IV, Part A	School Health	State Supplemental Visually Impaired	Advanced Placement Incentives
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 404
1240	Due from other governments	-	211,552	-
1410	Prepayments	-	-	-
1000	Total assets	<u>\$ -</u>	<u>\$ 211,552</u>	<u>\$ 404</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	70,694	-
2170	Due to other funds	-	140,858	-
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	-	211,552	-
Fund balances:				
Nonspendable:				
3430	Prepaid items	-	-	-
Restricted:				
3450	Federal or state funds grant restriction	-	-	404
Committed:				
3545	Other committed fund balance	-	-	-
3000	Total fund balances	-	-	404
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 211,552</u>	<u>\$ 404</u>

Exhibit H-1
(concluded)

410 State Instructional Materials	427 Read to Succeed License Plate Program	429 Texas Education Excellence	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 4,779	\$ -	\$ 4,715	\$ 1,755,777	\$ 3,265,885
-	-	-	-	1,595,079
-	-	-	4,300	4,300
\$ 4,779	\$ -	\$ 4,715	\$ 1,760,077	\$ 4,865,264
\$ -	\$ -	\$ -	\$ 106,981	\$ 130,980
-	-	-	-	1,012,659
-	-	-	10,771	1,116,158
-	-	-	1,433	1,433
4,779	-	-	-	263,093
4,779	-	-	119,185	2,524,323
-	-	-	4,300	4,300
-	-	4,715	-	700,049
-	-	-	1,636,592	1,636,592
-	-	4,715	1,640,892	2,340,941
\$ 4,779	\$ -	\$ 4,715	\$ 1,760,077	\$ 4,865,264

Forney Independent School District

Combining Statement of Revenues, Expenditures and Changes
in Fund Balance – Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2025

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA B - High Cost Fund
REVENUES				
5700	Total local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	1,072,682	2,573,840	32,139
5020	Total revenues	1,072,682	2,573,840	32,139
EXPENDITURES				
Current:				
0011	Instruction	974,633	812,877	17,786
0012	Instructional resources and media services	-	-	-
0013	Curriculum and staff development	1,530	-	-
0021	Instructional leadership	3,659	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	1,262,346	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student (pupil) transportation	91,920	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	940	-	-
Intergovernmental:				
0093	Payments to fiscal agent/member districts of SSA	-	498,617	-
6030	Total expenditures	1,072,682	2,573,840	32,139
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balance - July 1 (beginning)	-	-	-
3000	Fund balance - June 30 (ending)	\$ -	\$ -	\$ -

240	244	255	263	280
Food Service Fund	Career and Technical - Basic Grant	ESEA, Title II, Part A	Title III, A English Lang. Acquisition	ARP Act - Homeless II
\$ 3,440,311	\$ -	\$ -	\$ -	\$ -
327,599	-	-	-	-
6,221,813	121,704	347,946	192,704	10,629
9,989,723	121,704	347,946	192,704	10,629
-	121,704	-	172,450	10,629
-	-	-	-	-
-	-	225,644	20,254	-
-	-	-	-	-
-	-	122,302	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10,356,288	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10,356,288	121,704	347,946	192,704	10,629
(366,565)	-	-	-	-
-	-	-	-	-
(366,565)	-	-	-	-
1,061,495	-	-	-	-
\$ 694,930	\$ -	\$ -	\$ -	\$ -

Forney Independent School District

Combining Statement of Revenues, Expenditures and Changes
in Fund Balance – Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2025

Data Control Codes	288	289	385	397
	Title IV, Part A	School Health	State Supplemental Visually Impaired	Advanced Placement Incentives
REVENUES				
5700 Total local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	3,668	204
5900 Federal program revenues	77,427	551,186	-	-
5020 Total revenues	77,427	551,186	3,668	204
EXPENDITURES				
Current:				
0011 Instruction	77,427	8,181	1,497	-
0012 Instructional resources and media services	-	-	-	-
0013 Curriculum and staff development	-	-	-	575
0021 Instructional leadership	-	-	-	-
0023 School leadership	-	-	-	-
0031 Guidance, counseling, and evaluation services	-	112,311	-	-
0032 Social work services	-	409,652	-	-
0033 Health services	-	-	2,171	-
0034 Student (pupil) transportation	-	-	-	-
0035 Food services	-	-	-	-
0036 Extracurricular activities	-	-	-	-
0041 General administration	-	-	-	-
0051 Facilities maintenance and operations	-	-	-	-
0052 Security and monitoring services	-	-	-	-
0053 Data processing services	-	-	-	-
0061 Community services	-	21,042	-	-
Intergovernmental:				
0093 Payments to fiscal agent/member districts of SSA	-	-	-	-
6030 Total expenditures	77,427	551,186	3,668	575
1100 Excess (deficiency) of revenues over (under) expenditures	-	-	-	(371)
OTHER FINANCING SOURCES (USES)				
7915 Transfers in	-	-	-	-
1200 Net change in fund balances	-	-	-	(371)
0100 Fund balance - July 1 (beginning)	-	-	-	775
3000 Fund balance - June 30 (ending)	\$ -	\$ -	\$ -	\$ 404

Exhibit H-2
(concluded)

410 State Instructional Materials	427 Read to Succeed License Plate Program	429 Texas Education Excellence	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 2,028,267	\$ 5,468,578
1,059,835	36	637,324	-	2,028,666
-	-	-	-	11,219,856
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1,059,835	36	637,324	2,028,267	18,717,100
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1,059,835	-	-	130,575	3,387,594
-	36	-	73,228	73,264
-	-	9,100	8,151	265,254
-	-	-	639	4,298
-	-	-	299,304	421,606
-	-	-	145,146	1,519,803
-	-	-	-	409,652
-	-	-	498	2,669
-	-	-	-	91,920
-	-	-	-	10,356,288
-	-	-	1,015,485	1,015,485
-	-	-	-	-
-	-	-	670	670
-	-	627,020	-	627,020
-	-	-	-	-
-	-	-	94,969	116,951
-	-	-	-	530,756
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1,059,835	36	636,120	1,768,665	18,823,230
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-	-	1,204	259,602	(106,130)
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-	-	-	-	-
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-	-	1,204	259,602	(106,130)
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-	-	3,511	1,381,290	2,447,071
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\$ -	\$ -	\$ 4,715	\$ 1,640,892	\$ 2,340,941

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T.E.A. Required Schedules

Forney Independent School District
 Schedule of Delinquent Taxes Receivable
 For the Fiscal Year Ended June 30, 2025

<u>Last Ten Years Ended June 30,</u>	1		2	3	10
	<u>Tax Rates</u>		<u>Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 7/1/2024</u>	
	<u>Maintenance</u>	<u>Debt Service</u>			
2016 and prior years	Various	Various	Various	\$ 99,276	
2017	1.040000	0.500000	3,067,166,142	37,355	
2018	1.040000	0.500000	3,549,936,957	31,819	
2019	1.040000	0.500000	4,037,668,117	50,137	
2020	0.970000	0.500000	4,740,331,361	113,667	
2021	0.874700	0.500000	5,496,337,074	175,414	
2022	0.872000	0.500000	6,483,292,894	230,649	
2023	0.854600	0.500000	8,354,308,202	321,571	
2024	0.789200	0.500000	9,188,635,376	1,116,440	
2025 (School year under audit)	0.786900	0.500000	10,294,838,537	-	
1000 TOTALS				<u>\$ 2,176,328</u>	

Penalty and interest receivable on taxes

Total taxes receivable per Exhibit C-1

8000 - Taxes refunded under section 26.1115, tax code, for owners who received an exemption as provided by section 11.42(f), tax code

9000 - Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

Exhibit J-1

20	31	32	40	50	99
Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 6/30/2025	Total Taxes Refunded Under Section 26.1115(c)
\$ -	\$ 2,887	\$ 1,343	\$ (5,307)	\$ 89,740	
-	412	198	-	36,745	
-	349	168	-	31,302	
-	62	30	(576)	49,469	
-	3,433	1,770	(329)	108,135	
-	39,111	22,357	35,098	149,044	
-	84,673	48,551	95,508	192,933	
-	47,006	27,502	(14,489)	232,574	
-	8,565	5,426	(780,368)	322,081	
<u>132,484,277</u>	<u>79,593,614</u>	<u>50,574,161</u>	<u>(987,157)</u>	<u>1,329,345</u>	
<u>\$ 132,484,277</u>	<u>\$ 79,780,112</u>	<u>\$ 50,681,506</u>	<u>\$ (1,657,620)</u>	<u>\$ 2,541,368</u>	
				898,002	
				<u>\$ 3,439,370</u>	
					\$ 189,214

Forney Independent School District

Exhibit J-2

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Food Service Fund
For the Fiscal Year Ended June 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With
		Original	Final	GAAP BASIS Fund	Final Budget Positive or (Negative)
REVENUES					
5700	Total local and intermediate sources	\$ 3,554,656	\$ 3,465,589	\$ 3,440,311	\$ (25,278)
5800	State program revenues	300,000	333,099	327,599	(5,500)
5900	Federal program revenues	5,044,202	5,898,329	6,221,813	323,484
5020	Total revenues	8,898,858	9,697,017	9,989,723	292,706
EXPENDITURES					
Current:					
0035	Food services	9,767,337	10,601,856	10,356,288	245,568
6030	Total expenditures	9,767,337	10,601,856	10,356,288	245,568
1100	Excess (deficiency) of revenues over (under) expenditures	(868,479)	(904,839)	(366,565)	538,274
1200	Net change in fund balances	(868,479)	(904,839)	(366,565)	538,274
0100	Fund balance - July 1 (beginning)	1,061,495	1,061,495	1,061,495	-
3000	FUND BALANCE - JUNE 30 (ENDING)	<u>\$ 193,016</u>	<u>\$ 156,656</u>	<u>\$ 694,930</u>	<u>\$ 538,274</u>

Forney Independent School District

Exhibit J-3

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund For the Fiscal Year Ended June 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS	Variance With Final Budget Positive or (Negative)
		Original	Final	Fund	
REVENUES					
5700	Total local and intermediate sources	\$ 53,662,217	\$ 53,333,600	\$ 53,356,107	\$ 22,507
5800	State program revenues	5,774,313	5,774,313	5,646,904	(127,409)
5020	Total revenues	59,436,530	59,107,913	59,003,011	(104,902)
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	6,940,195	6,940,195	6,940,195	-
0072	Interest on long-term debt	46,277,437	46,861,917	46,861,916	1
0073	Bond issuance cost and fees	35,000	588,468	572,319	16,149
6030	Total expenditures	53,252,632	54,390,580	54,374,430	16,150
1100	Excess (deficiency) of revenues over (under) expenditures	6,183,898	4,717,333	4,628,581	(88,752)
OTHER FINANCING SOURCES (USES)					
7901	Refunding debt issued	-	17,309,527	17,309,527	-
7915	Transfers in	-	-	1,382,282	1,382,282
7916	Premium or discount on issuance of bonds	-	25,350,294	25,352,935	2,641
8940	Payment to bond refunding escrow agent	-	(42,106,353)	(42,106,352)	1
7080	Total other financing sources (uses)	-	553,468	1,938,392	1,384,924
1200	Net change in fund balances	6,183,898	5,270,801	6,566,973	1,296,172
0100	Fund balance - July 1 (beginning)	62,308,422	62,308,422	62,308,422	-
3000	FUND BALANCE - JUNE 30 (ENDING)	\$ 68,492,320	\$ 67,579,223	\$ 68,875,395	\$ 1,296,172

Forney Independent School District
 Use of Funds Report - Select State Allotment Programs
 For the Fiscal Year Ended June 30, 2025

Exhibit J-4

<u>Data Control Codes</u>	<u>Response</u>
<u>Section A: Compensatory Education Programs</u>	
AP1 Did your District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2 Does the District have written policies and procedures for its state compensatory education program?	Yes
AP3 Total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 13,202,610
AP4 Actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 6,998,310
<u>Section B: Bilingual Education Programs</u>	
AP5 Did your District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
AP6 Does the District have written policies and procedures for its bilingual education program?	Yes
AP7 Total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 1,508,858
AP8 Actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25)	\$ 1,324,703

Federal Awards

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees
Forney Independent School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forney 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, and have issued our report thereon dated September 29, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
September 29, 2025

**Independent Auditor's Report on Compliance for Each Major Federal
Program and Report on Internal Control over Compliance
As Required by the Uniform Guidance**

To the Board of Trustees
Forney Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Forney Independent School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The Board of Trustees
Forney Independent School District

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 4, 2025

Forney Independent School District
 Schedule of Findings and Questioned Costs

Section 1. Summary of Auditor's Results:

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
 - Material weakness(es) identified? No
 - Significant deficiency(is) identified that are not considered a material weakness? None Reported
- c. Noncompliance material to financial statements noted? No

Federal Awards

- d. Internal control over major programs:
 - Material weakness(es) identified? No
 - Significant deficiency(ies) identified that are not considered a material weakness? None Reported
- e. An unmodified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a)? No
- g. Identification of major federal programs:

<u>Program Title</u>	<u>Assistance Listing Numbers</u>
Child Nutrition Cluster	10.555, 10.553

- h. The dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- i. Auditee qualified as a low-risk auditee? Yes

Forney Independent School District
Schedule of Findings and Questioned Costs

Section 2. Financial Statement Findings:

None

Section 3. Federal Awards Findings:

None

Section 4. Prior Year Findings and Questioned Costs:

None

Forney Independent School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2025

Exhibit K-1

(1) Federal Grantor Pass-Through Grantor/ Program Title	(2) Federal Assistance Listing	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Region 10 Education Service Center:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	24610101057950	\$ 18,376
ESEA Title I, Part A - Improving Basic Programs	84.010A	25610101057950	<u>1,054,306</u>
Total Assistance Listing # 84.010A			1,072,682
Title III, Part A - English Language Acquisition	84.365A	24671001057950	11,229
Title III, Part A - English Language Acquisition	84.365A	25671001057950	170,682
Title III, Part A - Immigrant	84.365A	24671003057950	7,405
Title III, Part A - Immigrant	84.365A	25671003057950	<u>3,388</u>
Total Assistance Listing # 84.365A			192,704
ESEA Title II, Part A - Supporting Effective Instruction	84.367A	24694501057950	26,962
ESEA Title II, Part A - Supporting Effective Instruction	84.367A	25694501057950	<u>252,870</u>
Total Assistance Listing # 84.367A			279,832
ESEA Title IV, Part A - Subpart 1	84.424A	24680101057950	1,975
ESEA Title IV, Part A - Subpart 1	84.424A	25680101057950	<u>75,452</u>
Total Assistance Listing # 84.424A			<u>77,427</u>
Total Passed Through Region 10 Education Service Center			1,622,645
Passed through Texas Department of Education:			
Special Education Cluster (IDEA):			
IDEA- Part B, Formula	84.027A	246600011299026000	29,089
IDEA- Part B, Formula	84.027A	256600011299026000	2,634,046
IDEA-B Discretionary (High Cost Fund)	84.027A	66002506	<u>32,139</u>
Total Assistance Listing # 84.027A			2,695,274
IDEA-B Preschool	84.173A	256610011299026610	<u>18,313</u>
Total Special Education Cluster (IDEA)			2,713,587
Perkins V - Strengthening CTE for 21st Century	84.048A	25420006129902	126,601
2024-2025 Principal Residency Grant Cycle 7	84.367A	246945677110010	68,114
Summer School LEP	84.369A	69552402	8,181
Stronger Connections	84.424F	236811017110058	543,005
Homeless II - ARP	84.425W	21533002057950	<u>10,629</u>
Total passed through Texas Department of Education			<u>3,470,117</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			5,092,762

(continued)

The Notes to the Schedule of Expenditures of Federal Awards are an integrated part of this schedule.

Forney Independent School District

Schedule of Expenditures of Federal Awards (Continued)
 For the Fiscal Year Ended June 30, 2025

Exhibit K-1

(1) Federal Grantor Pass-Through Grantor/ Program Title	(2) Federal Assistance Listing	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed through Texas Department of Agriculture:			
Commodity Supplemental Food Program - Noncash assistance	10.555	71302401	459,371
Passed through Texas Department of Education:			
National School Breakfast Program	10.553	71402501	1,279,193
National School Lunch Program	10.555	71302501	4,721,131
			<u>6,459,695</u>
Total Child Nutrition Cluster *			<u>6,459,695</u>
			<u>6,459,695</u>
			<u>6,459,695</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>6,459,695</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,552,457</u>

* Denotes Major Federal Program

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Forney Independent School District

Notes to Schedule of Expenditures of Federal Awards

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's **Financial Accountability System Resource Guide**.

General Fund - is used to account for among other things, resources related to the United States Department of Defense ROTC program and the United States Department of Education's Impact Aid.

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

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used in the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
4. Federal Assistance Listing Numbers (FALN) for commodity assistance are the FALN numbers of the programs under which USDA donated the commodities.
5. Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$332,601, which was received for the School Breakfast Program as well as the Career and Technical Basic Grant and IDEA B Formula and PreSchool Grants. The District has elected to not use the 10% de minimis indirect cost rate.

Forney Independent School District

Notes to Schedule of Expenditures of Federal Awards

6. The following table reconciles total expenditures per the SEFA (Exhibit K-1) to the federal program revenues per Exhibit C-3:

Total expenditures of federal awards per Exhibit K-1	\$ 11,552,457
SHARS revenue	83,256
E-Rate revenue	258,098
JROTC revenue	<u>78,999</u>
Total federal programs revenue per Exhibit C-3	\$ <u>11,972,810</u>

APPENDIX C

FORMS OF CO-BOND COUNSEL'S OPINIONS



IN REGARD to the authorization and issuance of the “Forney Independent School District Unlimited Tax Refunding Bonds, Series 2026” (the *Bonds*), dated July 1, 2026, in the aggregate principal amount of \$_____ we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Forney Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 15 in each of the years 20__ through 20__, 20__ and 20__ and are subject to redemption prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS CO-BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer’s obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the Issuer in connection with the issuance of the Bonds, including the Order and the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and BOKF, NA, Dallas, Texas (the *Escrow Agent*) (2) a sufficiency certificate (the *Sufficiency Certificate*) from Live Oak Public Finance, LLC, the Issuer’s financial advisor, concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Legal Opinion of Cantu Harden Montoya LLP, Dallas, Texas, in connection with the authorization and issuance of FORNEY INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2026

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the order authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Deposit for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the Code), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

Legal Opinion of Cantu Harden Montoya LLP, Dallas, Texas, in connection with the authorization and issuance of FORNEY INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2026

Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Cantu Harden Montoya LLP



WALSH GALLEGOS

KYLE ROBINSON & DE LOS SANTOS P.C.

IN REGARD to the authorization and issuance of the “Forney Independent School District Unlimited Tax Refunding Bonds, Series 2026” (the *Bonds*), dated July 1, 2026, in the aggregate principal amount of \$_____ we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Forney Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 15 in each of the years 20__ through 20__, 20__ and 20__ and are subject to redemption prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS CO-BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer’s obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the Issuer in connection with the issuance of the Bonds, including the Order and the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and BOKF, NA, Dallas, Texas (the *Escrow Agent*) (2) a sufficiency certificate (the *Sufficiency Certificate*) from Live Oak Public Finance, LLC, the Issuer’s financial advisor, concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Legal Opinion of Walsh Gallegos Kyle Robinson & De Los Santos, San Antonio, Texas, in connection with the authorization and issuance of FORNEY INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2026

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the order authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Deposit for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer.

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

Walsh Gallegos Kyle Robinson & De Los Santos, P.C.

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

The PSF supports the State’s public school system in two major ways: distributions to the constitutionally established Available School Fund (the “ASF”), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a \$2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be “permanent,” and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas’ historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds

from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund was established and administered, which occurred on September 13, 2003 (the “Total Return Constitutional Amendment”), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation’s Annual Comprehensive Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). The Texas School Land Board’s (the “SLB”) land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the “GLO”) that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message From the Chief Executive Officer of the PSF Corporation (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2024, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the United States Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2024, is derived from the audited

financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2024, and for a description of the financial results of the PSF for the year ended August 31, 2024, the most recent year for which audited financial information regarding the Fund is available. The 2024 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2024 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the PSF Corporation's web site at <https://texaspsf.org> and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation's web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a "total-return-based" approach that provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with

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

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

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

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

Annual Distributions to the Available School Fund¹

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

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

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

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

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

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

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

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

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

Investment Schedule - PSF(SLB)¹

Fair Value (in millions) August 31, 2024

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

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

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

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

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

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

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

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

The School District Bond Guarantee Program

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

by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings. The SDBGP Rules include certain accreditation criteria for districts applying for a guarantee of their

bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at <https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>.

The Charter District Bond Guarantee Program

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

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

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

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

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

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

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

The CDBGP Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy

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

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

Capacity Limits for the Guarantee Program

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

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

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

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

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

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

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

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides \$60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-

guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

Permanent School Fund Guaranteed Bonds

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

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

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

available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

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

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

⁽²⁾ At January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues, aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

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

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

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

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

PSF Returns Fiscal Year Ended 8-31-2024¹

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

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

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

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

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

Other Events and Disclosures

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the

TEA web site at <https://tea.texas.gov/sites/default/files/ch033a.pdf>. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this offering document under 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 on 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.

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.

