

OFFICIAL STATEMENT
Dated October 21, 2025

NEW ISSUE – BOOK ENTRY ONLY

Enhanced/Unenhanced Ratings:
Moody's: "Aaa" / "Aa3"
PSF: "Guaranteed"

(See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and
"OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein)

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications, and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds.



\$39,205,000
WILLIS INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Montgomery & San Jacinto Counties)
UNLIMITED TAX REFUNDING BONDS, SERIES 2025

Dated Date: November 15, 2025

Due: February 15, as shown on page ii herein

Interest to Accrue from Date of Delivery (defined below)

AUTHORITY FOR ISSUANCE AND SECURITY ... The Willis Independent School District (the "District") is issuing its Unlimited Tax Refunding Bonds, Series 2025 (the "Bonds") pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly, Chapters 1207 and 1371, Texas Government Code, as amended, and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on September 10, 2025. In the Bond Order, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a "Pricing Certificate," on October 21, 2025 which completed the sale of the Bonds. The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from an annual ad valorem tax levied, without legal limit as to the rate or amount, against all taxable property within the District (see "THE BONDS - Authority for Issuance"). The District has received 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 Delivery (defined below) and will be payable on February 15 and August 15 of each year, commencing February 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 the principal denominations of \$5,000 or any integral multiple thereof within a stated maturity. The definitive Bonds will be registered and delivered to Cede & Co., 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 securities depository. No physical delivery of the bonds will be made to the beneficial owners thereof. The principal and interest of the Bonds will be payable by the paying agent/registrar to Cede & Co., which will make distributing of the amounts paid to participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial paying agent/registrar is BOKF, NA, Dallas, Texas. See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.

PURPOSE ... Proceeds from the sale of the Bonds will be used for (i) providing funds for the discharge and final payment of certain obligations of the District (the "Refunded Bonds") (see "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED") and (ii) paying the costs and expenses of issuance related to the Bonds. See "THE BONDS – Sources and Uses of Funds" herein. The refunding is being undertaken to lower the District's debt service payments and will result in a present value savings to the District.

For Stated Maturities and Redemption for the Bonds, see page ii herein

The Bonds are offered for delivery when, as and if issued and received by the Underwriters of the Bonds (the "Underwriters") and are subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Leon Alcala, PLLC, Austin, Texas, Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" hereto). Certain matters will be passed upon for the Underwriters by their counsel, Holland & Knight LLP, Houston, Texas. It is expected that the Bonds will be available for delivery through DTC on or about November 18, 2025 (the "Date of Delivery").

SAMCO CAPITAL MARKETS, INC.

TEXAS CAPITAL SECURITIES

UMB BANK, N.A.

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

\$39,205,000

**WILLIS INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Montgomery & San Jacinto Counties, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2025**

CUSIP No. Prefix 970667 ⁽¹⁾

Maturity Date (2/15)	Principal (\$)	Interest Rate (%)	Initial Yield⁽²⁾ (%)	CUSIP No. Suffix⁽¹⁾
2026	400,000	5.000	2.730	N31
2027	4,150,000	5.000	2.610	N49
2028	3,170,000	5.000	2.530	N56
2029	2,440,000	5.000	2.540	N64
2030	2,560,000	5.000	2.550	N72
2031	2,700,000	5.000	2.570	N80
2032	2,840,000	5.000	2.660	N98
2033	2,980,000	5.000	2.790	P21
2034	2,635,000	5.000	2.820	P39
2035	2,770,000	5.000	2.920	P47
2036	2,910,000	5.000	3.070 ⁽³⁾	P54
2037	3,055,000	5.000	3.220 ⁽³⁾	P62
2038	3,215,000	5.000	3.330 ⁽³⁾	P70
2039	3,380,000	5.000	3.460 ⁽³⁾	P88

(Interest to accrue from the Date of Delivery)

Optional Redemption. The District reserves the option to redeem the Bonds maturing on and after February 15, 2036 in whole or in part before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 2035, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption.

⁽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 data herein is provided by CUSIP Global Services ("CGS") is managed by FactSet Research Systems Inc. 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 Financial 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⁾ 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 in the purchase agreement with the District, may be changed at any time at the Underwriters' discretion.

⁽³⁾ Yields shown to first optional redemption date of February 15, 2035.

**WILLIS INDEPENDENT SCHOOL DISTRICT
612 N Campbell Street
Willis, TX 77378**

BOARD OF TRUSTEES

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Kyle Hoegemeyer	President	November 2026
Paulett Traylor	Vice President	November 2028
Chad Jones	Secretary	November 2028
Nikita Lagway	Member	November 2026
Scott Carson	Member	November 2026
Cliff Williams	Member	November 2026
Charles Perry, Sr.	Member	November 2028

ADMINISTRATION – FINANCE CONNECTED

<u>Name</u>	<u>Position</u>
Dr. Kimberley James	Superintendent of Schools
Garrett Matej	Chief Financial Officer

CONSULTANTS AND ADVISORS

Bond Counsel	Leon Alcala, PLLC, Austin, Texas
Financial Advisor	Frost Bank, San Antonio, Texas
Auditors	Whitley Penn, LLP, Houston, Texas

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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 as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement, which includes the cover page, appendices and schedule hereto, 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 which 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 Underwriters.

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" and "CONTINUING DISCLOSURE" 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 Underwriters provided the following sentence for inclusion in this Official Statement. The Underwriters reviewed the information in this Official Statement pursuant to its 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, Financial 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" or the affairs of TEA described under the caption "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", as such information has been provided by DTC and TEA, respectively.

The agreements of the District and others related to the Bonds are contained solely in the 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 ALL APPENDICES AND THE SCHEDULE ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

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 MAY BE A CRIMINAL OFFENSE.

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

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 hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

TABLE OF CONTENTS

USE OF INFORMATION IN THE OFFICIAL STATEMENT.....iv	Overview.....15
TABLE OF CONTENTS.....v	2025 Legislative Session.....16
OFFICIAL STATEMENT SUMMARY.....vi	Local Funding for School Districts.....16
INTRODUCTION.....1	State Compression Percentage.....16
THE BONDS.....1	Maximum Compressed Tax Rate.....17
Purpose.....1	Tier One Tax Rate.....17
Refunded Bonds.....2	Enrichment Tax Rate.....17
Sources and Uses of Funds.....2	State Funding for School Districts.....17
Description of the Bonds.....3	Tier One.....18
Authority for Issuance.....3	Tier Two.....18
Security and Source of Payment.....3	Existing Debt Allotment, Instructional Facilities Allotment and New Instructional Facilities Allotment.....19
Permanent School Fund Guarantee.....3	Tax Rate and Funding Equity.....19
Redemption Provisions of the Bonds.....4	Local Revenue Level in Excess of Entitlement.....20
Notice of Redemption.....4	Options for Local Revenue Levels in Excess of Entitlement.....20
Defeasance.....5	THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT.....21
Amendments to Bond Order.....5	TAX RATE LIMITATIONS.....21
Default and Remedies.....6	M&O Tax Rate Limitations.....21
Payment Record.....6	I&S Tax Rate Limitations.....21
Legality.....6	Public Hearing and Voter-Approval Tax Rate.....22
Delivery.....6	EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS.....23
Future Issues.....7	INVESTMENT POLICIES.....23
REGISTRATION, TRANSFER AND EXCHANGE.....7	Legal Investments.....23
Paying Agent/Registrar.....7	Investment Policies.....25
Record Date for Interest Payment.....7	Additional Provisions.....25
Registration, Transferability and Exchange.....7	LEGAL MATTERS.....26
Limitation on Transfer of Bonds.....7	Litigation.....26
BOOK-ENTRY-ONLY SYSTEM.....8	TAX MATTERS.....27
Use of Certain Terms in Other Sections of This Official Statement.....9	Original Issue Premium and Discount.....27
Effect of Termination of Book-Entry-Only System.....9	Changes in Tax Law.....28
AD VALOREM TAX PROCEDURES.....9	Information Reporting and Backup Withholding.....28
Valuation of Taxable Property.....9	Future and Proposed Legislation.....28
State Mandated Homestead Exemptions.....10	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS.....28
Local Option Homestead Exemptions.....10	CYBERSECURITY.....29
State Mandated Freeze on School District Taxes.....11	CONTINUING DISCLOSURE.....29
Personal Property.....11	Annual Reports.....29
Freeport and Goods in Transit Exemptions.....11	Notice of Certain Events.....30
Other Exempt Property.....11	Availability of Information from MSRB.....30
Temporary Exemption for Qualified Property Damaged by a Disaster.....11	Limitations and Amendments.....30
Tax Increment Reinvestment Zones.....12	Compliance with Prior Agreements.....31
Tax Limitation Agreements.....12	OTHER PERTINENT INFORMATION.....31
Tax Abatement Agreements.....12	Authenticity of Financial Information.....31
District and Taxpayer Remedies.....13	Registration and Qualification of Bonds for Sale.....31
Levy and Collection of Taxes.....13	Municipal Bond Rating.....31
District's Rights in the Event of Tax Delinquencies.....13	Financial Advisor.....31
THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT.....14	Audited Financial Statements.....32
STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS.....14	Verification of Mathematical Computations.....32
Litigation Relating to the Texas Public School Finance System.....14	Underwriting.....32
Possible Effects of Changes in Law on District Bonds.....15	Miscellaneous.....33
CURRENT PUBLIC SCHOOL FINANCE SYSTEM.....15	Forward Looking Statements.....33
	Authorization of the Official Statement.....33
SCHEDULE I – SCHEDULE OF BONDS TO BE REFUNDED.....I-1	
APPENDIX A – SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT.....A-1	
APPENDIX B – AUDITED FINANCIAL STATEMENTS.....B-1	
APPENDIX C – FORM OF BOND COUNSEL'S OPINION.....C-1	
APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.....D-1	

The cover page hereof, the appendices and schedule hereto, together with any addenda, supplement or amendment 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 DISTRICT	The Willis Independent School District (the "District") is a political subdivision located in Montgomery & San Jacinto Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Board trustees serve staggered four-year terms with elections being held in November 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.
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly, Chapters 1207 and 1371, Texas Government Code, as amended, and a Bond Order adopted by the Board on September 10, 2025. In the Bond Order, the Board delegated to an officer (the "Pricing Officer") of the District authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which was approved and executed by the Pricing Officer on October 21, 2025 and completed the sale of the Bonds. The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order" (see "THE BONDS – Authority for Issuance").
THE BONDS	The Bonds shall mature on the dates and in the amounts set forth on page ii of this Official Statement (see "THE BONDS – Description of the Bonds").
DATED DATE	The Bonds will be dated November 15, 2025.
PAYMENT OF INTEREST ...	Interest on the Bonds will accrue from the Date of Delivery (defined below) and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, until stated maturity or prior to redemption (see "THE BONDS – Description of the Bonds").
REDEMPTION	The District reserves the right to redeem the Bonds maturing on and after February 15, 2036, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 2035 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. See "THE BONDS – Redemption Provisions of the Bonds" herein.
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the District payable from a continuing and direct annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount. See "THE BONDS - Security and Source of Payment".
PERMANENT SCHOOL FUND GUARANTEE	The District has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "THE BONDS – Permanent School Fund Guarantee" and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.
TAX MATTERS	In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications, and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
MUNICIPAL BOND RATING ...	The presently outstanding unlimited tax-supported debt of the District, including the Bonds, is rated "Aa3" by Moody's Investors Service ("Moody's") without regard to credit enhancement. The Bonds are also rated "Aaa" by Moody's by virtue of the guarantee of the Permanent School Fund of the State (see "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding bonds (the "Refunded Bonds") (see "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED") and (ii) to pay costs of issuance related to the Bonds. See "THE BONDS – Sources and Uses of Funds" herein. The refunding is being undertaken to lower the District's debt service payments and will result in a present value savings to the District.

BOOK-ENTRY ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM”).
PAYMENT RECORD	The District has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated to occur on or about November 18, 2025 (the “Date of Delivery”).
LEGALITY	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Bond Counsel (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION” herein).

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OFFICIAL STATEMENT

Relating to

\$39,205,000

WILLIS INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Montgomery & San Jacinto Counties, Texas)

UNLIMITED TAX REFUNDING BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the appendices and the schedule hereto, provides certain information regarding the issuance of the \$39,205,000 Willis Independent School District (the "District") Unlimited Tax Refunding Bonds, Series 2025 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly, Chapters 1207 and 1371, Texas Government Code, as amended, and a bond order adopted by the District's Board of Trustees (the "Board") on September 10, 2025 (the "Bond Order"). In the Bond Order, the Board delegated to an officer (the "Pricing Officer") of the District the authority to complete the sale of the Bonds. The terms of the sale are included in the "Pricing Certificate," which was approved and executed by the Pricing Officer on October 21, 2025, which reflects the sale of the Bonds. The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order." The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District (see "THE BONDS – Authority for Issuance").

The District is a political subdivision located in Montgomery & San Jacinto Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Board trustees serve staggered four-year terms with elections being held in November 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.

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").

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 upon request from the District and, during the offering period, from the District's Financial Advisor, Frost Bank, 111 West Houston St, San Antonio, Texas 78205, by electronic mail without charge or by standard mail upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to 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" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

Purpose

The proceeds of the Bonds will be used to refund a portion of the District's currently outstanding bonds (the "Refunded Bonds") (see "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED" for a more complete description of the Refunded Bonds) and to pay costs of issuance related to the Bonds. The refunding is being undertaken to lower the District's debt service payments and will result in a present value savings to the District.

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 redemption date as printed in Schedule I (the "Redemption Date") from funds to be deposited with BOKF, NA, Dallas, Texas (the "Escrow Agent") pursuant to a special 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, the District will deposit with the Escrow Agent an amount, together with other lawfully available funds, which, when added to the investment earnings thereon, 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, in whole or in part, to purchase (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and/or (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that 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.

Robert Thomas CPA, LLC, will verify at the time of delivery of the Bonds to the Underwriters that the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on the Redemption Date. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the Bonds. See "OTHER PERTINENT INFORMATION – Verification of Arithmetical and Mathematical Computations."

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Robert Thomas CPA, LLC, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and cash held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District payable from the sources and secured in the manner provided in the order authorizing their issuance or for any other purpose. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund of the State of Texas. The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds if for any reason the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

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	\$ 39,205,000.00
Reoffering Premium on the Bonds	<u>4,452,374.20</u>
TOTAL SOURCES	\$ 43,657,374.20
 <u>Uses of Funds:</u>	
Deposit to Escrow Fund	\$ 43,306,088.38
Underwriters' Discount	170,809.94
Contingency	4,150.17
Costs of Issuance ⁽¹⁾	<u>176,325.71</u>
TOTAL USES	\$ 43,657,374.20

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

Description of the Bonds

The Bonds will be dated November 15, 2025 (the "Dated Date") and mature on February 15 in each of the years and in the amounts shown on the page ii. Interest on the Bonds will accrue from the date of initial delivery to the Underwriters (the "Delivery Date"), will be payable on February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in the principal denominations of \$5,000 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 their 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 in principal for any one maturity.

The definitive Bonds will initially be registered and delivered only to Cede & Co., the 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 principal amount or integral multiples 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 issued pursuant to the Constitution and general laws of the State, including particularly, Chapters 1207 and 1371, Texas Government Code, as amended (respectively, "Chapter 1207" and "Chapter 1371"), and a Bond Order adopted by the Board on September 10, 2025. In the Bond Order, the Board delegated to certain District officials (the "Pricing Officer") authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which was approved and executed by the Pricing Officer and completed the sale of the Bonds (see "THE BONDS – Authority for Issuance").

Security and Source of Payment

The Bonds constitute direct obligations of the District payable from a continuing and direct annual ad valorem tax levied, by the District, without legal limit as to rate or amount against all taxable property located within the District, sufficient to provide for the payment and interest on the Bonds. (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICT IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). 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" herein.

Permanent School Fund Guarantee

The District has been notified by the Texas Education Agency that, in connection with the sale of the Bonds, it has received conditional approval from the Commissioner of Education 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 in "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", 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. The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased.

Redemption Provisions of the Bonds

The Bonds maturing on and after February 15, 2036 are subject to redemption prior to maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035 or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

If less than all of the Bonds are to be redeemed, the District shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds or portions thereof within a maturity, to be redeemed. If less 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

Not less than 30 days prior to a redemption date for the Bonds, the Paying Agent/Registrar, at the direction of the District, shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar.

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

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

If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less 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.

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

providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds selected for redemption (see "BOOK-ENTRY-ONLY SYSTEM").

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise) is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, 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 on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. for any purposes. After firm banking and financial arrangements for the discharge, final payment, or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District may reserve the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes. Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

Amendments to Order

The District may, without the consent of or notice to any bondholders, from time to time and at any time, amend the Order in any manner not detrimental to the interests of the bondholders, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the consent of bondholders who own in the aggregate a majority of the principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order as it relates to the Bonds; provided that, without the consent of all bondholders of outstanding Bonds affected thereby, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of or interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by bondholders of Bonds for consent to any such amendment, addition, 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 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 Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the 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, Texas Government Code ("Chapter 1371"), which forms part of the authority for the issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. However, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages beyond Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. 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" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due.)

The opinion of Bond Counsel will be qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that 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 approval of legality by the Attorney General of the State of Texas and the opinion of the District's Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" herein).

Delivery

When issued; anticipated to occur on or about November 18, 2025.

Future Issues

Aside from the Bonds and any refunding bonds issued for debt service savings, the District does not anticipate the issuance of additional ad valorem tax-supported debt in the next twelve months.

The District also may, without voter approval, enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

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 next preceding each interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the 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 or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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 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 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 name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District 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 stated maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District or the Financial Advisor take any responsibility for the accuracy thereof.

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.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for 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 portion of the District that is located within Montgomery County is the responsibility of the Montgomery County Appraisal District and the appraisal of property within the portion of the District that is located within San Jacinto County is the responsibility of the San Jacinto County Appraisal District (collectively, 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.

Unless extended by future legislation, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5.16 million dollars (the "maximum property value") to an amount exceeding the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

State Mandated Homestead Exemptions

State law grants, with respect to taxes levied for general elementary and secondary public school purposes, (1) a \$100,000 exemption of the appraised value of all homesteads, (2) a \$10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Contingent on voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature during the 89th Regular Session would increase: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000 (see CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" herein).

Local Option Homestead Exemptions

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

Cities, counties and school districts are prohibited from repealing or reducing a 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 homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled.

The total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes of the residence homestead of a person who is at least sixty-five (65) years of age 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. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session would provide a person 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. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session” herein for a discussion of a potential increase in the exemption for tangible personal property used in the “production of income” from \$2,500 to \$125,000.

Freeport and Goods in Transit Exemptions

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

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

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

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property will be 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. The Legislature amended Section 11.35 Tax Code to clarify that “damage” for the purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code, 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, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, benefiting the TIRZ. 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 “Incremental Value,” and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying 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 value lost due to TIRZ participation by the district. The ability of the school district to deduct the 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, school districts may not reduce their taxable property value to reflect losses for TIRZs created on or after May 31, 1999 will count toward a school district’s Tier One entitlement (reducing Tier One State funds for eligible school districts) and will not be considered in calculating any school district’s Tier Two entitlement (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts”).

Tax Limitation Agreements

The Texas Economic Development Act (former Chapter 313, Texas Tax Code, as amended (“Chapter 313”)) 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”).

Tax Abatement Agreements

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

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 taxes 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 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 with (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 \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

District’s Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Montgomery County and San Jacinto County, as applicable. Each Appraisal District is governed by a board of directors. The District's taxes are collected by the Montgomery County Tax Assessor-Collector.

The District does not allow split payments.

The District does not give discounts for early payment of taxes.

The District does not participate in a TIRZ.

The District does not tax non-business personal property.

The District does not tax freeport property.

The District does tax "goods in transit" without exemption.

The District has not granted a tax abatement under the Chapter 313 or Chapter 403 Property Value Limitations.

The District grants a state mandated homestead exemption of \$100,000 for taxpayers with general homesteads. The District grants a state mandated additional exemption of \$10,000 for taxpayers who are at least 65 years of age or disabled. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions" herein for a discussion of a potential increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

The District has not granted the local homestead exemption of up to 20% of the market value of residence homesteads with a minimum exemption of \$5,000. The District also has not granted the additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the Finance System as it is currently structured. 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. Certain of the information provided below is contingent on voter approval of constitutional amendments that will be submitted to the voters at an election to be held on November 4, 2025. 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 school district funding is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations (“M&O”) tax to pay current expenses and an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax at a rate intended to create a surplus in M&O tax revenues to pay the district’s debt service. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize, on a per-student basis, local funding generated by a school district’s M&O tax rate.

2025 Legislative Session

The regular session of the 89th Texas Legislature (the “Legislature”) commenced on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda (such special sessions, together with the 89th Regular Session hereinafter referred to as the “2025 Legislative Sessions”).

The Governor has called a first and second special session; the second began on August 15, 2025 and concluded on September 4, 2025. The agenda for the special session included the following items: (i) flood warning systems, (ii) flood emergency communications, (iii) relief funding for hill country floods, (iv) natural disaster preparation and recovery, (v) eliminating the STAAR test, (vi) cutting property taxes, (vii) protecting children from THC, (viii) regulating hemp-derived products, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting human trafficking victims, (xii) police personnel records, (xiii) protecting women’s spaces, (xiv) attorney general election powers, (xv) redistricting, (xvi) title theft and deed fraud, (xvii) water project incentives, (xviii) the state judicial department, (xix) camp safety, (xx) penalties for willfully absent legislators, (xxi) purchasing Ivermectin at pharmacies, (xxii) authorizing a groundwater study of East Texas aquifers, (xxiii) banning same day voter registration, and (xxiv) authorizing certain contracts with sheriffs/constables and related transfers of funds. The Governor has also identified several bills that were vetoed or filed without signature that were placed on the special session agenda for further consideration. Additional special sessions may be called by the Governor.

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. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) effective January 1, 2025, the State mandated general homestead exemption 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 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 the current \$2,500 to \$125,000. Additionally, the Legislature passed legislation that authorizes roughly \$8.5 billion in funding for public schools and provides districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as providing districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account (“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 2025-2027 biennium may not exceed \$1 billion. The legislation applies beginning with the 2026-2027 school year. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District’s attendance-based funding.

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

Local Funding for School Districts

A school district’s M&O tax rate is composed of two distinct parts: the “Tier One Tax Rate”, which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as “Tier One”) under the Foundation School Program, as further described below, and the “Enrichment Tax Rate”, which is any local M&O tax effort in excess of its Tier One Tax Rate. 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 State Legislature by the State Comptroller)

has increased by at least 2.5% over the prior year; and (3) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP 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 the MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than 90% of any other school district’s MCR for the current year, then the school district’s MCR is instead equal to the 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 for the 2025-2026 school year, establishing \$0.6322 as the maximum rate and \$0.5689 as the floor; provided, however, that MCRs for such year may be adjusted as set forth in the next two paragraphs.

In calculating and making available school districts’ MCRs for the 2025-2026 school year, the TEA shall calculate and make available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Subject to voter approval at a Statewide election to be held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution would increase (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000. If adopted, the proposed constitutional amendment takes effect for the tax year beginning January 1, 2025.

If the increase in the residence homestead exemption as proposed by the constitutional amendment does not take effect, beginning on September 1, 2025, and up until September 1, 2029, the Commissioner may adjust school districts’ MCRs for the 2025-2026 school year accordingly. Before making an adjustment, the Commissioner shall notify and must receive approval from the Legislative Budget Board and the office of the Governor.

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 “– 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 increase or decrease its Enrichment Tax

Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations"), Tier Two funding may not be used for the payment of debt service or capital outlay.

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

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

Tier One

Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance, 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 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 school districts with a Tier One Tax Rate lower than the school district's MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at \$55. In subsequent biennia, the TEA will calculate the GYIA, which will be determined as the estimated cost to the State to maintain the guaranteed Golden Pennies yield of State and local funds per weighted student per cent of tax effort at the 96th percentile. Effectively, the Legislature has adopted a policy change so that the Basic Allotment will automatically increase in future biennia, at a rate akin to the level of property values increases across the State.

The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further the State's goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation and 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 on each Golden Penny levied of \$129.52 per student in WADA. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment multiplied by 0.008. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Copper Penny levied of \$49.72 per student in WADA.

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment

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

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

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

Tax Rate and Funding Equity

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

If voters approve of the increased homestead exemptions described herein, beginning with the 2026-2027 school year, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the district under state law providing for state aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax

ceiling, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 fiscal year, the District was designated as an “excess local revenue” district by the TEA. Accordingly, the District has informed the TEA of its intent to enter into a wealth equalization agreement with the Commissioner for the purchase of attendance credit for this fiscal year for the purpose of implementing a permitted wealth equalization option under Chapter 49, Texas Education Code. Notwithstanding the above, the District does not currently expect to be subject to local revenue reduction as discussed under “CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Revenue Level in Excess of Entitlement.”

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operation (“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 District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on April 3, 1965 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes, as amended.

The maximum maintenance tax rate per \$100 of taxable value that may be adopted by an independent school district is the sum of \$0.17 and the school district’s MCR. A school district’s MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State and is subject to recalculation annually.

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”).

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

Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. The Bonds are issued as "refunding bonds" and are not subject to the 50-cent Test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

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. 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 – 10 Defined Benefit Pension Plan” as set out in the audited financial statements of the District for the year ended August 31, 2024 as set forth in APPENDIX B 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 System. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the System. See “NOTES TO THE FINANCIAL STATEMENTS – 11 Defined Other Post-Employment Benefit Plans” in the audited financial statements of the District for the year ended August 31, 2024 as set forth in APPENDIX B hereto.

Government Accounting Standards Board (“GASB”) issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which 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. Such reporting began with the District’s fiscal year ending August 31, 2015. GASB Statement No. 68 applies only to pension benefits and does not apply to other post-employment benefits or TRS-Care related liabilities. At the conclusion of the 2023-24 fiscal year, the District had a net pension liability as set forth in APPENDIX B hereto.

See primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. See the audited financial statements of the District for the year ended August 31, 2024 as set forth in APPENDIX B hereto for information related to the District’s adoption of Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and the related prior period adjustment.

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

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 PFI 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.

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.

As a school district that qualifies as an issuer under Chapter 1371, the District is also authorized to purchase, sell and invest its funds in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased. State law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include unsecured debt obligations or debt obligations that, on conversion, would result in the holder becoming a stockholder or shareholder in the entity that issued the debt obligation. The District may not (1) invest in the aggregate more than 15% of its monthly average fund balance, excluding funds held for the payment of debt service, in corporate bonds or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The investment officer of the District must sell any corporate bonds not later than seven days after a nationally recognized investment rating firm (1) issues a release that places the corporate bonds or the entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or (2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent. The District may invest its funds in corporate bonds only if the Board of Trustees of the District (1) amends its investment policy to authorize corporate bonds as an eligible investment; (2) adopts procedures to provide for the monitoring of rating changes in corporate bonds and liquidating the investment in corporate bonds; and (3) identifies the funds eligible to be invested in corporate bonds.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that 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 Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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 Board.

Additional Provisions

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 District will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Leon Alcala, PLLC, Bond Counsel, in substantially the form attached hereto as APPENDIX C. The legal fees to be paid to Bond Counsel are contingent upon the sale and delivery of the Bonds.

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 Bond Counsel, such firm has reviewed the information under the captions "THE BONDS" (exclusive of the subcaptions "Permanent School Fund Guarantee," "DTC Redemption Provisions," "Default and Remedies," "Payment Record," and "Future Issues," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," (except information appearing under the subcaption "Possible Effects of Changes in Law on District Bonds," as to which no opinion is expressed) "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS" (only insofar as such caption describes Bond Counsel's opinions and specifically excluding the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations" and the subcaption "Public Hearing and Voter-Approval Tax Rate," in each case as to which no opinion is expressed), "LEGAL MATTERS" (excluding the information under the subcaption "Litigation," as to which no opinion is expressed), "TAX MATTERS," "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 excluding any material that may be treated as included under such captions or subcaptions by cross-reference or reference to other documents or sources and further excluding all information regarding DTC and its book-entry only system and information regarding the Permanent School Fund Guarantee, and such firm is of the opinion that insofar as such statements expressly summarize certain provisions of the Bonds and the Order or set out the content of Bond Counsel's opinion, such statements are accurate in all material respects. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Bond Counsel's legal opinion may accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by its counsel, Holland & Knight LLP, Houston, Texas, whose compensation is contingent on the sale and delivery of the Bonds.

Though it represents purchasers of school district bonds (which may include the Underwriters) from time to time in matters unrelated to the Bonds, Bond Counsel has been engaged by and only represents 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

In the opinion of various officials of the District, except as disclosed in this Official Statement, 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.

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

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the District must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The District's failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The District has covenanted in the Order to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the District and continuing compliance by the District with the tax covenants referred to above, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel will express no opinion as to any other federal, state or local tax consequences under present law or any proposed legislation regarding the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state.

Interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service ("IRS") or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The IRS has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. Under existing procedures relating to audits of tax-exempt obligations such as the Bonds by the IRS, owners of the Bonds would have little, if any, right to participate in the audit examination process. It is also possible that the market value of the Bonds might be adversely affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

Original Issue Premium and Discount

Certain of the Bonds ("Premium Bonds") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (or earlier for certain Premium Bonds callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity), or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that amortizes during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Certain of the Bonds ("Discount Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity over the "issue price" of a Discount Bond determined under Code

Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

Changes in Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending that, if enacted into law, could alter or amend one or more of the tax matters described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Future and Proposed Legislation

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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.

CYBERSECURITY

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

CONTINUING DISCLOSURE

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"). 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" (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 certain specified events related to the guarantee to the MSRB).

Annual Reports

The District will file certain updated financial information and operating data with the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1-2 & 5-20 in Appendix A, attached hereto (the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements") that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix B and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2025. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available. The District will also file timely notice of specified events to the MSRB, as more particularly described in section "Notices of Certain Events" below.

The District's current fiscal year end is August 31. Accordingly, the District must provide the Annual Operating Report by the last day of February in each year, and the Financial Statements for the preceding fiscal year must be provided by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

Notice of Certain Events

The District will provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material, (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of 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 immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. The term "financial obligation" used in clauses (15) and (16) of the immediately preceding paragraph means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee or either (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

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 via EMMA at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain specified events only as described above and only for so long as the District remains an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12. 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 Underwriters to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the 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 the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an Underwriters 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 the Rule. 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 last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER PERTINENT INFORMATION

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.

Municipal Bond Rating

The presently outstanding unlimited tax-supported debt of the District, including the Bonds, is rated "Aa3" by Moody's Investors Service ("Moody's") without regard to credit enhancement. The Bonds are rated "Aaa" by Moody's by virtue of the guarantee of the Permanent School Fund of the State (see "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).

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.

Financial Advisor

Frost Bank (the "Financial Advisor") is employed as the Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Frost Bank, in its capacity as Financial Advisor, has relied on the opinion of 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 Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Audited Financial Statements

The report of Whitley Penn, LLP relating to the District's audited financial statements for the fiscal year ended August 31, 2024 is included in this Official Statement in APPENDIX B; however, Whitley Penn, LLP has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement.

Verification of Mathematical Computations

The arithmetical accuracy of certain computations included in the schedules provided by Frost Bank on behalf of the District relating to computation of forecasted receipts of principal and interest on the Escrowed Securities and the forecasted payments of principal and interest to redeem the Bonds, were verified by Robert Thomas CPA, LLC. Such verification will be relied upon by Bond Counsel in rendering its opinions with respect to defeasance of the Bonds. Such computations were based solely on assumptions and information supplied by Frost Bank on behalf of the District. Robert Thomas CPA, LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

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 \$170,809.94 (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 its responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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

SAMCO Capital Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, SAMCO Capital Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, SAMCO Capital Markets Inc. will compensate Fidelity for its selling efforts.

Miscellaneous

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

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.

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.

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

/s/ Garrett Matej
Pricing Officer
Willis Independent School District

SCHEDULE I
SCHEDULE OF BONDS TO BE REFUNDED

<u>Series</u>	<u>Original Dated Date</u>	<u>Original Principal Amount</u>	<u>Principa Amount Outstanding</u>	<u>Maturities Being Refunded</u>	<u>Principal Amount Outstanding</u>	<u>Redemption Date</u>
Unlimited Tax Refunding Bonds, Series 2015	05/01/15	\$ 27,220,000	\$ 5,600,000	02/15/27	\$ 1,950,000	12/18/25
				02/15/28	850,000	12/18/25
					<u>\$ 2,800,000</u>	

<u>Series</u>	<u>Original Dated Date</u>	<u>Original Principal Amount</u>	<u>Principa Amount Outstanding</u>	<u>Maturities Being Refunded</u>	<u>Principal Amount Outstanding</u>	<u>Redemption Date</u>
Unlimited Tax School Building and Refunding Bonds, Series 2016	03/01/16	\$ 71,090,000	\$ 63,085,000	02/15/27	\$ 2,550,000	02/15/26
				02/15/28	2,685,000	02/15/26
				02/15/29	2,805,000	02/15/26
				02/15/30	2,915,000	02/15/26
				02/15/31	3,045,000	02/15/26
				02/15/32	3,150,000	02/15/26
				02/15/33	3,260,000	02/15/26
				02/15/34	2,895,000	02/15/26
				02/15/35	3,030,000	02/15/26
				02/15/36	3,185,000	02/15/26
				02/15/37	3,345,000	02/15/26
				02/15/38	3,500,000	02/15/26
				02/15/39	3,645,000	02/15/26
					<u>\$ 40,010,000</u>	

APPENDIX A
SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT

Table 1
ASSESSED VALUATION

2025/26 Total Assessed Valuation.....	\$ 11,183,082,943
2025/26 Taxable Assessed Valuation.....	7,605,847,010 ^(A)

<u>Exemptions</u>	<u>Total</u>
Residential Homestead.....	\$ 2,000,070,521
10% Residential Homestead Cap.....	538,365,300
Over Age 65.....	431,982,882
Disabled Persons.....	16,180,299
Disabled / Deceased Veterans.....	161,339,529
Productivity Value Loss.....	389,559,202
Polution Control.....	<u>39,738,200</u>
Total (31.99% of Total Assessed Valuation).....	<u>\$ 3,577,235,933</u>

Source: Montgomery Central Appraisal District and San Jacinto County Appraisal District.

Certified values are subject to change throughout the year as contested values are resolved and the Montgomery Central Appraisal District and San Jacinto County Appraisal District update records.

^(A) Such 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 constitutional amendments which will be submitted to voters at a statewide election to be held on November 4, 2025. If voters do not approve the constitutional amendments authorizing such residence homestead exemption increases, the District's 2025/26 taxable assessed valuation is \$8,368,866,782. All valuation figures throughout Appendix A assume passage of the constitutional amendments unless otherwise noted.

Table 2
UNLIMITED TAX DEBT OUTSTANDING ^(A)

Unlimited Tax Debt Outstanding (As of November 18, 2025).....	\$ 444,015,000 ^(B)
Less: Interest & Sinking Fund Balance (As of May 7, 2025).....	<u>5,582,855 ^(B)</u>
NET UNLIMITED TAX DEBT OUTSTANDING.....	<u>\$ 438,432,145</u>

^(A) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Notes Payable", "Table 16 - Leases" and "Table 17 - Subscription-Based Information Technology Arrangements").

^(B) Includes the Bonds and excludes the Refunded Bonds.

2026 Population Estimate	58,994	Per Capita Total Assessed Valuation	\$ 189,563
2025/26 Enrollment	8,441	Per Capita Taxable Assessed Valuation	\$ 128,926
Area (square miles)	163.3	Per Capita Total Unlimited Tax Debt	\$ 7,526

Table 3
ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

<u>Taxing Body</u>	<u>Gross Dollar Amount</u>	<u>As Of</u>	<u>Percent Overlap</u>	<u>Dollar Overlap</u>
Conroe, City of	\$ 495,845,000	08/31/25	14.51%	\$ 71,947,110
Conroe MUD No. 1	26,720,000	08/31/25	10.64%	2,843,008
Corinthian Point MUD No. 2	7,450,000	08/31/25	100.00%	7,450,000
Far Hills UD	18,230,000	08/31/25	100.00%	18,230,000
Lone Star College System	436,935,000	08/31/25	2.92%	12,758,502
Montgomery County	516,260,000	08/31/25	7.58%	39,132,508
Montgomery Co FWSD No. 6	2,430,000	08/31/25	100.00%	2,430,000
Montgomery Co MUD No. 100	13,280,000	08/31/25	100.00%	13,280,000
Montgomery Co MUD No. 126	27,535,000	08/31/25	100.00%	27,535,000
Montgomery Co MUD No. 128A	71,785,000	08/31/25	100.00%	71,785,000
Montgomery Co MUD No. 138	59,280,000	08/31/25	18.12%	10,741,536
Montgomery Co MUD No. 178	5,480,000	08/31/25	100.00%	5,480,000
Montgomery Co UD No. 2	6,600,000	08/31/25	100.00%	6,600,000
Panorama Village, City of	1,550,000	08/31/25	100.00%	1,550,000
Point Aquarius MUD	7,695,000	08/31/25	100.00%	7,695,000
San Jacinto County	405,000	08/31/25	2.98%	12,069
Texas National MUD	5,955,000	08/31/25	90.85%	5,410,118
Willis, City of	15,920,000	08/31/25	100.00%	15,920,000
Willis ISD	\$ 444,015,000 ^{(A)(B)}	08/31/25	100.00%	\$ 444,015,000 ^{(A)(B)}
Total Direct and Overlapping Debt				\$ 764,814,850
Ratio of Direct Debt to Taxable Assessed Valuation.....				5.64%
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation.....				9.72%
Ratio of Direct and Overlapping Debt to Total Assessed Valuation.....				7.36%
Per Capita Direct and Overlapping Debt.....				\$ 12,691

^(A) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Notes Payable", "Table 16 - Leases" and "Table 17 - Subscription-Based Information Technology Arrangements").

^(B) Includes the Bonds and excludes the Refunded Bonds.

Source: The Municipal Advisory Council of Texas.

Table 4
2025/26 TOTAL TAX RATES OF OVERLAPPING POLITICAL ENTITIES

Conroe, City of.....	\$ 0.427200
Conroe MUD No. 1.....	0.461300
Corinthian Point MUD No. 2.....	0.500500
Far Hills UD.....	0.638000
Lone Star College System.....	0.107600
Montgomery County.....	0.377900
Montgomery Co FWSD No. 6.....	0.377900
Montgomery Co MUD No. 100.....	1.350000
Montgomery Co MUD No. 126.....	0.880000
Montgomery Co MUD No. 128A.....	1.070000
Montgomery Co MUD No. 138.....	0.880000
Montgomery Co UD No. 2.....	0.205000
Panorama Village, City of.....	0.537000
Point Aquarius MUD.....	0.476500
San Jacinto County.....	0.482910
Texas National MUD.....	0.967600
Willis, City of.....	0.508700

Table 5
PROPERTY TAX RATES AND COLLECTIONS

<u>Tax Year</u>	<u>Taxable Assessed</u>		<u>Percent Collections</u> ^(A)		<u>Fiscal Year Ended</u>
	<u>Valuation</u>	<u>Tax Rate</u>	<u>Current</u>	<u>Total</u>	
2020	\$ 4,500,982,083	\$ 1.2171	98.80%	100.24%	08/31/21
2021	5,185,757,678	1.1720	98.57%	99.82%	08/31/22
2022	6,685,109,561	1.1546	98.60%	99.56%	08/31/23
2023	6,824,648,737	1.0002	98.49%	99.71%	08/31/24
2024	7,869,095,122	1.0349	<u>93.04%</u> ^(B)	<u>93.04%</u> ^(B)	08/31/25
	Five Year Average.....		<u>97.50%</u>	<u>98.47%</u>	
2025	\$ 7,605,847,010	\$ 1.0349	(In Process of Collection)		08/31/26

^(A) Excludes penalties and interest.

^(B) Reflects Current Tax Collection through February 28, 2025.

Source: District's Audited Financial Statements, Texas Comptroller of Public Accounts - Property Tax Assistance Division, Montgomery Central Appraisal District, and San Jacinto County Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Montgomery Central Appraisal District and San Jacinto County Appraisal District update records.

Table 6
TAX RATE DISTRIBUTION

	<u>2025/26</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>
Local Maintenance	\$0.6669	\$0.6669	\$0.6692	\$0.8546	\$0.8720
Interest and Sinking	<u>0.3680</u>	<u>0.3680</u>	<u>0.3310</u>	<u>0.3000</u>	<u>0.3000</u>
Total	<u>\$1.0349</u>	<u>\$1.0349</u>	<u>\$1.0002</u>	<u>\$1.1546</u>	<u>\$1.1720</u>

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

Table 7
VALUATION AND UNLIMITED TAX DEBT HISTORY

<u>Fiscal Year</u>	<u>Percent Increase/</u> <u>(Decrease) In</u>		<u>Principal</u> <u>Amount Of</u> <u>Unlimited</u> <u>Tax Debt</u> <u>Outstanding</u> <u>At Year End</u> ^{(A)(B)}	<u>Ratio Of</u> <u>Unlimited Tax</u> <u>Debt To Taxable</u> <u>Assessed</u> <u>Valuation</u> ^{(A)(B)}
	<u>Taxable</u> <u>Assessed</u> <u>Valuation</u>	<u>Taxable</u> <u>Assessed</u> <u>Valuation</u> <u>Over Prior Year</u>		
2021/22	\$ 5,185,757,678	15.21%	\$372,460,000	7.18%
2022/23	6,685,109,561	28.91%	366,280,000	5.48%
2023/24	6,824,648,737	2.09%	358,740,000	5.26%
2024/25	7,869,095,122	15.30%	372,685,000	4.74%
2025/26	7,605,847,010	(3.35%)	434,850,000 ^(C)	5.72% ^(C)

^(A) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Notes Payable", "Table 16 - Leases" and "Table 17 - Subscription-Based Information Technology Arrangements").

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

^(C) Includes the Bonds and excludes the Refunded Bonds.

Source: Texas Comptroller of Public Accounts - Property Tax Assistance Division, Montgomery Central Appraisal District, and San Jacinto County Appraisal District.

Table 8
HISTORICAL TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2025/26 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Gulf States Utilities Co	Oil & Gas	\$ 388,509,748	4.94%
Entergy Texas Inc.	Electric Utility	73,404,260	0.93%
MCREF IV West Fork Apartments	Apartments	57,500,000	0.73%
DMF City Place LLC	Commercial Real Estate	45,200,000	0.57%
Orion Reserve Property DE LLC	Apartments	45,000,000	0.57%
Market at Willis Associates LLC	Commercial Real Estate	39,612,793	0.50%
CRP AR Prose City Place Owner LP	Apartments	38,000,000	0.48%
MRSS Partners Ltd.	Home Builder	27,317,458	0.35%
National Oilwell Varco	Oilfield Equipment	24,397,440	0.31%
Everstead At Conroe LLC	Apartments	21,200,000	0.27%
Totals.....		\$ 760,141,699	9.66%

PRINCIPAL TAXPAYERS AND THEIR 2024/25 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Gulf States Utilities Co	Oil & Gas	\$ 657,844,381	8.36%
APR Energy, LLC	Electric Utility	92,317,920	1.17%
Entergy Texas Inc.	Electric Utility	72,274,230	0.92%
Orion Reserve Property DE LLC	Apartments	46,002,090	0.58%
DMF City Place LLC	Commercial Real Estate	41,200,000	0.52%
Market at Willis Associates LLC	Commercial Real Estate	39,734,147	0.50%
CRP AR Prose City Place Owner LP	Apartments	37,000,000	0.47%
National Oilwell Varco	Oilfield Equipment	35,353,310	0.45%
MRSS Partners Ltd.	Home Builder	20,623,177	0.26%
Camillo Houses CV #2 LLC	Home Builder	20,010,039	0.25%
Totals.....		\$ 1,062,359,294	13.50%

PRINCIPAL TAXPAYERS AND THEIR 2023/24 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Entergy Texas Inc.	Electric Utility	\$ 428,074,186	6.27%
Orion Reserve Property DE LLC	Apartments	46,502,090	0.68%
National Oilwell Varco	Oilfield Equipment	41,892,970	0.61%
Market at Willis Associates LLC	Commercial Real Estate	36,187,660	0.53%
Camillo Houses CV #2 LLC	Home Builder	21,021,560	0.31%
MRSS Partners Ltd.	Home Builder	20,662,800	0.30%
CRP AR Prose City Place Owner LP	Apartments	20,082,470	0.29%
Gulf South Pipeline Company LP	Oil & Gas Pipeline	19,233,400	0.28%
Breviloba LLC	Oil & Gas Pipeline	18,715,360	0.27%
QES Directional Drilling Company	Oil & Gas	17,441,330	0.26%
Totals.....		\$ 669,813,826	9.81%

Source: Montgomery Central Appraisal District and San Jacinto County Appraisal District.

Table 9
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

<u>Property Use Category</u>	<u>2025/26</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>
Real Property:					
Single-Family Residential	\$ 7,372,312,206	\$ 6,610,558,217	\$ 6,114,543,933	\$ 5,424,524,486	\$ 3,848,215,251
Multi-Family Residential	236,338,575	165,155,458	151,754,010	119,100,390	52,739,310
Vacant Lots / Tracts	570,613,909	488,619,212	407,380,873	362,313,087	175,605,990
Acreage	430,882,184	405,063,684	392,911,530	399,556,289	301,049,072
Farm and Ranch Improvements	450,432,750	434,538,520	422,492,559	426,342,433	312,019,111
Commercial and Industrial	1,331,648,800	1,519,467,456	1,172,538,125	1,194,092,270	899,754,003
Inventory	170,489,766	168,539,858	114,353,702	53,842,076	55,368,565
Tangible Personal Property:					
Commercial and Industrial	413,437,128	385,916,052	267,061,532	232,258,092	219,662,371
Other	50,681,027	57,835,621	43,991,463	47,000,701	28,979,187
Real and Tangible Personal Property:					
Utilities	156,246,598	148,995,986	133,366,801	123,983,154	105,430,681
Total Assessed Valuation	<u>\$ 11,183,082,943</u>	<u>\$ 10,384,690,064</u>	<u>\$ 9,220,394,528</u>	<u>\$ 8,383,012,978</u>	<u>\$ 5,998,823,541</u>
Less Exemptions:					
Residential Homestead	\$ 2,000,070,521	\$ 1,330,129,512	\$ 1,186,988,071 ^(A)	\$ 472,427,728 ^(B)	\$ 289,014,128
10% Residential Cap Adjustment	538,365,300	570,562,762	661,194,700	678,802,540	105,213,982
Over Age 65	431,982,882	48,482,012	45,783,496	48,318,106	46,709,307
Disabled Persons	16,180,299	3,242,763	2,800,850	3,337,582	3,556,420
Disabled / Deceased Veterans	161,339,529	137,994,915	92,743,811	82,765,872	60,779,753
Productivity Value Loss	389,559,202	381,533,751	369,281,433	374,272,034	274,742,279
Pollution Control	39,738,200	43,649,227	36,222,214	36,375,044	33,014,930
Prorated Exempt Property	-	-	731,216	1,604,511	35,064
Other	-	-	-	-	-
Total Exemptions	<u>\$ 3,577,235,933</u>	<u>\$ 2,515,594,942</u>	<u>\$ 2,395,745,791</u>	<u>\$ 1,697,903,417</u>	<u>\$ 813,065,863</u>
Taxable Assessed Valuation	<u>\$ 7,605,847,010</u>	<u>\$ 7,869,095,122</u>	<u>\$ 6,824,648,737</u>	<u>\$ 6,685,109,561</u>	<u>\$ 5,185,757,678</u>

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

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

Source: Texas Comptroller of Public Accounts - Property Tax Assistance Division, Montgomery Central Appraisal District, and San Jacinto County Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Montgomery Central Appraisal District and San Jacinto County Appraisal District update records.

Table 10
PERCENTAGE OF TOTAL ASSESSED VALUATION BY CATEGORY

<u>Property Use Category</u>	<u>2025/26</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>
Real Property:					
Single-Family Residential	65.92%	63.66%	66.32%	64.71%	64.15%
Vacant Lots/Tracts	5.10%	4.71%	4.42%	4.32%	2.93%
Acreage	3.85%	3.90%	4.26%	4.77%	5.02%
Farm and Ranch Improvements	4.03%	4.18%	4.58%	5.09%	5.20%
Commercial and Industrial	11.91%	14.63%	12.72%	14.24%	15.00%
Inventory	1.52%	1.62%	1.24%	0.64%	0.92%
Tangible Personal Property:					
Commercial and Industrial	3.70%	3.72%	2.90%	2.77%	3.66%
Other	0.45%	0.56%	0.48%	0.56%	0.48%
Real and Tangible Personal Property:					
Utilities	1.40%	1.43%	1.45%	1.48%	1.76%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: Texas Comptroller of Public Accounts - Property Tax Assistance Division, Montgomery Central Appraisal District, and San Jacinto County Appraisal District.

Table 11
OUTSTANDING UNLIMITED TAX DEBT SERVICE

Year	Existing Debt ^(A)	The Bonds		Total	Percent Of Debt Service Retired
		Principal	Interest	Debt Service Requirements	
2025/26	\$ 25,063,581	\$ 400,000	\$ 1,443,852	\$ 26,907,433	
2026/27	20,675,681	4,150,000	1,836,500	26,662,181	
2027/28	21,841,556	3,170,000	1,653,500	26,665,056	
2028/29	22,710,906	2,440,000	1,513,250	26,664,156	14.30%
2029/30	22,712,181	2,560,000	1,388,250	26,660,431	
2030/31	22,701,731	2,700,000	1,256,750	26,658,481	
2031/32	22,708,281	2,840,000	1,118,250	26,666,531	
2032/33	22,706,206	2,980,000	972,750	26,658,956	
2033/34	23,196,631	2,635,000	832,375	26,664,006	32.13%
2034/35	23,193,256	2,770,000	697,250	26,660,506	
2035/36	23,194,456	2,910,000	555,250	26,659,706	
2036/37	23,195,256	3,055,000	406,125	26,656,381	
2037/38	23,193,581	3,215,000	249,375	26,657,956	
2038/39	23,188,681	3,380,000	84,500	26,653,181	49.95%
2039/40	26,903,906	-	-	26,903,906	
2040/41	26,905,056	-	-	26,905,056	
2041/42	26,899,100	-	-	26,899,100	
2042/43	26,875,188	-	-	26,875,188	
2043/44	26,830,331	-	-	26,830,331	67.93%
2044/45	26,765,934	-	-	26,765,934	
2045/46	26,751,000	-	-	26,751,000	
2046/47	26,726,931	-	-	26,726,931	
2047/48	26,710,613	-	-	26,710,613	
2048/49	26,675,800	-	-	26,675,800	85.80%
2049/50	26,651,569	-	-	26,651,569	
2050/51	23,048,706	-	-	23,048,706	
2051/52	23,102,506	-	-	23,102,506	
2052/53	14,895,388	-	-	14,895,388	
2053/54	15,005,163	-	-	15,005,163	99.54%
2054/55	3,465,394	-	-	3,465,394	100.00%
	\$ 694,494,572	\$ 39,205,000	\$ 14,007,977	\$ 747,707,549	

^(A) Existing Debt Service shown net of refunded bonds.

Note: Table 11 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance for debt service in the amount of \$2,559,763 for year 2025/26. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature. Table 11 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Notes Payable", "Table 16 - Leases" and "Table 17 - Subscription-Based information Technology Arrangements").

Table 12
AUTHORIZED BUT UNISSUED BONDS

After the issuance of the Bonds, except for possible refundings for debt service savings, the District does not anticipate the issuance of additional voted authorization within the next 12 months.

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

Table 13
INTEREST & SINKING FUND BUDGET INFORMATION

Tax Supported Debt Service Requirements, Fiscal Year Ending August 31, 2026.....	\$	26,907,433	(A)
Interest and Sinking Fund Balance at August 31, 2025.....	\$	9,651,089	
Cash Defeasance.....		(4,068,234)	
Estimated State Assistance.....		2,559,763	
Local Taxes and Other Revenues.....		<u>24,766,423</u>	
	\$	<u>32,909,041</u>	
Projected Interest and Sinking Fund Balance at August 31, 2026.....	\$	<u>6,001,608</u>	

(A) Includes estimated paying agent/registrar fees and other bond related expenses.

Table 14
TAX ADEQUACY - UNLIMITED TAX DEBT SERVICE REQUIREMENTS

Year 2025/26 Principal And Interest Requirements	\$	26,907,433	
\$0.3277 Tax Rate At 98.00% Collections Produces.....		26,907,834	(A)(B)
Maximum Principal And Interest Requirements, Year 2025/26.....	\$	26,907,433	
\$0.3277 Tax Rate At 98.00% Collections Produces.....		26,907,834	(A)(B)

(A) Based upon 2025/26 taxable assessed valuation of \$7,605,847,010.

(B) Includes the Bonds and excludes the Refunded Bonds.

Note: Table 14 does include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance for debt service in the amount of \$2,559,763 for year 2025/26. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature. Table 14 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Notes Payable", "Table 16 - Leases" and "Table 17 - Subscription-Based Information Technology Arrangements").

Table 15
NOTES PAYABLE

The District has no outstanding notes payable as of August 31, 2024.

Source: District records.

Table 16**LEASES**

The District is under contract for a noncancellable lease agreement that convey control of the right-to-use assets.

The lease liability outstanding as of August 31, 2024, was as follows:

Year Ending				
<u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2025	\$ 101,583	\$ 7,761	\$ 109,344	
2026	104,673	4,671	109,344	
2027	58,973	1,487	60,460	
Total	\$ 265,229	\$ 13,919	\$ 279,148	

Source: District's Audited Financial Statements.

Table 17**SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

The District is under contract for noncancellable subscription-based information technology arrangements ("SBITA") that convey control of the right-to-use software.

The future principal and interest SBITA payments as of August 31, 2024, were as follows:

Year Ending				
<u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2025	\$ 202,326	\$ 4,869	\$ 207,195	
Total	\$ 202,326	\$ 4,869	\$ 207,195	

Source: District's Audited Financial Statements.

Table 18**CURRENT INVESTMENTS**

As of August 31, 2024, the District's investable funds were invested in the following investment instruments:

<u>Investment Instrument</u>	<u>Carrying Value</u>	<u>Percentage</u>
Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS") ^(A)	\$ 139,226,791	71.78%
Lone Star Investment Pool ("Lone Star") ^(A)	50,219,933	25.89%
Texas Short Term Asset Reserve ("TexSTAR") ^(A)	2,300,142	1.19%
U.S. Treasury Securities	1,210,986	0.62%
Federal Farm Credit Bank	589,126	0.30%
Federal Home Loan Bank	414,701	0.21%
Texas Local Investment Pool ("TexPool") ^(A)	459	0.00%
Total	\$ 193,962,138	100.00%

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

Table 19
COMBINED GENERAL FUND BALANCE SHEET

	Fiscal Years Ended August 31, 2020 - 2024				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:					
Cash and Cash Equivalents	\$ 2,258,779	\$ 1,318,237	\$ 2,434,924	\$ 3,126,062	\$ 1,516,619
Current Investments	46,861,273	42,382,972	45,862,801	47,173,665	42,005,501
Property Taxes Receivable	2,936,310	2,218,664	2,461,287	1,527,237	1,627,374
Allowance for Uncollectible Taxes (Credit)	(22,167)	(10,942)	(17,210)	(15,200)	(16,500)
Due from Other Governments	3,043,593	6,710,957	5,381,790	2,403,301	2,829,168
Due from Other Funds	2,508,169	4,320,110	293,850	484,544	1,540,885
Due from Internal Service Funds	-	-	-	-	-
Other Receivables	-	-	-	-	45,528
Inventories	14,597	9,974	19,253	15,136	10,090
Prepaid Items	1,138,495	1,267,158	1,008,072	379,917	798,720
Long Term Investments	907,909	253,840	-	-	-
Total Assets	\$ 59,646,958	\$ 58,470,970	\$ 57,444,767	\$ 55,094,662	\$ 50,357,385
Liabilities, Deferred Inflows of Resources and Fund Balances:					
<i>Liabilities:</i>					
Accounts Payable	\$ 497,732	\$ 985,062	\$ 1,391,330	\$ 353,285	\$ 2,909,106
Payroll Deductions and Withholdings	672,565	633,380	434,874	454,470	102,234
Accrued Wages Payable	5,750,202	5,308,621	5,601,589	5,242,666	4,434,305
Due to Other Funds	115,663	1,688,719	92,594	375,943	1,514,345
Due to Other Governments	1,932,458	-	1,648	2,512,311	2,380,381
Unearned Revenues	102,233	152,146	263,564	1,090	-
Total Liabilities	\$ 9,070,853	\$ 8,767,928	\$ 7,785,599	\$ 8,939,765	\$ 11,340,371
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenue - Property Taxes	\$ 2,914,143	\$ 2,207,722	\$ 2,444,076	\$ 1,512,037	\$ 1,610,874
Total Deferred Inflows of Resources	\$ 2,914,143	\$ 2,207,722	\$ 2,444,076	\$ 1,512,037	\$ 1,610,874
<i>Fund Balances:</i>					
<i>Nonspendable Fund Balance:</i>					
Inventories	\$ 14,597	\$ 9,974	\$ 19,253	\$ 15,136	\$ 10,090
Prepaid Items	1,138,495	1,267,158	1,008,073	379,917	798,720
<i>Committed Fund Balance:</i>					
Construction	-	-	-	-	-
Capital Expenditures for Equipment	-	-	-	-	-
Other Committed Fund Balance	23,000,000	23,000,000	20,000,000	19,193,125	19,700,000
<i>Assigned Fund Balance:</i>					
Purchases on Order	-	-	-	178,243	55,585
Other Assigned Fund Balance	199,130	690,875	-	-	-
Unassigned Fund Balance	\$ 23,309,740	22,527,313	26,187,766	24,876,439	16,841,745
Total General Fund Balance	\$ 47,661,962	\$ 47,495,320	\$ 47,215,092	\$ 44,642,860	\$ 37,406,140
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 59,646,958	\$ 58,470,970	\$ 57,444,767	\$ 55,094,662	\$ 50,357,385

Source: District's Audited Financial Statements.

Table 20
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ended August 31, 2020 - 2024				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning General Fund Balance	\$ 47,495,320	\$ 47,215,092	\$ 44,642,860	\$ 37,406,140	\$ 35,507,876
<u>Revenues:</u>					
Local and Intermediate Sources	\$ 43,981,405	\$ 56,858,170	\$ 43,602,687	\$ 40,029,140	\$ 38,448,651
State Program Revenues	40,811,780	24,280,219	31,017,162	32,797,400	30,073,481
Federal Program Revenues	696,910	1,729,801	1,470,434	2,795,862	866,580
Total Revenues	\$ 85,490,095	\$ 82,868,190	\$ 76,090,283	\$ 75,622,402	\$ 69,388,712
<u>Expenditures:</u>					
Instruction	\$ 48,094,978	\$ 43,499,945	\$ 41,673,834	\$ 38,379,321	\$ 35,240,846
Instructional Resources and Media Services	171,088	140,857	186,184	166,132	160,811
Curriculum and Staff Development	1,299,409	1,320,805	1,498,051	1,384,042	1,090,778
Instructional Leadership	444,396	362,683	348,072	189,405	181,514
School Leadership	5,257,641	5,397,486	5,186,511	4,491,251	4,266,840
Guidance, Counseling and Evaluation Services	3,070,803	2,847,638	2,520,040	2,233,773	2,124,601
Social Work Services	231,367	205,123	219,786	175,188	176,867
Health Services	901,961	882,312	884,644	838,450	673,934
Student Transportation	4,908,623	4,702,820	3,647,759	3,687,826	3,688,255
Extracurricular Activities	2,412,150	2,274,764	2,339,335	1,794,906	1,656,805
General Administration	3,214,127	2,900,313	2,642,643	2,148,199	1,919,726
Facilities Maintenance and Operations	10,259,121	10,396,097	8,654,506	8,238,777	7,763,283
Security and Monitoring Services	1,858,373	1,233,279	682,642	171,083	705,666
Data Processing Services	1,240,807	1,423,049	909,886	546,399	443,149
Principal on Long-term Debt	329,163	352,118	4,245	-	-
Interest on Long-term Debt	28,423	27,258	-	-	-
Facilities Acquisition and Construction	-	3,078,237	3,564,665	3,500,961	9,447,913
Payments to Juvenile Justice Alt. Ed. Prgm.	-	9,785	510	2,200	2,635
Other Intergovernmental Charges	601,023	531,593	463,368	437,769	442,145
Total Expenditures	\$ 84,323,453	\$ 81,586,162	\$ 75,426,681	\$ 68,385,682	\$ 69,985,768
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,166,642	\$ 1,282,028	\$ 663,602	\$ 7,236,720	\$ (597,056)
<u>Other Financing Sources and (Uses):</u>					
Other Sources	\$ -	\$ -	\$ 1,908,630	\$ -	\$ -
Other Uses	(1,000,000)	(1,001,800)	-	-	-
Total Other Resources (Uses)	\$ (1,000,000)	\$ (1,001,800)	\$ 1,908,630	\$ -	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ 2,495,320
Ending General Fund Balance ^(A)	\$ 47,661,962	\$ 47,495,320	\$ 47,215,092	\$ 44,642,860	\$ 37,406,140

^(A) Ending General Fund Balance includes Nonspendable, Committed, Assigned and Unassigned Fund Balance.
Source: District's Audited Financial Statements.

APPENDIX B
AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the Willis Independent School District Audited Financial Statements (the "Report") for the fiscal year ended August 31, 2024.

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.

**WILLIS INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2024

WILLIS INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/ Table</u>
Certificate of the Board	i	
Financial Section		
Independent Auditor's Report	3	
Management's Discussion and Analysis	7	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	17	A-1
Statement of Activities	18	B-1
Governmental Fund Financial Statements:		
Balance Sheet	20	C-1
Reconciliation of Balance Sheet for Governmental Funds to the Statement of Net Position	23	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balance	24	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	26	C-2R
Proprietary Fund Financial Statements:		
Statement of Net Position	27	D-1
Statement of Revenues, Expenses and Changes in Net Position	28	D-2
Statement of Cash Flows	29	D-3
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	30	E-1
Statement of Changes in Fiduciary Net Position	31	E-2
Notes to the Financial Statements	33	F-1
Required Supplementary Information		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Original Budget, Amended Final (GAAP Basis) and Actual - General Fund	66	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas	67	G-2
Schedule of the District's Pension Contributions – Teacher Retirement System of Texas	68	G-3
Schedule of the District's Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas	69	G-4
Schedule of the District's OPEB Contributions – Teacher Retirement System of Texas	70	G-5
Notes to Required Supplementary Information	71	
Other Supplementary Information:		
Combining Fund Statements:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	74	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	81	H-2
Enterprise Funds:		
Combining Statement of Net Position	88	H-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	89	H-4
Combining Statement of Cash Flow	90	H-5

WILLIS INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS (continued)

	<u>Page</u>	<u>Exhibit/ Table</u>
Financial Section (continued)		
Other Supplementary Information (continued):		
Internal Service Funds:		
Combining Statement of Net Position	91	H-6
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	92	H-7
Combining Statement of Cash Flow	93	H-8
Required TEA Schedules:		
Schedule of Delinquent Taxes Receivable	96	J-1
Schedule of Revenues, Expenses, and Changes in Fund Balance Budget and Actual - National School Breakfast and Lunch Program	98	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Debt Service Fund	99	J-3
Compensatory Education Program and Bilingual Education Program Compliance Responses	100	J-4
Required Responses to Selected School First Indicators	101	L-1
Federal Awards Section		
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 <i>Government Auditing Standards</i>	105	
Independent Auditor's Report on Compliance for each Major Program; Report on Internal Control over Compliance Required by the Uniform Guidance	107	
Schedule of Findings and Questioned Costs	111	
Schedule of Expenditures of Federal Awards	113	K-1
Notes to Schedule of Expenditures of Federal Awards	114	K-2
Summary Schedule of Prior Audit Findings	116	
Corrective Action Plan	117	

CERTIFICATE OF BOARD

Willis Independent School District

Name of School District

Montgomery

County

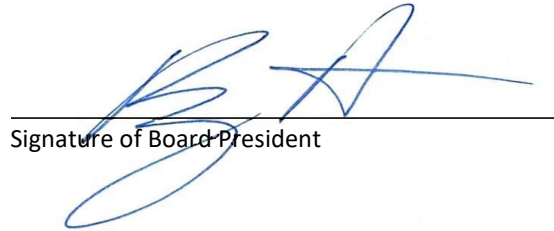
170-904

Co. - Dist. No.

We, the undersigned, certify that the annual financial reports for the above named school district were reviewed and approved for the year ended August 31, 2024, at a meeting of the Board of Trustees of such school district on the 15th day of January 2025.



Signature of Board Vice President



Signature of Board President



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Willis Independent School District

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, pension information, and other-post employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 and individual nonmajor fund financial statements, required Texas Education Agency (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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of Trustees
Willis Independent School District

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule L-1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 15, 2025



WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Willis Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2024. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable, claims payable of the District's self-insured workers' compensation program, and the net pension and OPEB liability.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$88 million (net position). The District reported positive net position in all categories.
- The District's total net position increased by \$12 million from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$186 million, a decrease of \$54 million from the preceding year primarily due to facilities acquisition and construction expenditures exceeding revenues in the capital projects fund.
- At the end of the year, unassigned fund balance of the general fund was \$23 million, or 28 percent of the year's total general fund expenditures.
- The District's total bonded debt decreased by \$8 million (2 percent) during the year.

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and supplementary and other 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 enterprise.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges. The business-type activities of the District include the Enterprise Funds for Early Bird Child Care and Concession Stands.

The government-wide financial statements can be found as noted in the table of contents of this report.

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

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

Because the focus of governmental funds financial statements 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 effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained several individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison schedule has been provided for the general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund to demonstrate compliance with its budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

Proprietary Fund. The District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for its Early Bird Child Care and Concession Stand programs. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses the internal service funds to account for the District's group health insurance benefits and workers' compensation risk management. Because these internal service funds predominantly benefit governmental operations, their financial activities have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide essentially the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are provided with the basic financial statements and provide information for the Early Bird Child Care and Concession Stand programs and the self-funded group health insurance benefits and workers' compensation risk management programs.

The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs and activities. A statement of fiduciary net position and statement of changes in fiduciary net position are presented for fiduciary funds, as noted in the table of contents of this report.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to the Basic 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 basic financial statements are noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-Wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$88 million.

Willis Independent School District's Net Position

	Governmental Activities			Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023	
Current and Other Assets	\$ 211,286,438	\$ 255,356,089	\$ 775,822	\$ 737,938	\$ 212,062,260	\$ 256,094,027	
Capital Assets	317,773,335	261,193,319	-	-	317,773,335	261,193,319	
Total Assets	529,059,773	516,549,408	775,822	737,938	529,835,595	517,287,346	
Total Deferred Outflows	19,214,476	20,173,668	-	-	19,214,476	20,173,668	
Long-Term Liabilities	419,030,612	424,795,904	-	-	419,030,612	424,795,904	
Other Liabilities	20,964,596	12,267,680	31,356	29,528	20,995,952	12,297,208	
Total Liabilities	439,995,208	437,063,584	31,356	29,528	440,026,564	437,093,112	
Total Deferred Inflows	21,348,691	25,065,413	-	-	21,348,691	25,065,413	
Net Position							
Net Investment in Capital Assets	65,919,766	54,323,012	-	-	65,919,766	54,323,012	
Restricted for Grant	2,402,343	2,559,293	-	-	2,402,343	2,559,293	
Restricted	7,762,179	6,409,499	-	-	7,762,179	6,409,499	
Unrestricted	10,846,062	11,302,275	744,466	708,410	11,590,528	12,010,685	
Total Net Position	\$ 86,930,350	\$ 74,594,079	\$ 744,466	\$ 708,410	\$ 87,674,816	\$ 75,302,489	

The largest portion of the District's net position (\$66 million) is net investment in capital assets (e.g., land and improvements, buildings and improvements, furniture, vehicles, equipment, right-to-use assets, and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position that is restricted for debt service and grants totaled \$10 million.

Unrestricted net position of \$12 million may be used to meet the District's ongoing obligations to students and creditors.

Governmental Activities. Governmental Activities increased the District's net position by \$12 million and Business-type Activities increased the District's net position by \$36 thousand from current operations. Key elements of this change are as follows:

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Willis Independent School District's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues:						
Charges for Services	\$ 3,104,581	\$ 2,943,355	\$ 130,609	\$ 111,915	\$ 3,235,190	\$ 3,055,270
Operating Grants and Contributions	18,706,935	19,753,176	-	-	18,706,935	19,753,176
General Revenues:						
Property Taxes	40,915,153	53,165,110	-	-	40,915,153	53,165,110
Property Taxes, levied for debt service	20,106,600	18,629,825	-	-	20,106,600	18,629,825
State Aid - Formula Grants	39,830,275	21,219,702	-	-	39,830,275	21,219,702
Investment earnings	12,732,300	11,821,142	-	-	12,732,300	11,821,142
Miscellaneous	903,725	2,608,686	-	-	903,725	2,608,686
Total Revenues	136,299,569	130,140,996	130,609	111,915	136,430,178	130,252,911
Expenses						
Instruction	62,259,700	55,535,457	-	-	62,259,700	55,535,457
Instructional Resources and Media	203,489	166,303	-	-	203,489	166,303
Curriculum and staff development	2,551,755	3,170,216	-	-	2,551,755	3,170,216
Instructional leadership	647,475	485,583	-	-	647,475	485,583
School leadership	6,369,591	6,417,115	-	-	6,369,591	6,417,115
Guidance, counseling, and evaluation services	3,869,318	3,698,189	-	-	3,869,318	3,698,189
Social work services	234,230	240,158	-	-	234,230	240,158
Health services	1,019,570	1,081,452	-	-	1,019,570	1,081,452
Student transportation	2,942,433	4,910,098	-	-	2,942,433	4,910,098
Food service	5,258,022	5,977,738	-	-	5,258,022	5,977,738
Extracurricular activities	3,365,824	3,459,273	-	-	3,365,824	3,459,273
General administration	3,556,575	3,308,135	-	-	3,556,575	3,308,135
Facilities maintenance and operations	10,500,922	11,595,304	-	-	10,500,922	11,595,304
Security and monitoring services	3,036,372	1,462,843	-	-	3,036,372	1,462,843
Data processing services	1,204,770	1,191,013	-	-	1,204,770	1,191,013
Community services	154,978	5,938	-	-	154,978	5,938
Interest on long-term debt	13,162,053	14,334,555	-	-	13,162,053	14,334,555
Bond issuance costs and fees	-	6,000	-	-	-	6,000
Facilities maintenance and repairs	3,025,198	-	-	-	3,025,198	-
Payments to Juvenile Justice Alternative Education Programs	-	9,785	-	-	-	9,785
Other governmental charges	601,023	531,593	-	-	601,023	531,593
Early Bird Child Care	-	-	93,108	92,041	93,108	92,041
Concession Stand	-	-	1,445	-	1,445	-
Total Expenses	123,963,298	117,586,748	94,553	92,041	124,057,851	117,678,789
Increase (Decrease) in Net Position	12,336,271	12,554,248	36,056	19,874	12,372,327	12,574,122
Net Position - Beginning	74,594,079	62,039,831	708,410	688,536	75,302,489	62,728,367
Net Position - Ending	\$ 86,930,350	\$ 74,594,079	\$ 744,466	\$ 708,410	\$ 87,674,816	\$ 75,302,489

Revenues, aggregating \$136 million, were generated primarily from two sources. Property taxes of \$61 million represent 45 percent of total revenues, while grants and contributions (program and general) totaling \$59 million represent 43 percent of total revenues. The remaining 12 percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$62 million), which represents 50 percent of total expenses. The remaining expense categories are individually less than eleven percent of total expenses. Instructional expenses increased by \$7 million due an increase in salaries.

The increase in net position of \$12 million was primarily driven from an increase in revenues related to state aid.

Business-type Activities. Business-type activities increased the District's net position by \$36 thousand, primarily due to the increase in charges for services as more individuals took advantage of the Early Bird Childcare program as well as the start of the Concession Stand program in the fiscal year.

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis of the Government's Funds

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

Governmental Funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$186 million, a decrease of \$54 million from the preceding year. Comments as to each major fund's change in fund balance follow.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$23 million, while total fund balance was \$48 million. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 57 percent of that same total. The fund balance of the general fund increased (\$167 thousand) during the year, primarily as a result of the increase in property tax revenue.

The debt service fund ended the year with a total fund balance of \$10 million, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased by approximately \$1 million during the year, primarily due to an increase in investment earnings and state aid revenue.

The capital projects fund has a total fund balance of \$125 million, all of which is restricted for capital expenditures. The net decrease in fund balance during the current year in the capital projects fund was \$55 million. The decrease was due to continued construction projects of \$64 million.

Governmental funds financial statements may be found by referring to the table of contents.

Proprietary Funds. The District's proprietary fund financial statements, reflecting enterprise and internal service funds created for its Early Bird Child Care program, Concession Stand program, and self-funded group health insurance benefits and workers' compensation risk management programs, provide information as to profitability of those programs. The change in net position of the internal service fund is eliminated and allocated to the governmental expenses in the government-wide financial statements. The enterprise funds have been addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. The final budget expenditures increased by \$5 million primarily due to the increase in instruction, student transportation, extracurricular activities, and security and monitoring services.

There were no significant variations between the final budget and actual results. The District came under budgeted expenditures by \$2 million.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities as of August 31, 2024 as \$318 million (net of accumulated depreciation/amortization). This investment in capital assets includes land and improvements, buildings and improvements, furniture, right-to-use assets, vehicles, and equipment, and construction in progress.

Major capital asset addition activity during the year included the following:

- Land totaling \$9 million.
- Construction in progress totaling \$49 million before the reclassification of completed projects of \$9 million.
- Buildings and improvements totaling \$5 million.
- Furniture and equipment totaling \$4 million.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Willis Independent School District's Capital Assets
(net of depreciation/amortization)

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 23,142,050	\$ 14,012,769	\$ -	\$ -	\$ 23,142,050	\$ 14,012,769
Buildings and Improvements, net	237,591,832	231,905,910	-	-	237,591,832	231,905,910
Furniture and equipment, net	7,905,429	5,857,135	-	-	7,905,429	5,857,135
Right-to-use assets, net	570,803	490,200	-	-	570,803	490,200
Construction in Progress	48,563,221	8,393,092	-	-	48,563,221	8,393,092
Total	\$ 317,773,335	\$ 260,659,106	\$ -	\$ -	\$ 317,773,335	\$ 260,659,106

Commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled \$49 million. The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

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

Long-term Liabilities. At year-end, the District had the following long-term liabilities:

Willis Independent School District's Long-Term Liabilities Outstanding

	Governmental Activities					
	2024	%	2023	%	Change	%
General obligation bonds	\$ 358,740,000	86%	\$ 366,280,000	86%	\$ (7,540,000)	-2%
Bond premiums/discounts	16,866,528	4%	18,024,503	4%	\$ (1,157,975)	-6%
Lease liability	265,229	0%	363,814	0%	(98,585)	-27%
SBITA liability	202,326	0%	432,904	0%	(230,578)	-53%
Net pension liability	30,613,305	7%	26,420,399	10%	4,192,906	16%
Net OPEB liability	12,343,224	3%	13,274,284	12%	(931,060)	-7%
	\$ 419,030,612	100%	\$ 424,795,904	113%	\$ (5,765,292)	-1%

The District's total long-term liabilities decreased by \$6 million due to a decrease in general obligation bonds of \$8 million, due to principal payments, offset by the increase in net pension liability of \$4 million. The Teacher Retirement System of Texas experienced unfavorable investment earnings, which resulted in a state-wide higher net pension liability. The District's proportionate share of that liability reflects the 16% increase as well.

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Bond Guarantee Program or by a municipal bond insurance policy. State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval by the Attorney General of the State of Texas is required prior to the sale of bonds.

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

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budget and Rates

School year (2024-2025) student enrollment is 9,316, a 3.7 percent increase from 8,978 in the preceding year.

- District staff totals 1,234 employees in 2024-25, excluding substitutes and other part-time employees, of which 544 are teachers and 173 are teacher aides and secretaries.
- The District maintains 11 regular education campuses.
- Property values of the District are projected to remain consistent in the 2024-25 year.
- A maintenance and operations tax rate of \$0.6669 and a debt service tax rate of \$0.368, a total rate of \$1.0349, were adopted for 2024-25. Preceding year rates were \$.06692, \$0.331, and \$1.0002, respectively.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Willis Independent School District business office at 612 North Campbell Street, Willis, Texas, 77378 or at (936)-856-1200.



BASIC FINANCIAL STATEMENTS



WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2024

Exhibit A-1

Data Control Codes		Primary Government		
		Governmental	Business-type	Total
		Activities	Activities	
Assets				
1110	Cash and Cash Equivalents	\$ 6,201,659	\$ 775,828	\$ 6,977,487
1120	Current Investments	193,962,138	-	193,962,138
1220	Property Taxes - Delinquent	3,983,796	-	3,983,796
1230	Allowance for Uncollectible Taxes	(29,082)	-	(29,082)
1240	Due from Other Governments	5,927,759	-	5,927,759
1260	Internal Balances	6	(6)	-
1290	Other Receivables, Net	14,230	-	14,230
1300	Inventories	14,597	-	14,597
1410	Prepaid Items	1,211,335	-	1,211,335
	Capital Assets Not Subject to Depreciation:			
1510	Land	23,142,050	-	23,142,050
1580	Construction in Progress	48,563,221	-	48,563,221
	Capital Assets Net Of Depreciation:			
1520	Buildings And Improvements, Net	237,591,832	-	237,591,832
1530	Furniture And Equipment, Net	7,905,429	-	7,905,429
1550	Right-to-use assets, Net	570,803	-	570,803
1000	Total Assets	529,059,773	775,822	529,835,595
Deferred Outflows Of Resources				
	Deferred Charge for Refunding	564,931	-	564,931
	Deferred Outflow Related to TRS Pension	13,249,525	-	13,249,525
	Deferred Outflow Related to TRS OPEB	5,400,020	-	5,400,020
1700	Total Deferred Outflows of Resources	19,214,476	-	19,214,476
Liabilities				
2110	Accounts Payable	8,246,614	1,364	8,247,978
2140	Interest Payable	2,929,481	-	2,929,481
2150	Payroll Deductions And Withholdings	672,565	-	672,565
2160	Accrued Wages Payable	6,179,749	202	6,179,951
2180	Due to Other Governments	1,932,458	-	1,932,458
2200	Accrued Expenses	801,848	-	801,848
2300	Unearned Revenue	201,881	29,790	231,671
	Noncurrent Liabilities:			
2501	Due Within One Year	8,168,909	-	8,168,909
2502	Due in More Than One Year	367,905,174	-	367,905,174
2540	Net Pension Liability	30,613,305	-	30,613,305
2545	Net Other Post-Employment Benefits (OPEB)			
	Liabilities	12,343,224	-	12,343,224
2000	Total Liabilities	439,995,208	31,356	440,026,564
Deferred Inflows Of Resources				
	Deferred Inflows - Pension	1,665,207	-	1,665,207
	Deferred Outflows - OPEB	18,196,805	-	18,196,805
	Deferred Gain on Refunding	1,486,679	-	1,486,679
2600	Total Deferred Inflows of Resources	21,348,691	-	21,348,691
Net Position				
3200	Net Investment in Capital Assets	65,919,766	-	65,919,766
	Restricted For:			
3820	Federal and State Programs	2,402,343	-	2,402,343
3850	Debt Service	7,762,179	-	7,762,179
3900	Unrestricted	10,846,062	744,466	11,590,528
3000	Total Net Position	\$ 86,930,350	\$ 744,466	\$ 87,674,816

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2024

Exhibit B-1
Page 1 of 2

Data Control Codes	Functions/Programs	Expenses	Program Revenue	
			Charges for Services	Operating Grants and Contributions
	Primary Government			
	Governmental Activities:			
11	Instruction	\$ 62,259,700	\$ -	\$ 9,101,820
12	Instructional resources and media services	203,489	-	14,658
13	Curriculum and staff development	2,551,755	-	1,197,528
21	Instructional leadership	647,475	-	177,978
23	School leadership	6,369,591	-	591,299
31	Guidance, counseling, and evaluation services	3,869,318	-	506,695
32	Social work services	234,230	-	4,088
33	Health services	1,019,570	-	117,617
34	Student transportation	2,942,433	15,119	171,547
35	Food service	5,258,022	1,635,163	5,322,197
36	Extracurricular activities	3,365,824	1,327,970	64,162
41	General administration	3,556,575	-	314,952
51	Facilities maintenance and operations	10,500,922	126,329	246,193
52	Security and monitoring services	3,036,372	-	853,657
53	Data processing services	1,204,770	-	22,544
61	Community services	154,978	-	-
72	Interest on long-term debt	13,162,053	-	-
81	Facilities maintenance and repairs	3,025,198	-	-
99	Intergovernmental charges	601,023	-	-
TG	Total Governmental Activities	123,963,298	3,104,581	18,706,935
	Business-Type Activities			
01	Early Bird Child Care	93,108	126,017	-
02	Concession Stand	1,445	4,592	-
TB	Total Business-Type Activities	94,553	130,609	-
TP	Total Primary Government	\$ 124,057,851	\$ 3,235,190	\$ 18,706,935

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2024

Exhibit B-1

Page 2 of 2

Data Control Codes	Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
		Governmental Activities	Business-type Activities	Total
	Primary Government			
	Governmental Activities:			
11	Instruction	\$ (53,157,880)	\$ -	\$ (53,157,880)
12	Instructional resources and media services	(188,831)	-	(188,831)
13	Curriculum and staff development	(1,354,227)	-	(1,354,227)
21	Instructional leadership	(469,497)	-	(469,497)
23	School leadership	(5,778,292)	-	(5,778,292)
31	Guidance, counseling, and evaluation services	(3,362,623)	-	(3,362,623)
32	Social work services	(230,142)	-	(230,142)
33	Health services	(901,953)	-	(901,953)
34	Student transportation	(2,755,767)	-	(2,755,767)
35	Food service	1,699,338	-	1,699,338
36	Extracurricular activities	(1,973,692)	-	(1,973,692)
41	General administration	(3,241,623)	-	(3,241,623)
51	Facilities maintenance and operations	(10,128,400)	-	(10,128,400)
52	Security and monitoring services	(2,182,715)	-	(2,182,715)
53	Data processing services	(1,182,226)	-	(1,182,226)
61	Community services	(154,978)	-	(154,978)
72	Interest on long-term debt	(13,162,053)	-	(13,162,053)
81	Facilities maintenance and repairs	(3,025,198)	-	(3,025,198)
99	Intergovernmental charges	(601,023)	-	(601,023)
TG	Total Governmental Activities	(102,151,782)	-	(102,151,782)
	Business-Type Activities			
01	Early Bird Child Care	-	32,909	32,909
02	Concession Stand	-	3,147	3,147
TB	Total Business-Type Activities	-	36,056	36,056
TP	Total Primary Government	(102,151,782)	36,056	(102,115,726)
	General Revenues			
	Taxes:			
MT	Property Taxes, Levied for General Purposes	40,915,153	-	40,915,153
DT	Property Taxes, Levied for Debt Service	20,106,600	-	20,106,600
SF	State Aid - Formula Grants	39,830,275	-	39,830,275
IE	Investment Earnings	12,732,300	-	12,732,300
MI	Miscellaneous	903,725	-	903,725
TR	Total General Revenues	114,488,053	-	114,488,053
CN	Change in net position	12,336,271	36,056	12,372,327
NB	Net Position - Beginning	74,594,079	708,410	75,302,489
NE	Net Position - Ending	\$ 86,930,350	\$ 744,466	\$ 87,674,816

WILLIS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2024

Exhibit C-1
Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
	Assets			
1110	Cash and Cash Equivalents	\$ 2,258,779	\$ 10,153	\$ 1,008,902
1120	Current Investments	46,861,273	9,644,714	131,123,426
	Receivables:			
1220	Delinquent Property Taxes Receivables	2,936,310	1,047,486	-
1230	Allowance for Uncollectible Taxes (Credit)	(22,167)	(6,915)	-
1240	Receivables from Other Governments	3,043,593	-	-
1260	Due from Other Funds	2,508,169	115,663	-
1290	Other Receivables	-	14,230	-
1300	Inventories, At Cost	14,597	-	-
1410	Prepaid Items	1,138,495	-	-
1900	Long Term Investments	907,909	-	-
1000	Total Assets	\$ 59,646,958	\$ 10,825,331	\$ 132,132,328
	Liabilities, Deferred Inflows of Resources, and Fund Balances			
	Liabilities:			
2110	Accounts Payable	\$ 497,732	\$ -	\$ 6,987,320
2150	Payroll Deduction And Withholdings	672,565	-	-
2160	Accrued Wages Payable	5,750,202	-	-
2170	Due to Other Funds	115,663	133,671	-
2180	Payable to Other Governments	1,932,458	-	-
2300	Unearned Revenues	102,233	-	-
2000	Total Liabilities	9,070,853	133,671	6,987,320
	Deferred Inflows of Resources:			
	Deferred Inflows - Property Taxes	2,914,143	1,040,571	-
2600	Total Deferred Inflows of Resources	2,914,143	1,040,571	-
	Fund Balances:			
	Non-Spendable:			
3410	Inventories	14,597	-	-
3430	Prepaid Items	1,138,495	-	-
	Restricted:			
3450	Federal/State Funds Grant Restrictions	-	-	-
3470	Capital Acquisitions And Contractual Oblig.	-	-	125,145,008
3480	Debt Service	-	9,651,089	-
	Committed:			
3545	Other Committed	23,000,000	-	-
	Assigned:			
3590	Other Purposes	199,130	-	-
3600	Unassigned	23,309,740	-	-
3000	Total Fund Balances	47,661,962	9,651,089	125,145,008
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 59,646,958	\$ 10,825,331	\$ 132,132,328

WILLIS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2024

Exhibit C-1
Page 2 of 2

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
Assets			
1110	Cash and Cash Equivalents	\$ 3,100,027	\$ 6,377,861
1120	Current Investments	805,665	188,435,078
	Receivables:		
1220	Delinquent Property Taxes Receivables	-	3,983,796
1230	Allowance for Uncollectible Taxes (Credit)	-	(29,082)
1240	Receivables from Other Governments	2,884,166	5,927,759
1260	Due from Other Funds	-	2,623,832
1290	Other Receivables	-	14,230
1300	Inventories, At Cost	-	14,597
1410	Prepaid Items	-	1,138,495
1900	Long Term Investments	-	907,909
1000	Total Assets	\$ 6,789,858	\$ 209,394,475
Liabilities, Deferred Inflows of Resources, and Fund Balances			
	Liabilities:		
2110	Accounts Payable	\$ 458,158	\$ 7,943,210
2150	Payroll Deduction And Withholdings	-	672,565
2160	Accrued Wages Payable	429,547	6,179,749
2170	Due to Other Funds	2,374,492	2,623,826
2180	Payable to Other Governments	-	1,932,458
2300	Unearned Revenues	99,648	201,881
2000	Total Liabilities	3,361,845	19,553,689
	Deferred Inflows of Resources:		
	Deferred Inflows - Property Taxes	-	3,954,714
2600	Total Deferred Inflows of Resources	-	3,954,714
	Fund Balances:		
	Non-Spendable:		
3410	Inventories	-	14,597
3430	Prepaid Items	-	1,138,495
	Restricted:		
3450	Federal/State Funds Grant Restrictions	2,402,343	2,402,343
3470	Capital Acquisitions And Contractual Oblig.	-	125,145,008
3480	Debt Service	-	9,651,089
	Committed:		
3545	Other Committed	1,025,670	24,025,670
	Assigned:		
3590	Other Purposes	-	199,130
3600	Unassigned	-	23,309,740
3000	Total Fund Balances	3,428,013	185,886,072
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,789,858	\$ 209,394,475



WILLIS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
August 31, 2024

Exhibit C-1R

Data Control Codes	Total Fund Balance, Governmental Funds	\$ 185,886,072
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation/amortization, where applicable.	317,773,335
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	3,954,714
3	Deferred charge on refunding	564,931
4	Deferred outflows relating to pension activities	13,249,525
5	Deferred outflows relating to other-post employment benefit	5,400,020
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
6	General obligation bonds	(358,740,000)
7	Premiums on issuance	(16,866,528)
8	Deferred gain on refunding	(1,486,679)
9	Lease liability	(265,229)
10	SBITA liability	(202,326)
11	Net pension liability	(30,613,305)
12	Net other-post employment benefit liability	(12,343,224)
13	Accrued interest payable	(2,929,481)
14	Deferred inflows relating to pension activities	(1,665,207)
15	Deferred inflows relating to other-post employment benefit	(18,196,805)
16	Internal service fund net position	<u>3,410,537</u>
19	Net Position of Governmental Activities	<u><u>\$ 86,930,350</u></u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Exhibit C-2

Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Revenues				
5700	Local and Intermediate Sources	\$ 43,981,405	\$ 20,417,108	\$ 8,818,921
5800	State Program Revenues	40,811,780	2,631,908	-
5900	Federal Program Revenues	696,910	-	-
5020	Total Revenues	85,490,095	23,049,016	8,818,921
Expenditures				
Current:				
0011	Instruction	48,094,978	-	-
0012	Instruction Resources and Media Services	171,088	-	-
0013	Curriculum and Staff Development	1,299,409	-	-
0021	Instructional Leadership	444,396	-	-
0023	School Leadership	5,257,641	-	-
0031	Guidance, Counseling and Evaluation Services	3,070,803	-	-
0032	Social Work Services	231,367	-	-
0033	Health Services	901,961	-	-
0034	Student Transportation	4,908,623	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	2,412,150	-	-
0041	General Administration	3,214,127	-	-
0051	Facilities Maintenance and Operations	10,259,121	-	-
0052	Security and Monitoring Services	1,858,373	-	-
0053	Data Processing Services	1,240,807	-	-
Debt Service:				
0071	Principal on Long-Term Debt	329,163	7,540,000	-
0072	Interest on Long-Term Debt	28,423	14,110,481	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	63,859,655
Intergovernmental:				
0099	Other Intergovernmental Charges	601,023	-	-
6030	Total Expenditures	84,323,453	21,650,481	63,859,655
1100	Excess (Deficiency) of Revenues Over Expenditures	1,166,642	1,398,535	(55,040,734)
Other Financing Sources (Uses):				
8911	Transfers Out	(1,000,000)	-	-
7080	Total Other Financing Sources (Uses)	(1,000,000)	-	-
1200	Net Change In Fund Balances	166,642	1,398,535	(55,040,734)
0100	Fund Balance - September 1 (Beginning)	47,495,320	8,252,554	180,185,742
3000	Fund Balance - August 31 (Ending)	\$ 47,661,962	\$ 9,651,089	\$ 125,145,008

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Exhibit C-2

Page 2 of 2

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
	Revenues		
5700	Local and Intermediate Sources	\$ 3,035,632	\$ 76,253,066
5800	State Program Revenues	2,156,112	45,599,800
5900	Federal Program Revenues	13,746,995	14,443,905
5020	Total Revenues	18,938,739	136,296,771
	Expenditures		
	Current:		
0011	Instruction	7,528,074	55,623,052
0012	Instruction Resources and Media Services	11,439	182,527
0013	Curriculum and Staff Development	1,083,391	2,382,800
0021	Instructional Leadership	150,984	595,380
0023	School Leadership	416,950	5,674,591
0031	Guidance, Counseling and Evaluation Services	392,926	3,463,729
0032	Social Work Services	3,000	234,367
0033	Health Services	82,349	984,310
0034	Student Transportation	108,153	5,016,776
0035	Food Services	7,240,303	7,240,303
0036	Extracurricular Activities	1,039,535	3,451,685
0041	General Administration	28,000	3,242,127
0051	Facilities Maintenance and Operations	113,000	10,372,121
0052	Security and Monitoring Services	853,054	2,711,427
0053	Data Processing Services	6,500	1,247,307
	Debt Service:		
0071	Principal on Long-Term Debt	-	7,869,163
0072	Interest on Long-Term Debt	-	14,138,904
	Capital Outlay:		
0081	Facilities Acquisition and Construction	-	63,859,655
	Intergovernmental:		
0099	Other Intergovernmental Charges	-	601,023
6030	Total Expenditures	19,057,658	188,891,247
1100	Excess (Deficiency) of Revenues Over Expenditures	(118,919)	(52,594,476)
	Other Financing Sources (Uses):		
8911	Transfers Out	-	(1,000,000)
7080	Total Other Financing Sources (Uses)	-	(1,000,000)
1200	Net Change In Fund Balances	(118,919)	(53,594,476)
0100	Fund Balance - September 1 (Beginning)	3,546,932	239,480,548
3000	Fund Balance - August 31 (Ending)	\$ 3,428,013	\$ 185,886,072

WILLIS INDEPENDENT SCHOOL DISTRICT**Exhibit C-2R**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2024**

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds	\$ (53,594,476)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
1	Capital outlay recognized as capital asset additions.	67,448,858
2	Depreciation and amortization expense recognized for capital assets.	(10,865,941)
3	Net effect of other retirements and adjustments to capital assets.	(2,901)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,014,925
5	Repayment of long-term debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	
6	Repayment of principal on bonds.	7,540,000
7	Principal payments on lease and SBITA liability.	329,163
	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
8	Increase in interest payable not recognized in the fund statements.	(354,359)
9	Amortization of premium/discount.	1,157,975
10	Amortization of deferred charge on refunding.	173,235
11	Changes in net pension liabilities and related deferred outflows and inflows of resources.	(3,238,681)
12	Changes in net OPEB liabilities and related deferred outflows and inflows of resources.	2,558,384
13	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	170,089
	Change in Net Position of Governmental Activities	\$ 12,336,271

WILLIS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****August 31, 2024****Exhibit D-1**

	Business-type Activities	Governmental Activities
	Total Enterprise Funds	Total Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 775,828	\$ 4,442,949
Prepaid items	-	72,840
Total current assets	775,828	4,515,789
Total Assets	775,828	4,515,789
Liabilities		
Accounts Payable	1,364	303,404
Due to Other Funds	6	-
Accrued Expenses	202	801,848
Unearned Revenue	29,790	-
Total Liabilities	31,362	1,105,252
Net Position		
Unrestricted	744,466	3,410,537
Total Net Position	\$ 744,466	\$ 3,410,537

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2024

Exhibit D-2

	Business-type Activities	Governmental Activities
	Total Enterprise Funds	Total Internal Service Funds
Operating Revenues		
Charges for services	\$ 130,609	\$ -
Contributions from employer	-	7,492,834
Total Operating Revenues	130,609	7,492,834
Operating Expenses		
Payroll Costs	86,024	-
Purchased And Contracted Services	-	53,070
Supplies and Materials	2,303	2,462
Other Operating Costs	6,226	-
Claims Expense And Other Operating Expenses	-	8,267,213
Total Operating Expenses	94,553	8,322,745
Operating Income (Loss)	36,056	(829,911)
Nonoperating Revenues (Expenses)		
Transfers in	-	1,000,000
Total Nonoperating Revenues (Expenses)	-	1,000,000
Change in Net Position	36,056	170,089
Net Position (Deficit) - September 1 (Beginning)	708,410	3,240,448
Net Position (Deficit) - August 31 (Ending)	\$ 744,466	\$ 3,410,537

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2024

Exhibit D-3

	Business-type Activities	Governmental Activities
	Total Enterprise Funds	Total Internal Service Funds
Cash Flows from Operating Activities		
Cash Received from User Charges	\$ 131,313	\$ 7,492,834
Cash payments for insurance claims	-	(7,948,992)
Cash payments for other operating expenses	(93,423)	913,502
Net Cash Provided by Operating Activities	37,890	457,344
Cash Flows from Non-Capital Financing Activities		
Transfers in	-	1,000,000
Net Cash Provided by Non-Capital Financing Activities	-	1,000,000
Net Change in Cash and Cash Equivalents	37,890	1,457,344
Cash and Cash Equivalents at Beginning of Year	737,938	2,985,605
Cash and Cash Equivalents at End of Year	\$ 775,828	\$ 4,442,949
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities		
Operating income (Loss)	\$ 36,056	\$ (829,911)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Change in Assets and Liabilities:		
Increase (decrease) in due from other funds	-	1,000,000
Increase (decrease) in prepaid items	-	(72,840)
Decrease (increase) in accounts payable	1,364	41,874
Decrease (increase) in accrued liabilities	(234)	318,221
Decrease (increase) in unearned revenue	704	-
Net Cash Provided by Operating Activities	\$ 37,890	\$ 457,344

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2024

Exhibit E-1

	Custodial Fund	Custodial Fund
	Student Activity	Scholarship Fund
Assets		
Current Assets:		
Cash and cash equivalents	\$ 117,570	\$ 556
Investments - Current	6,520	-
Total Assets	\$ 124,090	\$ 556
Net Position		
Restricted for student activities	\$ 124,090	\$ 556
Total Net Position	\$ 124,090	\$ 556

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2024

Exhibit E-2

	Custodial Fund Student Activity	Custodial Fund Scholarship Fund
Additions		
Student club contributions	\$ 106,994	\$ -
Contributions	-	3,000
Total Additions	<u>106,994</u>	<u>3,000</u>
Deductions		
Payments for student activities	<u>94,387</u>	<u>5,300</u>
Total Deductions	<u>94,387</u>	<u>5,300</u>
Change in net position	12,607	(2,300)
Net Position - Beginning	<u>111,483</u>	<u>2,856</u>
Net Position - Ending	<u>\$ 124,090</u>	<u>\$ 556</u>



Note 1 - Summary of Significant Accounting Policies

The Willis Independent School District (the "District") is an independent public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by the registered voters of the District and has fiscal accountability over all activities within the jurisdiction of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement of Auditing Standards of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

A. Reporting Entity

The District's Board has responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgement for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Willis Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to or due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to or due from on the government-wide Statement of Net Position.

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

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The District reports the following major governmental funds:

- *General Fund* - The District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Debt Service Fund* - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- *Capital Projects Fund* - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Additionally, the District reports the following fund type:

Governmental Funds:

- *Special Revenue Funds* - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

- *Enterprise Funds* - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has two enterprise funds: Early Bird Child Care and Concession Stand.
- *Internal Service Funds* - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has two internal service funds: Health Insurance and the Worker's Compensation Funds.

Fiduciary Fund:

- *Custodial Funds* - The District accounts for resources held for others in a custodial fund. This fund uses the economic resources measurement focus and accrual basis. The District's Custodial Funds are the Student Activity Fund and Scholarship Fund.

D. Implementation of New Accounting Standards

GASB issued Statement No. 99, *Omnibus 2022*, in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this statement had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement do not apply and therefore do not have a material impact on the financial statements.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement do not apply and therefore do not have a material impact on the financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Implementation of New Accounting Standards (continued)

GASB issued Implementation Guide 2021-1, *Implementation Guidance Update – 2021*, in May 2021. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirement, an amendment to Question 7.9.8 in Implementation Guide 2015-1 effective for reporting periods beginning after June 15, 2023, requires governments to capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. The remaining requirements of this statement do not apply and therefore do not have a material impact on the financial statements.

GASB issued Implementation Guide 2023-1, *Implementation Guidance Update – 2023*, in June 2023. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This Implementation Guide amends Implementation Guide No. 2019-3, Leases, Question 4.16, and Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement do not apply and therefore do not have a material impact on the financial statements.

E. Deposits and Investments

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments, with maturity of three months or less when purchased, to be cash equivalents. For cash management purposes, the District transfers balances to either a money market mutual or an externally pooled investment account. The cash is transferred back to the District as needed.

Investments consist primarily of U.S. government agency securities, commercial paper, and municipal bonds. The District's investments are carried at fair value based on quoted market prices at year end, in accordance with U.S. generally accepted accounting principles. Investments having a maturity of three months or less are reported as cash and cash equivalents. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

F. Receivables and Payables

Property taxes are levied by October 1 on the assessed 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 on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property 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.

Note 1 - Summary of Significant Accounting Policies (continued)

G. Inventories and Prepaid Items

Inventories consisting of supplies and materials are stated at cost (average cost method) and they include consumable custodial, maintenance, transportation, instructional and office supplies. Inventories of governmental funds are recorded as expenditures when the supplies and materials are used or consumed (consumption method) rather than when purchased. Inventories of food commodities inventory are recorded at fair market value supplied by the Texas Department of Agriculture on the date received. Commodity inventory items are recorded as expenditures when distributed to individual campuses and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method of accounting.

H. Capital Assets

Capital assets, which include land, buildings, furniture equipment, lease assets and subscription-based information technology arrangements (SBITAs) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Useful Lives (Years)
Buildings	20 - 40
Buildings and improvements	20 - 40
Vehicles	10
Office equipment	5 - 25
Computer equipment	5 - 25
Right-to use assets	Lesser of useful life or contract term

I. Leases

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

Note 1 - Summary of Significant Accounting Policies (continued)

I. Leases (continued)

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

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

J. Subscription-Based Information Technology Arrangements

The District is under contracts for SBITA for various financial, food service and educational software. The agreements/contracts are noncancellable, and the District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of \$5,000 or more.

At the commencement of the SBITA, the District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

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

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.

L. 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 four items that qualify for reporting in this category:

- *Deferred outflows of resources for refunding* - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- *Deferred outflows of resources for pension* - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred 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 deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred outflows of resources for other post-employment benefits (OPEB)* - Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of net OPEB liabilities. 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 deferred outflows resulting from differences between projected and actual earnings on plan investments will be amortized over a closed five-year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the plan.

Note 1 - Summary of Significant Accounting Policies (continued)

L. Deferred Outflows/Inflows of Resources (continued)

A *deferred inflow of resources* is an acquisition of a government's net position (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 on the fund financial statements.
- *Deferred gain on refunding* - Reported in the government-wide statement of net position, this deferred gain results from the difference in the carrying value of refunded debt exceeding its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- *Deferred inflows of resources for pension* - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred inflows of resources for other post-employment benefits (OPEB)* - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions, 2) differences between expected and actual actuarial experiences, and 3) changes in the District's proportional share of net OPEB liabilities. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the plan.

M. Pension

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

N. Other Post-Employment Benefits (OPEB)

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

Note 1 - Summary of Significant Accounting Policies (continued)

O. Fund Balance Classifications

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

- *Non-spendable fund balance* - Represents amounts that are not in spendable form, such as inventory and prepaids, or are required to be maintained intact.
- *Restricted fund balance* - Represents amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - Represents amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, i.e., Board of Trustees. To be reported as committed, amounts cannot be used for any other purpose unless the District's Board of Trustees approves the changes by Board Resolution.
- *Assigned fund balance* - Represents amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained this authority.
- *Unassigned fund balance* - Represents amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District uses the restricted assets first whenever they will have to be returned if they are not used.

P. Data Control Codes

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

Q. Use of Estimates

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

Note 1 - Summary of Significant Accounting Policies (continued)

R. Stewardship, Compliance, and Accountability

Budgetary Data

The Board of Trustees adopts an appropriated budget for the General Fund, Debt Service Fund, and the Food Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds and then compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in the Required Supplementary Information, and the Debt Service Fund and the Food Service Fund Budget reports are presented in Exhibits J-3 and J-2, respectively.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The appropriated budgets are prepared by fund and function. Once the budgets have been approved, they can only be amended at the fund and function level by approval of a majority of the members of the Board. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Within each fund-level budget, campus and district leaders are assigned expenditure budgets which they plan and control at the function/object level. All budget appropriations lapse at year end. Increasing or decreasing any one of the functional spending categories, or revenue object accounts and other resources require the approval of the Board. The District made several supplemental budgetary revisions throughout the year, primarily in the general fund.

Note 2 - Deposits and Investments

A. Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District's cash deposits at August 31, 2024 of \$10,752,463 were fully collateralized by FDIC insurance held by the District's agent in the name of the district in accordance with Texas Government Code, Chapter 2257, Public Funds Collateral Act and the District's Investment Policy. The carrying amount of the deposits as of August 31, 2024 is reported in the financial statements is \$7,095,613.

Note 2 - Deposits and Investments (continued)

B. Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 a governmental entity 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 entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas

Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Willis Independent School District is in substantial compliance with the requirements of the Act and with local policies. Additional policies and contractual provisions governing investments for Willis Independent School District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2024, the District's investments were rated AAAM and AA+.

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not limit the amount of the portfolio that can be invested in any one investment vehicle. However, the District invests 99% of its funds in local government investment pools.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the District does not have a formal investment policy that limits investment maturities as means of managing exposure to fair value losses arising from increasing interest rates.

Note 2 - Deposits and Investments (continued)

B. Investments (continued)

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 judgment and considers factors specific to each asset or liability.

As of August 31, 2024, the District's cash and investment balances, the weighted average maturity, and the credit ratings of these investments were as follows:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Governmental Activities			
Cash and deposits	\$ 6,201,659	N/A	N/A
Investment Pools			
Local Government Investment Pools:			
TexPool	459	36	
Texas CLASS	139,226,791	35	AAA _m
TexStar	2,300,142	29	AAA _m
Lone Star Government Overnight Fund	50,219,933	46	AAA _m
Federal Farm Credit Bank	589,126	302	AA ⁺
Federal Home Loan Bank	414,701	956	AA ⁺
US Treasury Securities	1,210,986	222	AAA _m
Total Investments	<u>193,962,138</u>		
Total Governmental Activities	<u>200,163,797</u>		
Business-Type Activities			
Cash and deposits	775,828	N/A	N/A
Total Business-Type Activities	<u>775,828</u>		
Fiduciary Funds			
Cash and Deposits	118,126	N/A	N/A
Investments	6,520	N/A	N/A
Total Fiduciary Funds	<u>124,646</u>		
Total	<u>\$ 201,064,271</u>		
Investment Earnings	12,846,270		

Note 3 - Receivables and Unearned Revenues

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

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Governmental Activities				
Property Taxes	\$ 2,936,310	\$ 1,047,486	\$ -	\$ 3,983,796
Due from other governments	3,043,593	-	2,884,166	5,927,759
Other Receivables	-	14,230	-	14,230
Gross receivables	5,979,903	1,061,716	2,884,166	9,925,785
Less: Allowance for doubtful accounts	(22,167)	(6,915)	-	(29,082)
Net Total Governmental Activities	5,957,736	1,054,801	2,884,166	9,896,703
Net Total Receivables	\$ 5,957,736	\$ 1,054,801	\$ 2,884,166	\$ 9,896,703

Unearned revenue at year end consisted of the following:

	Unearned Revenue
General fund - Season Tickets	\$ 102,233
Special revenue - Grants	99,648
Enterprise fund - Early Bird Program Fees	29,790
Total	\$ 231,671

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment."

As of August 31, 2024, the District's interfund balances were as follows:

Governmental Activities	Interfund Receivable	Interfund Payable	Net
General Fund	\$ 2,508,169	\$ 115,663	\$ 2,392,506
Debt Service Fund	115,663	133,671	(18,008)
Special Revenue Fund	-	2,374,492	(2,374,492)
Business-Type Activities:			
Enterprise Funds	-	6	(6)
Total	\$ 2,623,832	\$ 2,623,832	\$ -

Note 4 - Interfund Receivables, Payables, and Transfers (continued)

Interfund transfer are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The following is a summary of the District’s transfers for the fiscal year ended August 31, 2024.

Transfers From	Transfers To Enterprise Fund
General fund	\$ 1,000,000
Total	\$ 1,000,000

During the fiscal year ended August 31, 2024, the District transferred \$1,000,000 from the general fund to the internal service fund to contribute funds for future operations.

Note 5 - Capital Assets

Capital asset activity for the governmental activities of the District for the year ended August 31, 2024, are as follows:

	Balance September 1, 2023	Additions	(Transfers, Adjustments, and Retirements)	Balance August 31, 2024
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 14,012,769	\$ 9,129,281	\$ -	\$ 23,142,050
Construction in progress	8,393,092	49,444,358	(9,274,229)	48,563,221
Total Capital Assets, Not Being Depreciated	22,405,861	58,573,639	(9,274,229)	71,705,271
Capital Assets, Being Depreciated:				
Buildings & Improvements	311,415,649	5,286,016	9,274,229	325,975,894
Furniture & Equipment	14,317,586	3,589,203	(37,505)	17,869,284
Right-to-Use lease asset - equipment	507,104	-	-	507,104
Right-to-Use SBITA asset	891,842	-	(59,985)	831,857
Total Capital Assets, Being Depreciated	327,132,181	8,875,219	9,176,739	345,184,139
Less Accumulated Depreciation/Amortization for:				
Buildings & Improvements	(79,509,739)	(8,874,323)	-	(88,384,062)
Furniture & Equipment	(8,460,451)	(1,538,008)	34,604	(9,963,855)
Right-to-Use lease asset - equipment	(16,904)	(101,421)	-	(118,325)
Right-to-Use SBITA asset	(357,629)	(352,189)	59,985	(649,833)
Total Accumulated Depreciation/Amortization	(88,344,723)	(10,865,941)	94,589	(99,116,075)
Governmental Capital Assets	\$ 261,193,319	\$ 56,582,917	\$ (2,901)	\$ 317,773,335

Note 5 - Capital Assets (continued)

Depreciation/amortization expense of the governmental activities was charged to the functions/programs as follows:

Function	Depreciation Expense/Amortization
Governmental Activities:	
Instruction	\$ 6,460,708
Instructional resources and media services	21,369
Curriculum and staff development	162,297
Instructional leadership	55,505
School leadership	656,683
Guidance, counseling and evaluation services	383,546
Health services	28,898
Student transportation	112,656
Food services	613,091
Extracurricular activities	301,279
General administration	401,447
Facilities maintenance and operations	1,281,372
Security and monitoring services	232,112
Data processing services	154,978
Total Governmental Activities	\$ 10,865,941

Commitments

The District has active construction projects as of August 31, 2024. The projects include the construction and equipment of school facilities. At year-end, the District's commitments totaled approximately \$49 million.

Project	Contract Amount	Construction in Progress	Remaining Commitment
LLMS Repiping Project	\$ 138,000	\$ 1,456	\$ 136,544
MES Chiller Replacement	1,678,044	1,652,230	25,814
ART Chiller Replacement	2,576,348	2,449,471	126,877
WHS Chiller	27,000	20,250	6,750
Middle School #3	67,867,684	29,169,012	38,698,672
Baseball/Softball Turf	3,072,808	2,948,798	124,010
LLMS Central Plant	7,923,374	6,319,066	1,604,308
Elementary School #7	1,428,592	128,573	1,300,019
LLMS Sprinkler	3,177,416	2,809,078	368,338
LLMS Band Hall	3,017,455	1,171,447	1,846,008
CTE Hay Barn	1,780	1,780	-
WHS Track	10,345	7,876	2,469
Brabham Middle School Turf	1,284,225	1,113,233	170,992
LLMS Yates Stadium Turf	810,290	770,951	39,339
	\$ 93,013,361	\$ 48,563,221	\$ 44,450,140

Note 5 - Capital Assets (continued)

Commitments (continued)

The calculation of Net Investment in Capital Assets as presented at Exhibit A-1 is as follows:

Capital Assets, Net of Depreciation and Amortization	\$ 317,773,335
Less:	
General obligation bonds	(358,740,000)
Premiums	(16,866,528)
Deferred gain on refunding	(1,489,425)
Leases	(265,229)
Subscriptions	(202,326)
Capital related payables	(6,987,320)
Plus:	
Unspent bond proceeds	132,132,328
Deferred loss on refunding	564,931
Net Investment in Capital Assets Per Exhibit A-1	<u><u>\$ 65,919,766</u></u>

Note 6 - Long-Term Liabilities

Changes in Long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds, par	\$ 366,280,000	\$ -	\$ (7,540,000)	\$ 358,740,000	\$ 7,865,000
Issuance premiums	18,024,503	-	(1,157,975)	16,866,528	-
Total bonds payable	<u>384,304,503</u>	<u>-</u>	<u>(8,697,975)</u>	<u>375,606,528</u>	<u>7,865,000</u>
Lease liability	363,814	-	(98,585)	265,229	101,583
SBITA liability	432,904	-	(230,578)	202,326	202,326
Net pension liability	26,420,399	4,192,906	-	30,613,305	-
Net OPEB liability	13,274,284	-	(931,060)	12,343,224	-
Total Governmental Activities	<u><u>\$ 424,795,904</u></u>	<u><u>\$ 4,192,906</u></u>	<u><u>\$ (9,958,198)</u></u>	<u><u>\$ 419,030,612</u></u>	<u><u>\$ 8,168,909</u></u>

Note 6 - Long-Term Liabilities

General Obligation Bonds

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term debt for the year ended August 31, 2024 is as follows:

Description	Original Issuance Amount	Interest Rate (%)	Balance 9/1/23	Increase	Decrease	Balance 8/31/24	Due in One Year
Unlimited Tax Refunding Bonds, Series 2015	\$ 27,220,000	2.00-5.00%	\$ 10,895,000	\$ -	\$ (2,580,000)	\$ 8,315,000	\$ 2,715,000
Unlimited Tax School Building and Refunding Bonds, Series 2016	71,090,000	2.00-5.00%	68,945,000	-	(925,000)	68,020,000	935,000
Unlimited Tax School Building and Refunding Bonds, Series 2017	39,885,000	2.00-5.00%	38,405,000	-	(380,000)	38,025,000	390,000
Unlimited Tax Refunding Bonds, Series 2019	7,610,000	4.00-5.00%	3,760,000	-	(1,840,000)	1,920,000	1,920,000
Unlimited Tax Building Bonds, Series 2021	97,180,000	2.00-4.00%	96,530,000	-	(1,815,000)	94,715,000	1,905,000
Unlimited Tax Refunding Bonds, Series 2021	4,755,000	3.00-4.00%	4,700,000	-	-	4,700,000	-
Unlimited Tax Building Bonds, Series 2022	143,045,000	4.00-5.00%	143,045,000	-	-	143,045,000	-
			<u>366,280,000</u>	<u>-</u>	<u>(7,540,000)</u>	<u>358,740,000</u>	<u>7,865,000</u>
Other District Obligations:							
Premium on Bonds			<u>18,024,503</u>	<u>-</u>	<u>(1,157,975)</u>	<u>16,866,528</u>	<u>-</u>
Total Other Obligations			<u>18,024,503</u>	<u>-</u>	<u>(1,157,975)</u>	<u>16,866,528</u>	<u>-</u>
Total District Obligations			<u>\$ 384,304,503</u>	<u>\$ -</u>	<u>\$ (8,697,975)</u>	<u>\$ 375,606,528</u>	<u>\$ 7,865,000</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2024. Debt service requirements for bonds are as follows:

Year Ending August 31	Principal	Interest	Totals
2025	\$ 7,865,000	\$ 13,779,582	\$ 21,644,582
2026	8,235,000	13,409,607	21,644,607
2027	8,630,000	13,015,082	21,645,082
2028	9,025,000	12,611,832	21,636,832
2029	9,415,000	12,215,332	21,630,332
2030 - 2034	54,515,000	54,539,032	109,054,032
2035 - 2039	59,440,000	43,208,705	102,648,705
2040 - 2044	71,630,000	30,922,506	102,552,506
2045 - 2049	77,045,000	17,424,376	94,469,376
2050 - 2054	52,940,000	3,249,760	56,189,760
	<u>\$ 358,740,000</u>	<u>\$ 214,375,814</u>	<u>\$ 573,115,814</u>

Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	Nonmajor Enterprise Funds	Total
Property Taxes	\$ 40,208,732	\$ 19,798,096	\$ -	\$ -	\$ 60,006,828	\$ -	\$ 60,006,828
Food Service Activity	-	-	-	1,648,835	1,648,835	-	1,648,835
Rent	126,329	-	-	-	126,329	-	126,329
Extracurricular Activities	174,095	-	-	1,153,875	1,327,970	-	1,327,970
Insurance Recovery	7,408	-	-	-	7,408	-	7,408
Investment Income	3,094,093	619,012	8,818,921	200,274	12,732,300	-	12,732,300
Charges for Services	-	-	-	-	-	130,609	130,609
Other	370,748	-	-	32,648	403,396	-	403,396
Total	\$ 43,981,405	\$ 20,417,108	\$ 8,818,921	\$ 3,035,632	\$ 76,253,066	\$ 130,609	\$ 76,383,675

Note 8 – Leases

The District is under contract for a noncancellable lease agreement that convey control of the right-to-use assets. The lease liability outstanding as of August 31, 2024, was as follows:

				Lease Liability		Lease Asset		
				Liability as of		Accumulated		
Lease Type	Start Date	End Date	Interest Rate	Original Amount	August 31, 2024	Original Amount	Amortization August 31, 2024	Net Amount August 31, 2024
Copiers	8/1/2022	7/1/2027	3.00%	\$ 507,104	\$ 265,229	\$ 507,104	\$ (118,325)	\$ 388,779
				\$ 507,104	\$ 265,229	\$ 507,104	\$ (118,325)	\$ 388,779

The future principal and interest lease payments as of August 31, 2024, were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 101,583	\$ 7,761	\$ 109,344
2026	104,673	4,671	109,344
2027	58,973	1,487	60,460
	<u>\$ 265,229</u>	<u>\$ 13,919</u>	<u>\$ 279,148</u>

Note 9 - Subscription Based Information Technology Arrangements

The District is under contract for noncancellable SBITAs that convey control of the right-to-use software. The SBITA liabilities outstanding as of August 31, 2024, are as follows:

				Subscription Liability		Subscription Asset		
				Liability as of		Accumulated		
Subscription Software Type	Start Date	End Date	Interest Rate	Original Amount	August 31, 2024	Original Amount	Amortization August 31, 2024	Net Amount August 31, 2024
Finance	9/1/2022	7/31/2025	5.00%	\$ 463,075	\$ 161,750	\$ 463,075	\$ (330,098)	\$ 132,977
Food Service	9/1/2022	7/31/2025	5.00%	68,305	22,548	68,305	(46,742)	21,563
Educational	9/1/2022	7/31/2025	5.00%	54,612	18,028	54,612	(37,372)	17,240
Educational	10/3/2022	10/2/2024	5.00%	-	-	245,865	(235,621)	10,244
				<u>\$ 585,992</u>	<u>\$ 202,326</u>	<u>\$ 831,857</u>	<u>\$ (649,833)</u>	<u>\$ 182,024</u>

Note 9 - Subscription Based Information Technology Arrangements (continued)

The future principal and interest SBITA payments as of August 31, 2024, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 202,326	\$ 4,869	\$ 207,195
	<u>\$ 202,326</u>	<u>\$ 4,869</u>	<u>\$ 207,195</u>

Note 10 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

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

Note 10 - Defined Benefit Pension Plan (continued)

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 through 2025.

	Contribution Rates	
	September 1, 2023 to August 31, 2024	September 1, 2022 to August 31, 2023
Member	8.25%	8.00%
Non-employer contributing agency	8.25%	8.00%
Employers	8.25%	8.00%

	Current Fiscal Year Contributions
Employer (District)	\$ 2,499,303
Employee (Member)	4,748,619
Non-employer Contributing Entity	
On-behalf Contributions (State)	2,703,227

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, 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.

Note 10 - Defined Benefit Pension Plan (continued)

Actuarial Assumptions

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

Component	Result
Valuation Date	August 31, 2022, rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2020	4.13% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2122
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

A single discount rate of 7 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7 percent. The projection of flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.50 percent of payroll in fiscal year 2024 increasing to 9.56 percent in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 10 - Defined Benefit Pension Plan (continued)

Discount Rate (continued)

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

Asset Class¹	Target Allocation²	Long-Term Expected Geometric Real Rate of Return³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.00%	1.00%
Non-U.S. Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity ¹	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return ¹	0.00%	3.60%	0.00%
Stable Value Hedge Funds	5.00%	4.10%	0.20%
Real Return			
Real Estate	15.00%	4.90%	1.10%
Energy, Natural Resources & Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
Risk Parity	8.00%	4.50%	0.40%
Asset Allocation Leverage			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	-6.00%	4.40%	-0.10%
Inflation Expectation			2.30%
Volatility Drag ⁴			-0.90%
Expected Return	100.00%		8.00%

¹ Absolute Return includes Credit Sensitive Investments.

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

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

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

Note 10 - Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current rate.

	Discount Rate		
	1% Decrease 6.00%	Current 7.00%	1% Increase 8.00%
District's proportional share of the net pension liability	\$ 45,768,586	\$ 30,613,305	\$ 18,011,680

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

On August 31, 2024, the District reported a liability of \$30,613,305 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	\$ 30,613,305
State's proportionate share that is associated with the District	38,334,707
Total	<u><u>\$ 68,948,012</u></u>

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

At August 31, 2023, the District's proportion of the collective net pension liability was 0.0446% which was an increase of 0.0001% from its proportion measured as of August 31, 2022.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

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

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

Note 10 - Defined Benefit Pension Plan (continued)

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

For the year ended August 31, 2024, the District recognized pension expense of \$5,738,673. The District also recognized an additional on-behalf revenue and expense of \$5,788,209 representing for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,090,762	\$ (370,694)
Changes in assumptions	2,895,419	(708,575)
Net difference between projected and actual earnings on pension plan investments	4,454,979	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,309,062	(585,938)
District contributions subsequent to the measurement date of the net pension liability	2,499,303	-
Total	<u>\$ 13,249,525</u>	<u>\$ (1,665,207)</u>

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$2,499,303 will be recognized as a reduction of the net pension liability in the year ending August 31, 2025. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31,	Pension Expense Amount
2025	\$ 1,955,844
2026	1,292,107
2027	4,231,215
2028	1,489,127
2029	116,722
	<u>\$ 9,085,015</u>

The District will continue to make the required pension contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net Pension Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and Special Revenue funds.

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. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

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

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	September 1, 2023 to August 31, 2024	September 1, 2022 to August 31, 2023
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

	Current Fiscal Year Contributions	
	\$	
Employer (District)	498,472	
Employee (Member)	378,886	
Non-employer Contributing Entity		
On-behalf Contributions (State)	903,140	

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

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

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions

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

Component	Result
Valuation Date	August 31, 2022, rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	4.13% as of August 31, 2023
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for non-Medicare retirees. The initial prescription drug trend was 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.
Election Rates	Normal Retirement: 62 percent participation rate prior to age 65 and 25 percent participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) Wage Inflation.

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

Discount Rate

A single discount rate of 4.13 percent was used to measure the total OPEB liability. There was an increase of 0.22 percent in the discount rate since the previous year.

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

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease 3.13%	Current Rate 4.13%	1% Increase 5.13%
District's proportionate share of the Net OPEB Liability	\$ 14,537,747	12,343,224	\$ 10,552,440

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

At August 31, 2024, the District reported a liability of \$12,343,224 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	\$ 12,343,224
State's proportionate share that is associated with District	14,893,997
Total	<u><u>\$ 27,237,221</u></u>

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

At August 31, 2023, the District's proportion of the collective Net OPEB Liability was 0.0558%, which was an increase of 0.0004% from its proportionate share measured as of August 31, 2022.

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

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
District's proportionate share of the Net OPEB Liability	\$ 10,164,027	12,343,224	\$ 15,146,768

Changes Since the Prior Actuarial Valuation

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

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

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs (continued)

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended August 31, 2024, the District recognized a negative OPEB expense of \$2,059,849. The District also recognized negative on-behalf expense and revenue of \$3,184,022 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 558,437	\$ (10,384,485)
Changes in actuarial assumptions	1,684,760	(7,558,083)
Difference between projected and actual investment earnings	5,333	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,653,019	(254,237)
District contributions subsequent to the measurement date of the net OPEB liability	498,471	-
Total	<u><u>\$ 5,400,020</u></u>	<u><u>\$ (18,196,805)</u></u>

The \$498,471 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2025.

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

<u>Year Ended August 31:</u>	<u>OPEB Expense Amount</u>
2025	\$ (3,087,225)
2026	(2,521,102)
2027	(1,754,660)
2028	(2,009,860)
2029	(1,720,410)
Thereafter	(2,201,999)
	<u><u>\$ (13,295,256)</u></u>

The District will continue to make the required OPEB contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net OPEB Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and Special Revenue funds.

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2024, 2023, and 2022, the subsidy payments received by TRS-Care on-behalf of the District were \$311,363, \$303,196, and \$218,835, respectively. The information for the year ended August 31, 2024 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 12 - Accumulated Unpaid Vacation and Sick Leave Benefits

The District does not accrue unpaid sick leave benefits.

Note 13 - Risk Management

Health Insurance Fund

Beginning September 2022, the only health insurance plan available to District employees was the District sponsored self-funded plan to provide health care benefits to employees and their dependents. The plan was administered by a third party. The District was protected against catastrophic individual or aggregate loss through stop-loss coverage carried through an insurance carrier. Premiums are paid into an internal service fund and are available to pay claims and administrative costs of the program. These interfund premiums are reported as revenues in the internal service fund. Estimates of claims payable and of claims incurred but not reported as of August 31, 2024, are reflected as claims payable of the fund. These estimates were determined based on claims information supplied by the claims administrator. The plan is funded to discharge liabilities as they become due.

The following is a summary of the changes in the claims payable for the health insurance internal service fund for fiscal year 2024:

Fiscal Year	Beginning of Fiscal Year		Balance at Fiscal Year	
	Claims Payable	Claims	Claim Payments	End
2024	\$ 373,671	\$ 7,963,394	\$ (7,791,171)	\$ 545,894
2023	426,548	7,427,942	(7,480,819)	373,671

Workers' Compensation

The District maintains a self-insurance plan for workers' compensation benefits for employees (the "Plan"). The District's retention of risk is \$1,000,000 per occurrence with an aggregate stop-loss limit of \$5,000,000. Claims incurred by the employees of the District are handled by a third-party administrator who is responsible for estimating losses to be incurred by the District and ultimately paid to the claimant.

Settled claims have not exceeded the aggregate coverage in any year the Plan has been in effect. Insurance coverage has not been reduced for the year from the prior year. The accrued claims payable includes provisions for reported claims and claims incurred but not yet reported is determined by estimating the amount that will ultimately be paid each claimant and is calculated and provided by the District's third-party administrator. Accrued claims payable have not been discounted to their present value as the District expects such claims to be paid within the following fiscal year. The District believes that any discount of the claims payable would not be material to the overall financial statements.

Note 13 - Risk Management (continued)

Workers' Compensation (continued)

Changes in the balances of claims liabilities during the current and past two years are as follows:

Fiscal Year	Beginning of Fiscal Year Claims Payable	Claims	Claim Payments	Balance at Fiscal Year End
2024	\$ 109,956	\$ 303,819	\$ (157,821)	\$ 255,954
2023	258,846	82,208	(231,098)	109,956

Note 14 - Committed Fund Balance

The District's Board of Trustees has committed \$23 million in the General Fund for the following purposes:

Project/Item	Amount
School Buses	\$ 1,000,000
Campus Improvement Projects	5,000,000
Campus Security Improvements	2,450,000
Stadium Enhancements	550,000
Emergency Funds for Utility Costs	1,000,000
Future Insurance Claims	3,000,000
Purchase of Future School Site(s)	10,000,000
Total	\$ 23,000,000

The District commits 100% of its campus activities fund balance within the special revenue fund.



REQUIRED SUPPLEMENTARY INFORMATION

WILLIS INDEPENDENT SCHOOL DISTRICT
Exhibit G-1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ORIGINAL BUDGET, AMENDED FINAL (GAAP BASIS) AND ACTUAL - GENERAL FUND
For the Year Ended August 31, 2024**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Local revenues	\$ 47,009,348	\$ 43,933,557	\$ 43,981,405	\$ 47,848
State program revenues	32,684,372	39,872,119	40,811,780	939,661
Federal program revenues	1,682,000	1,419,332	696,910	(722,422)
Total Revenues	81,375,720	85,225,008	85,490,095	265,087
			-	
Expenditures				
Current:				
Instruction	46,220,188	48,220,188	48,094,978	125,210
Instructional resources and media services	180,808	190,808	171,088	19,720
Curriculum and staff development	1,541,947	1,341,947	1,299,409	42,538
Instructional leadership	535,375	485,375	444,396	40,979
School leadership	5,325,944	5,305,944	5,257,641	48,303
Guidance, counseling and evaluation services	2,895,135	3,075,135	3,070,803	4,332
Social work services	204,829	254,829	231,367	23,462
Health services	916,898	916,898	901,961	14,937
Student transportation	4,572,968	5,172,968	4,908,623	264,345
Extracurricular activities	2,376,631	3,026,631	2,412,150	614,481
General administration	2,925,111	3,225,111	3,214,127	10,984
Facilities maintenance and operations	10,400,288	10,609,576	10,259,121	350,455
Security and monitoring services	1,229,572	2,029,572	1,858,373	171,199
Data processing services	1,058,026	1,458,026	1,240,807	217,219
Debt Service:				
Principal on long-term debt	381,577	471,577	329,163	142,414
Interest on long-term debt	28,423	28,423	28,423	-
Intergovernmental:				
Payments to Juvenile Justice Alt. Ed. Prgm.	12,000	12,000	-	12,000
Other governmental charges	570,000	620,000	601,023	18,977
Total Expenditures	81,375,720	86,445,008	84,323,453	2,121,555
Excess (deficiency) of revenues over expenditures	-	(1,220,000)	1,166,642	2,386,642
Other Financing Sources (Uses):				
Transfers out	-	-	(1,000,000)	(1,000,000)
Total Other Financing Sources (Uses)	-	-	(1,000,000)	(1,000,000)
Net change in fund balances	-	(1,220,000)	166,642	1,386,642
Fund Balances - Beginning	47,495,320	47,495,320	47,495,320	-
Fund Balances - Ending	\$ 47,495,320	\$ 46,275,320	\$ 47,661,962	\$ 1,386,642

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Ten Measurement Years

Exhibit G-2

	2023	2022	2021	2020	2019
District's proportion of the net pension liability	0.0445%	0.0445%	0.3780%	0.0366%	0.0403%
District's proportionate share of the net pension liability	\$ 30,613,305	\$ 26,420,399	\$ 9,616,439	\$ 19,596,125	\$ 20,936,137
State's proportionate share of the net pension liability associated with the District	38,334,707	33,895,552	15,472,064	32,666,379	29,856,517
Total	\$ 68,948,012	\$ 60,315,951	\$ 25,088,503	\$ 52,262,504	\$ 50,792,654
District's covered payroll (for Measurement Year)	\$ 55,763,828	\$ 53,245,711	\$ 48,055,226	\$ 46,456,111	\$ 43,699,281
District's proportionate share of the net pension liability as a percentage of covered payroll	54.90%	49.62%	20.01%	42.18%	47.91%
Plan fiduciary net position as a percentage of the total pension liability	73.15%	75.65%	88.79%	75.57%	57.24%

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0393%	0.0390%	0.0362%	0.0379%	0.0245%
District's proportionate share of the net pension liability	\$ 21,614,753	\$ 12,471,763	\$ 13,678,697	\$ 13,395,838	\$ 6,535,394
State's proportionate share of the net pension liability associated with the District	32,061,491	18,887,011	22,386,698	21,163,850	18,665,631
Total	\$ 53,676,244	\$ 31,358,774	\$ 36,065,395	\$ 34,559,688	\$ 25,201,025
District's covered payroll (for Measurement Year)	\$ 41,678,787	\$ 39,972,432	\$ 37,322,171	\$ 35,786,146	\$ 34,840,688
District's proportionate share of the net pension liability as a percentage of covered payroll	51.86%	31.20%	36.65%	37.43%	18.76%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Ten Fiscal Years Ended August 31

Exhibit G-3

	2024	2023	2022	2021	2020
Contractually required contributions	\$ 2,499,303	\$ 2,290,167	\$ 2,076,726	\$ 1,612,161	\$ 1,501,458
Contributions in relation to the					
contractually required contributions	2,499,303	2,290,167	2,076,726	(1,612,161)	(1,501,458)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 52,269,955	\$ 55,763,828	\$ 53,245,711	\$ 48,055,226	\$ 46,456,111
Contributions as a percentage of covered payroll	4.78%	4.11%	3.90%	3.35%	3.23%
	2019	2018	2017	2016	2015
Contractually required contributions	\$ 1,408,633	\$ 1,322,974	\$ 1,278,273	\$ 1,150,103	\$ 897,108
Contributions in relation to the					
contractually required contributions	(1,408,633)	(1,322,974)	(1,278,273)	(1,150,103)	(897,108)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 43,699,281	\$ 41,678,787	\$ 39,972,432	\$ 37,322,171	\$ 35,786,146
Contributions as a percentage of covered payroll	3.22%	3.17%	3.20%	3.08%	2.51%

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Seven Measurement Years

Exhibit G-4

	2023	2022	2021	2020
District's proportion of the net OPEB liability	0.0558000%	0.0554000%	0.0507000%	0.0506623%
District's proportionate share of the net OPEB liability	\$ 12,343,224	\$ 13,274,284	\$ 19,548,361	\$ 19,259,034
State's proportionate share of the net OPEB liability associated with the District	14,893,997	16,192,541	26,190,447	25,879,525
Total	\$ 27,237,221	\$ 29,466,825	\$ 45,738,808	\$ 45,138,559
District's covered payroll (for Measurement Year)	\$ 55,763,828	\$ 53,245,711	\$ 48,055,226	\$ 46,456,111
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	22.13%	24.93%	40.68%	41.46%
Plan fiduciary net position as a percentage of the total OPEB liability *	14.94%	11.52%	6.18%	4.99%
	2019	2018	2017	
District's proportion of the net OPEB liability	0.0513837%	0.0505885%	0.0503240%	
District's proportionate share of the net OPEB liability	\$ 24,299,982	\$ 25,259,276	\$ 21,884,017	
State's proportionate share of the net OPEB liability associated with the District	32,289,236	35,134,208	29,772,356	
Total	\$ 56,589,218	\$ 60,393,484	\$ 51,656,373	
District's covered payroll (for Measurement Year)	\$ 43,699,281	\$ 41,678,787	\$ 39,972,432	
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	55.61%	60.60%	54.75%	
Plan fiduciary net position as a percentage of the total OPEB liability *	2.66%	1.57%	0.91%	

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Seven Fiscal Years Ended August 31

Exhibit G-5

	2024	2023	2022	2021
Contractually required contributions	\$ 498,472	\$ 483,596	\$ 455,330	\$ 395,022
Contributions in relation to the contractually required contributions	498,472	483,596	455,330	395,022
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 52,269,955	\$ 55,763,828	\$ 53,245,711	\$ 48,055,226
Contributions as a percentage of covered payroll	0.95%	0.87%	0.86%	0.82%
	2020	2019	2018	
Contractually required contributions	\$ 392,913	\$ 364,521	\$ 349,034	
Contributions in relation to the contractually required contributions	392,913	364,521	349,034	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 46,456,111	\$ 43,669,281	\$ 41,678,787	
Contributions as a percentage of covered payroll	0.85%	0.83%	0.84%	

* The amounts presented for the fiscal years were determined as of the District's fiscal year end.

Note: Ten years of data should be presented in this schedule but data is unavailable prior to fiscal year 2018.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note 1 - Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the national school breakfast and lunch program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

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

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources and uses require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended August 31, 2024, the District did not exceed appropriations in the functions (the legal level of budgetary control).

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (continued)

Note 2 - Net Pension Liability and Net OPEB Liability

Changes of Assumptions - Pension

Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

Measurement Year 2022: The discount rate changed from 7.25% to 7.00%.

Measurement Year 2023: None.

Changes of Assumptions - OPEB

Measurement Year 2018: The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2019: The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.

Measurement Year 2020: The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Measurement Year 2021: The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021.

Measurement Year 2022: The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.

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

OTHER SUPPLEMENTARY INFORMATION

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2024

Exhibit H-1
Page 1 of 7

		211	224	225	226
Data Control Codes		ESEA, Title I, Pt A - Improving Basic Ed.		IDEA B - Preschool	IDEA-Part B High Cost Risk Pool
			IDEA B - Formula		
	Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1240	Receivables from other governments	401,265	282,272	-	-
1000	Total Assets	<u>\$ 401,265</u>	<u>\$ 282,272</u>	<u>\$ -</u>	<u>\$ -</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ 873	\$ -	\$ -
2160	Accrued wages payable	95,732	131,859	-	-
2170	Due to other funds	305,533	149,540	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>401,265</u>	<u>282,272</u>	<u>-</u>	<u>-</u>
	Fund Balances:				
	Restricted:				
3450	Federal/State funds grant restrictions	-	-	-	-
	Committed:				
3545	Campus activities	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 401,265</u>	<u>\$ 282,272</u>	<u>\$ -</u>	<u>\$ -</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2024

Exhibit H-1
Page 2 of 7

Data Control Codes		240	244	255	263
		Child Nutrition	Career and Technical Education	ESEA, Title II, Pt A - Supporting Effective Instruction	ESEA, Title III, Pt A - BIL/ESL
	Assets				
1110	Cash and cash equivalents	\$ 2,294,364	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1240	Receivables from other governments	336,493	9,463	17,087	37,246
1000	Total Assets	<u>\$ 2,630,857</u>	<u>\$ 9,463</u>	<u>\$ 17,087</u>	<u>\$ 37,246</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ 278,754	\$ -	\$ 1,742	\$ -
2160	Accrued wages payable	187,116	1,374	5,875	7,385
2170	Due to other funds	2,848	8,089	9,470	29,861
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>468,718</u>	<u>9,463</u>	<u>17,087</u>	<u>37,246</u>
	Fund Balances:				
	Restricted:				
3450	Federal/State funds grant restrictions	2,162,139	-	-	-
	Committed:				
3545	Campus activities	-	-	-	-
3000	Total Fund Balances	<u>2,162,139</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,630,857</u>	<u>\$ 9,463</u>	<u>\$ 17,087</u>	<u>\$ 37,246</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2024

Exhibit H-1
Page 3 of 7

		272	281	282	285
Data Control Codes		Medicaid Administrative Claiming Program	ESSER II (CRRSA)	ESSER III (ARPA)	IDEA - Part B, Preschool (ARPA)
	Assets				
1110	Cash and cash equivalents	\$ 225,052	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1240	Receivables from other governments	-	-	1,593,889	-
1000	Total Assets	<u>\$ 225,052</u>	<u>\$ -</u>	<u>\$ 1,593,889</u>	<u>\$ -</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	1,593,889	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>1,593,889</u>	<u>-</u>
	Fund Balances:				
	Restricted:				
3450	Federal/State funds grant restrictions	225,052	-	-	-
	Committed:				
3545	Campus activities	-	-	-	-
3000	Total Fund Balances	<u>225,052</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 225,052</u>	<u>\$ -</u>	<u>\$ 1,593,889</u>	<u>\$ -</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2024

Exhibit H-1
Page 4 of 7

		287	288	289	385
Data Control Codes		Education Jobs Fund	Other Federally Funded Special Revenue Funds	Title IV Part A	Visually Impaired State
	Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1240	Receivables from other governments	18,655	-	-	-
1000	Total Assets	<u>\$ 18,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ 6,614	\$ -	\$ -	\$ -
2160	Accrued wages payable	206	-	-	-
2170	Due to other funds	11,835	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>18,655</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Fund Balances:				
	Restricted:				
3450	Federal/State funds grant restrictions	-	-	-	-
	Committed:				
3545	Campus activities	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 18,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2024

Exhibit H-1
Page 5 of 7

Data Control Codes		397	410	425 Safety and Facilities Enhancement (SAFE) Grant, Cycle 1	427
		Advanced Placement Incentive	Instructional Materials Allotment		Evaluation Capacity Fund
	Assets				
1110	Cash and cash equivalents	\$ -	\$ 169,121	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1240	Receivables from other governments	-	-	187,796	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 169,121</u>	<u>\$ 187,796</u>	<u>\$ -</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ 169,121	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	102,275	-
2300	Unearned revenues	-	-	85,521	-
2000	Total Liabilities	<u>-</u>	<u>169,121</u>	<u>187,796</u>	<u>-</u>
	Fund Balances:				
	Restricted:				
3450	Federal/State funds grant restrictions	-	-	-	-
	Committed:				
3545	Campus activities	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 169,121</u>	<u>\$ 187,796</u>	<u>\$ -</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2024

Exhibit H-1
Page 6 of 7

		428	429	461	498
Data Control Codes		High School Allotment	Safety & Security Grant	Campus Activity Funds	After School Achievement
	Assets				
1110	Cash and cash equivalents	\$ 4,639	\$ -	\$ 382,211	\$ 15,152
1120	Investments - Current	-	-	805,665	-
1240	Receivables from other governments	-	-	-	-
1000	Total Assets	<u>\$ 4,639</u>	<u>\$ -</u>	<u>\$ 1,187,876</u>	<u>\$ 15,152</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ 1,054	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	161,152	-
2300	Unearned revenues	4,639	-	-	-
2000	Total Liabilities	<u>4,639</u>	<u>-</u>	<u>162,206</u>	<u>-</u>
	Fund Balances:				
	Restricted:				
3450	Federal/State funds grant restrictions	-	-	-	15,152
	Committed:				
3545	Campus activities	-	-	1,025,670	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>1,025,670</u>	<u>15,152</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,639</u>	<u>\$ -</u>	<u>\$ 1,187,876</u>	<u>\$ 15,152</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2024

Exhibit H-1
Page 7 of 7

499

Data Control Codes		Misc. Donations/ Grants	Total Nonmajor Governmental Funds
	Assets		
1110	Cash and cash equivalents	\$ 9,488	\$ 3,100,027
1120	Investments - Current	-	805,665
1240	Receivables from other governments	-	2,884,166
1000	Total Assets	<u>\$ 9,488</u>	<u>\$ 6,789,858</u>
	Liabilities and Fund Balances		
	Liabilities:		
	Current Liabilities:		
2110	Accounts payable	\$ -	\$ 458,158
2160	Accrued wages payable	-	429,547
2170	Due to other funds	-	2,374,492
2300	Unearned revenues	9,488	99,648
2000	Total Liabilities	<u>9,488</u>	<u>3,361,845</u>
	Fund Balances:		
	Restricted:		
3450	Federal/State funds grant restrictions	-	2,402,343
	Committed:		
3545	Campus activities	-	1,025,670
3000	Total Fund Balances	<u>-</u>	<u>3,428,013</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9,488</u>	<u>\$ 6,789,858</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Exhibit H-2
Page 1 of 7

		211	224	225	226
Data Control Codes		ESEA, Title I, Pt A - Improving Basic Ed.	IDEA B - Formula	IDEA B - Preschool	IDEA-Part B High Cost Risk Pool
	Revenues				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	1,879,852	1,463,569	25,277	29,153
5020	Total Revenues	<u>1,879,852</u>	<u>1,463,569</u>	<u>25,277</u>	<u>29,153</u>
	Expenditures				
	Current:				
0011	Instruction	1,040,682	1,167,820	25,277	-
0012	Instructional Resources and Media Services	7,439	-	-	-
0013	Curriculum and Instructional Staff Development	706,197	2,445	-	-
0021	Instructional Leadership	65,136	38,351	-	-
0023	School Leadership	60,398	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	254,953	-	-
0032	Social work services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	-	29,153
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	<u>1,879,852</u>	<u>1,463,569</u>	<u>25,277</u>	<u>29,153</u>
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Exhibit H-2

Page 2 of 7

		240	244	255	263
Data Control Codes			Career and Technical Education	ESEA, Title II, Pt A - Supporting Effective Instruction	ESEA, Title III, Pt A - BIL/ESL
		Child Nutrition			
Revenues					
5700	Local and Intermediate Sources	\$ 1,806,031	\$ -	\$ -	\$ -
5800	State Program Revenues	36,258	-	-	-
5900	Federal Program Revenues	5,153,723	64,327	271,682	244,700
5020	Total Revenues	6,996,012	64,327	271,682	244,700
Expenditures					
Current:					
0011	Instruction	-	64,327	9,278	184,220
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	207,258	51,472
0021	Instructional Leadership	-	-	33,754	5,835
0023	School Leadership	-	-	15,306	3,173
0031	Guidance, Counseling and Evaluation Services	-	-	6,086	-
0032	Social work services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	-	-
0035	Food Services	7,168,303	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	7,168,303	64,327	271,682	244,700
1200	Net change in fund balances	(172,291)	-	-	-
0100	Fund Balance - September 1 (Beginning)	2,334,430	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 2,162,139	\$ -	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Exhibit H-2

Page 3 of 7

		272	281	282	285
Data Control Codes		Medicaid Administrative Claiming Program	ESSER II (CRRSA)	ESSER III (ARPA)	IDEA - Part B, Preschool (ARPA)
	Revenues				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	53,898	1,222,797	3,186,210	5,520
5020	Total Revenues	53,898	1,222,797	3,186,210	5,520
	Expenditures				
	Current:				
0011	Instruction	2,902	1,222,797	2,307,234	5,520
0012	Instructional Resources and Media Services	-	-	4,000	-
0013	Curriculum and Instructional Staff Development	-	-	71,428	-
0021	Instructional Leadership	-	-	4,000	-
0023	School Leadership	-	-	337,171	-
0031	Guidance, Counseling and Evaluation Services	-	-	121,835	-
0032	Social work services	-	-	3,000	-
0033	Health Services	50,807	-	31,542	-
0034	Student Transportation	-	-	79,000	-
0035	Food Services	-	-	72,000	-
0036	Cocurricular/Extracurricular Activities	-	-	7,000	-
0041	General Administration	-	-	28,000	-
0051	Facilities Maintenance and Operations	-	-	113,000	-
0052	Security and Monitoring Services	-	-	500	-
0053	Data Processing Services	-	-	6,500	-
6030	Total Expenditures	53,709	1,222,797	3,186,210	5,520
1200	Net change in fund balances	189	-	-	-
0100	Fund Balance - September 1 (Beginning)	224,863	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 225,052	\$ -	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Exhibit H-2
Page 4 of 7

		287	288	289	385
Data Control Codes		Education Jobs Fund	Other Federally Funded Special Revenue Funds	Title IV Part A	Visually Impaired State
	Revenues				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	10,516
5900	Federal Program Revenues	112,917	7,347	26,023	-
5020	Total Revenues	<u>112,917</u>	<u>7,347</u>	<u>26,023</u>	<u>10,516</u>
	Expenditures				
	Current:				
0011	Instruction	60,334	7,347	26,023	10,516
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	41,413	-	-	-
0021	Instructional Leadership	3,908	-	-	-
0023	School Leadership	710	-	-	-
0031	Guidance, Counseling and Evaluation Services	6,552	-	-	-
0032	Social work services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	<u>112,917</u>	<u>7,347</u>	<u>26,023</u>	<u>10,516</u>
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Exhibit H-2
Page 5 of 7

		397	410	425	427
				Safety and Facilities	
Data Control Codes		Advanced Placement Incentive	Instructional Materials Allotment	Enhancement (SAFE) Grant, Cycle 1	Evaluation Capacity Fund
	Revenues				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	204	1,251,680	508,432	344,122
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	204	1,251,680	508,432	344,122
	Expenditures				
	Current:				
0011	Instruction	204	1,248,502	-	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	3,178	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	508,432	344,122
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	204	1,251,680	508,432	344,122
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Exhibit H-2
Page 6 of 7

		428	429	461	498
Data Control Codes		High School Allotment	Safety & Security Grant	Campus Activity Funds	After School Achievement
Revenues					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ 1,196,953	\$ 32,648
5800	State Program Revenues	3,500	1,400	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	3,500	1,400	1,196,953	32,648
Expenditures					
Current:					
0011	Instruction	-	1,400	136,373	7,318
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	192	-
0031	Guidance, Counseling and Evaluation Services	3,500	-	-	-
0032	Social work services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	1,022,357	10,178
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	3,500	1,400	1,158,922	17,496
1200	Net change in fund balances	-	-	38,031	15,152
0100	Fund Balance - September 1 (Beginning)	-	-	987,639	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 1,025,670	\$ 15,152

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Exhibit H-2
Page 7 of 7

		499	
Data		Misc.	Total Nonmajor
Control		Donations/	Governmental
Codes		Grants	Funds
	Revenues		
5700	Local and Intermediate Sources	\$ -	\$ 3,035,632
5800	State Program Revenues	-	2,156,112
5900	Federal Program Revenues	-	13,746,995
5020	Total Revenues	-	18,938,739
	Expenditures		
	Current:		
0011	Instruction	-	7,528,074
0012	Instructional Resources and Media Services	-	11,439
0013	Curriculum and Instructional Staff Development	-	1,083,391
0021	Instructional Leadership	-	150,984
0023	School Leadership	-	416,950
0031	Guidance, Counseling and Evaluation Services	-	392,926
0032	Social work services	-	3,000
0033	Health Services	-	82,349
0034	Student Transportation	-	108,153
0035	Food Services	-	7,240,303
0036	Cocurricular/Extracurricular Activities	-	1,039,535
0041	General Administration	-	28,000
0051	Facilities Maintenance and Operations	-	113,000
0052	Security and Monitoring Services	-	853,054
0053	Data Processing Services	-	6,500
6030	Total Expenditures	-	19,057,658
1200	Net change in fund balances	-	(118,919)
0100	Fund Balance - September 1 (Beginning)	-	3,546,932
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 3,428,013

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
August 31, 2024

Exhibit H-3

	720	725	Total
	Early Bird Child Care	Concession Stand	Enterprise Funds (See Exhibit D-1)
Assets			
Current assets:			
Cash and cash equivalents	\$ 771,317	\$ 4,511	\$ 775,828
Total current assets	771,317	4,511	775,828
Total Assets	771,317	4,511	775,828
Liabilities			
Accounts Payable	-	1,364	1,364
Due to Other Funds	6	-	6
Accrued Expenses	202	-	202
Unearned Revenue	29,790	-	29,790
Total Liabilities	29,998	1,364	31,362
Net Position			
Unrestricted	741,319	3,147	744,466
Total Net Position	\$ 741,319	\$ 3,147	\$ 744,466

WILLIS INDEPENDENT SCHOOL DISTRICT*Exhibit H-4***COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****ENTERPRISE FUNDS****For the Year Ended August 31, 2024**

	720	725	Total
	Early Bird Child Care	Concession Stand	Enterprise Funds (See Exhibit D-2)
Operating Revenues			
Charges for services	\$ 126,017	\$ 4,592	\$ 130,609
Total Operating Revenues	<u>126,017</u>	<u>4,592</u>	<u>130,609</u>
Operating Expenses			
Payroll Costs	86,024	-	86,024
Supplies and Materials	939	1,364	2,303
Other Operating Costs	6,145	81	6,226
Total Operating Expenses	<u>93,108</u>	<u>1,445</u>	<u>94,553</u>
Operating Income (Loss)	32,909	3,147	36,056
Net Position - September 1 (Beginning)	<u>708,410</u>	<u>-</u>	<u>708,410</u>
Net Position - August 31 (Ending)	<u>\$ 741,319</u>	<u>\$ 3,147</u>	<u>\$ 744,466</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended August 31, 2024

Exhibit H-5

	720	725	Total
	Early Bird Child Care	Concession Stand	Enterprise Funds (See Exhibit D-3)
Cash Flows from Operating Activities			
Cash Received from User Charges	\$ 126,721	\$ 4,592	\$ 131,313
Cash payments for other operating expenses	(93,342)	(81)	(93,423)
Net Cash Provided by (Used for) Operating Activities	<u>33,379</u>	<u>4,511</u>	<u>37,890</u>
Net Increase in Cash and Cash Equivalents	33,379	4,511	37,890
Cash and Cash Equivalents at Beginning of Year	<u>737,938</u>	<u>-</u>	<u>737,938</u>
Cash and Cash Equivalents at End of Year	<u>\$ 771,317</u>	<u>\$ 4,511</u>	<u>\$ 775,828</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Operating income (Loss)	\$ 32,909	\$ 3,147	\$ 36,056
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Change in Assets and Liabilities:			
Decrease (increase) in accounts payable	-	1,364	1,364
Decrease (increase) in accrued liabilities	(234)	-	(234)
Decrease (increase) in unearned revenue	704	-	704
Net Cash Provided by (Used for) Operating Activities	<u>\$ 33,379</u>	<u>\$ 4,511</u>	<u>\$ 37,890</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
August 31, 2024

Exhibit H-6

	753	755	Total
	Health Insurance	Workers'	Internal Service
	Fund	Compensation	Funds (See
		Fund	Exhibit D- 1)
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,190,873	\$ 1,252,076	\$ 4,442,949
Prepaid items	-	72,840	72,840
Total current assets	<u>3,190,873</u>	<u>1,324,916</u>	<u>4,515,789</u>
Total Assets	<u><u>\$ 3,190,873</u></u>	<u><u>\$ 1,324,916</u></u>	<u><u>\$ 4,515,789</u></u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 293,985	\$ 9,419	\$ 303,404
Accrued liabilities	<u>545,894</u>	<u>255,954</u>	<u>801,848</u>
Total current liabilities	<u>839,879</u>	<u>265,373</u>	<u>1,105,252</u>
Total Liabilities	<u><u>\$ 839,879</u></u>	<u><u>\$ 265,373</u></u>	<u><u>\$ 1,105,252</u></u>
Net Position			
Unrestricted	<u>\$ 2,350,994</u>	<u>\$ 1,059,543</u>	<u>\$ 3,410,537</u>
Total Net Position	<u><u>\$ 2,350,994</u></u>	<u><u>\$ 1,059,543</u></u>	<u><u>\$ 3,410,537</u></u>

WILLIS INDEPENDENT SCHOOL DISTRICT*Exhibit H-7***COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****INTERNAL SERVICE FUNDS****For the Year Ended August 31, 2024**

	753	755	Total
	Health Insurance	Workers'	Internal Service
	Fund	Compensation	Funds (See
		Fund	Exhibit D- 2)
Operating Revenues			
Contributions from employer	\$ 6,941,877	\$ 550,957	\$ 7,492,834
Total Operating Revenues	<u>6,941,877</u>	<u>550,957</u>	<u>7,492,834</u>
Operating Expenses			
Professional and contracted services	53,070	-	53,070
Supplies and materials	2,462	-	2,462
Claims expense, net of provision adjustments	7,963,394	303,819	8,267,213
Total Operating Expenses	<u>8,018,926</u>	<u>303,819</u>	<u>8,322,745</u>
Operating income (loss)	(1,077,049)	247,138	(829,911)
Nonoperating Revenues (Expenses)			
Transfers in	1,000,000	-	1,000,000
Total Nonoperating Revenues (Expenses)	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Change in net position	(77,049)	247,138	170,089
Net Position - Beginning	<u>2,428,043</u>	<u>812,405</u>	<u>3,240,448</u>
Net Position - Ending	<u>\$ 2,350,994</u>	<u>\$ 1,059,543</u>	<u>\$ 3,410,537</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended August 31, 2024

Exhibit H-8

	753	755	Total
	Health Insurance	Workers'	Internal Service
	Fund	Compensation	Funds (See
		Fund	Exhibit D- 3)
Cash Flows from Operating Activities			
Cash received from user charges	\$ 6,941,877	\$ 550,957	\$ 7,492,834
Cash payments for insurance claims	(7,791,171)	(157,821)	(7,948,992)
Cash payments for other operating expenses	976,923	(63,421)	913,502
Net Cash Provided by (Used for) Operating Activities	127,629	329,715	457,344
Cash Flows from Noncapital Financing Activities			
Transfers in	1,000,000	-	1,000,000
Net Cash Provided by (Used for) Noncapital Financing Activities	1,000,000	-	1,000,000
Net increase (decrease) in cash and cash equivalents	1,127,629	329,715	1,457,344
Cash and Cash Equivalents at the Beginning of the Year	2,063,244	922,361	2,985,605
Cash and Cash Equivalents at the End of the Year	\$ 3,190,873	\$ 1,252,076	\$ 4,442,949
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ (1,077,049)	\$ 247,138	\$ (829,911)
Effect of increases and decreases in current assets and liabilities:			
(Increase) decrease in due from other funds	1,000,000	-	1,000,000
(Increase) decrease in prepaids	-	(72,840)	(72,840)
Increase (decrease) in accounts payable	32,455	9,419	41,874
Increase (decrease) in accrued liabilities	172,223	145,998	318,221
Net Cash Provided by (Used for) Operating Activities	\$ 127,629	\$ 329,715	\$ 457,344



REQUIRED TEA SCHEDULES

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2024

Exhibit J-1
Page 1 of 2

	1	2	3	10	20
Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2023	Current Year's Total Levy
	Maintenance	Debt Service			
2015 and prior	Various	Various	Various	\$ 292,144	\$ -
2016	\$ 1.040000	\$ 0.350000	\$ 2,709,205,759	59,041	-
2017	1.040000	0.350000	3,045,105,911	72,263	-
2018	1.040000	0.350000	3,326,908,645	102,634	-
2019	1.040000	0.320000	3,549,280,648	139,522	-
2020	0.970000	0.300000	3,865,101,417	179,158	-
2021	0.917100	0.300000	4,115,866,527	236,495	-
2022	0.872000	0.300000	5,106,990,158	359,605	-
2023	0.854600	0.300000	6,145,664,299	992,188	-
2024	0.669200	0.331000	5,991,633,873	-	59,928,322
1000 Totals				<u>\$ 2,433,050</u>	<u>\$ 59,928,322</u>

8000 Taxes Refunded

9000 Tax Increment

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2024

Exhibit J-1
Page 2 of 2

	31	32	40	50	99
Last Ten Fiscal Years	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2024	Total Taxes Refunded Under Section 26.1115(c)
2015 and prior	\$ 13,383	\$ 3,457	\$ (32,749)	\$ 242,555	
2016	3,282	1,105	(16)	54,638	
2017	3,850	1,296	(16)	67,101	
2018	12,231	4,116	(78)	86,209	
2019	19,625	6,038	(1,252)	112,607	
2020	25,391	7,853	3,673	149,587	
2021	58,050	18,989	28,755	188,211	
2022	34,741	11,952	(33,022)	279,890	
2023	129,140	45,334	(294,859)	522,855	
2024	<u>39,491,290</u>	<u>19,533,199</u>	<u>-</u>	<u>903,833</u>	
1000 Totals	<u>\$ 39,790,983</u>	<u>\$ 19,633,339</u>	<u>\$ (329,564)</u>	<u>2,607,486</u>	
				<u>1,376,310</u>	
				<u>\$ 3,983,796</u>	
8000 Taxes Refunded					<u>\$ 99,676</u>
9000 Tax Increment	<u>\$ -</u>				

WILLIS INDEPENDENT SCHOOL DISTRICT*Exhibit J-2***SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM****For the Year Ended August 31, 2024**

	Child Nutrition			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Operating Revenues				
Local revenues	\$ 1,525,253	\$ 1,693,253	\$ 1,806,031	\$ 112,778
State program revenues	45,000	45,000	36,258	(8,742)
Federal program revenues	4,510,500	5,274,500	5,153,723	(120,777)
Total Operating Revenues	<u>6,080,753</u>	<u>7,012,753</u>	<u>6,996,012</u>	<u>(16,741)</u>
Operating Expenses				
Food services	<u>6,480,750</u>	<u>7,412,753</u>	<u>7,168,303</u>	<u>244,450</u>
Total Operating Expenses	<u>6,480,750</u>	<u>7,412,753</u>	<u>7,168,303</u>	<u>244,450</u>
Net change in fund balances/net position	(399,997)	(400,000)	(172,291)	227,709
Net Position - September 1 (Beginning)	<u>2,334,430</u>	<u>2,334,430</u>	<u>2,334,430</u>	<u>-</u>
Net Position - August 31 (Ending)	<u>\$ 1,934,433</u>	<u>\$ 1,934,430</u>	<u>\$ 2,162,139</u>	<u>\$ 227,709</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the Year Ended August 31, 2024

Exhibit J-3

	Debt Service Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local revenues	\$ 21,826,255	\$ 21,856,255	\$ 20,417,108	\$ (1,439,147)
State program revenues	150,000	150,000	2,631,908	2,481,908
Total Revenues	<u>21,976,255</u>	<u>22,006,255</u>	<u>23,049,016</u>	<u>1,042,761</u>
Expenditures				
Debt Service:				
Principal on long-term debt	7,891,774	7,891,774	7,540,000	351,774
Interest on long-term debt	14,114,481	14,114,481	14,110,481	4,000
Total Expenditures	<u>22,006,255</u>	<u>22,006,255</u>	<u>21,650,481</u>	<u>355,774</u>
Excess (deficiency) of revenues over expenditures	<u>(30,000)</u>	<u>-</u>	<u>1,398,535</u>	<u>1,398,535</u>
Net change in fund balances	(30,000)	-	1,398,535	1,398,535
Fund Balances - Beginning	8,252,554	8,252,554	8,252,554	-
Fund Balances - Ending	<u>\$ 8,222,554</u>	<u>\$ 8,252,554</u>	<u>\$ 9,651,089</u>	<u>\$ 1,398,535</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM
COMPLIANCE RESPONSES
For the Year Ended August 31, 2024

Exhibit J-4

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 8,279,809
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 5,235,601
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 882,069
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$ 543,504

WILLIS INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
For the Year Ended August 31, 2024

Schedule L-1

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	
	(If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -0-

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).



FEDERAL AWARDS SECTION



**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
Willis Independent School District

We have audited, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of Willis Independent School District (the “District”), as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated January 15, 2025.

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 audit 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 have not been identified.

To the Board of Trustees
Willis Independent School District

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 15, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Willis Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited of Willis 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 August 31, 2024. 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's 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 August 31, 2024.

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.

To the Board of Trustees
Willis Independent School District

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 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.

Whitley Penn LLP

Houston, Texas
January 15, 2025



WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2024

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
<i>Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA), Elementary and Secondary School Emergency Relief Fund (ESSER) II Grant (COVID-19)</i>	84.425D
<i>American Rescue Plan (ARP), Elementary Secondary School Emergency Relief Fund (ESSER) III Grant (COVID-19)</i>	84.425U
Dollar Threshold Considered Between Type A and Type B Federal Programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2024

II. Financial Statement Findings

None Reported.

III. Federal Awards Findings and Questioned Costs

None Reported.

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2024

Exhibit K-1

Federal Grantor/ Pass- Through Grantor/ Program Title	Federal Assistance Listing Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through Texas Education Agency:			
ESEA Title I, Part A, Improving Basic Programs	84.010A	23610101170904	\$ 116,253
ESEA Title I, Part A, Improving Basic Programs	84.010A	24610101170904	1,652,870
ESEA Title I, Part A, Improving Basic Programs	84.010A	25610101170904	110,729
Total ALN 84.010			<u>1,879,852</u>
Perkins V: Strengthening CTE for 21st Century	84.048A	24420006170904	54,864
Perkins V: Strengthening CTE for 21st Century	84.048A	25420006170904	9,463
Total ALN 84.048			<u>64,327</u>
ESEA Title II, Part A, Supporting Effective Instruction	84.367A	24694501170904	273,473
ESEA Title II, Part A, Supporting Effective Instruction	84.367A	25694501170904	5,875
Total ALN 84.367			<u>279,348</u>
Title III, Part A, ELA	84.365A	23671001170904	91,906
Title III, Part A, ELA	84.365A	24671001170904	145,409
Title III, Part A, ELA	84.365A	25671001170904	7,385
Total ALN 84.365			<u>244,700</u>
Title IV, Part A, Subpart 1	84.424A	24680101170904	110,274
Title IV, Part A, Subpart 1	84.424A	25680101170904	2,643
Total ALN 84.424			<u>112,917</u>
Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA), Elementary and Secondary School Emergency Relief Fund (ESSER) II Grant (COVID-19)	84.425D	21528001170904	1,222,797
American Rescue Plan (ARP), Elementary Secondary School Emergency Relief Fund (ESSER) III Grant (COVID-19)	84.425U	21528001170904	3,186,210
Total ALN 84.425			<u>4,409,007</u>
Summer School/LEP	84.369A	69552002	7,347
Total ALN 84.369A			<u>7,347</u>
IDEA-B, Formula	84.027A	246600011709046000	1,331,161
IDEA-B, Formula	84.027A	256600011709046000	172,408
High Cost Funds Grant	84.027A	H027A220008	29,153
IDEA-B, Preschool	84.173A	246610011709046000	25,277
American Rescue Plan, IDEA-B, Preschool (COVID-19)	84.173X	225360021709045000	5,520
Passed Region 10:			
SPED Capacity Contracted Services Grant	84.027A	23660049711001	26,023
Total Special Education Cluster (ALN 84.027, 84.173)			<u>1,589,542</u>
Total U.S. Department of Education			<u>8,587,040</u>
U.S. Department of Agriculture			
Passed Through Texas Department of Agriculture:			
Supply Chain Assistance	10.555	NT4XL1YGLGC5	368,637
USDA Commodities	10.555	NT4XL1YGLGC5	296,082
Passed Through Texas Education Agency			
School Breakfast Program	10.553	71402401	1,302,411
School Breakfast Program - SSO	10.553	71402401	4,983
National School Lunch Program	10.555	71302401	3,157,311
National School Lunch Program - SSO	10.555	71302401	12,758
Total Child Nutrition Cluster (10.553, 10.555)			<u>5,142,182</u>
State Administrative Expense (SAE) Funds	10.560	NT4XL1YGLGC5	11,541
Total U.S. Department of Agriculture			<u>5,153,723</u>
U.S. Department of Health and Human Services			
Passed Through Texas Education Agency:			
Medicaid Administrative Claiming Program (MAC)	93.778	HHS001114100001	53,898
Total U.S. Department of Health and Human Services			<u>53,898</u>
Total Expenditures of Federal Awards			<u>\$ 13,794,661</u>

Note 1 - Summary of Significant Accounting Policies

The District accounts for all awards under federal programs in the General and Special Revenue Funds in accordance with the Texas Education Agency's Financial Accountability System Resource Guide. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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. Generally, unused balances are returned to the grantor at the close of specified project periods.

All federal grants are subject to review by the grantor agencies. Any expenditures identified by the grantor agencies as disallowed could require reimbursement to the grantor agency from the District's general fund.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2024. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation of Basic Financial Statements

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 and expenditures reports on Exhibit C-2:

Total Expenditures of Federal Awards Per Exhibit K- 1	\$ 13,794,661
General Fund - Federal Revenue:	
School Health and Related Services	510,941
JROTC	138,303
Total Federal Revenues Per Exhibit C-2	<u>\$ 14,443,905</u>

Note 4 - General Fund Expenditures

Federal awards reported in the general fund are submitted as follows:

Federal Revenue Accounted for in General Fund:	
Medicaid SHARS	\$ 510,941
JROTC	138,303
Indirect Costs:	
IDEA-B, Formula	40,000
ESEA Title II, Part A, Supporting Effective Instruction	7,666
Total Indirect Costs	<u>47,666</u>
Total Federal Revenue - Exhibit C-2	<u><u>\$ 696,910</u></u>

WILLIS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2024

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None Reported

WILLIS INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2024

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

I. Corrective Action Plan

Not Applicable.

APPENDIX C

Form of Bond Counsel's Opinion

LEON | ALCALA

ATTORNEYS AT LAW

November 18, 2025

Re: Willis Independent School District
Unlimited Tax Refunding Bonds, Series 2025 (the “Bonds”)

Ladies and Gentlemen:

We have acted as Bond Counsel to the captioned issuer (the “District”) in connection with the issuance of the Bonds, which are being issued in the aggregate original principal amount of \$39,205,000. The Bonds are authorized by an order adopted by the Board of Trustees of the District on September 10, 2025 and a pricing certificate executed pursuant thereto (collectively, the “Order”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and the excludability of interest on the Bonds from gross income for federal income tax purposes. In such capacity, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, including the Order and the federal tax certificate of the District related to the Bonds (the “Tax Certificate”), and certain proceedings pertaining to the issuance of the obligations that are being refunded (the “Refunded Obligations”) with the proceeds of the Bonds; the report (the “Report”) of Robert Thomas CPA, LLC (the “Verification Agent”), which verifies the sufficiency of the deposits made with BOKF, NA (the “Escrow Agent”) for the defeasance of the Refunded Obligations and the mathematical accuracy of certain computations of the yield on the Bonds and the obligations acquired with the proceeds of the Bonds; certain certifications and representations and other material facts within the knowledge and control of the District and others, upon which we rely; the provisions of the Internal Revenue Code of 1986, as amended and the regulations, rulings, and judicial decisions relevant to the opinions set forth in paragraph (4) below; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have

assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Finally, our role in connection with the District's Official Statement, if any, prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect. The Bonds constitute valid and legally binding obligations of the District, and the Bonds have been authorized and delivered in accordance with law.
- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.
- (3) The escrow agreement between the District and the Escrow Agent (the "Escrow Agreement") constitutes a valid and binding agreement in accordance with its terms; the establishment of the escrow fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; in reliance upon the accuracy of the

calculations contained in the Report, the Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes as set forth in the order(s) and/or other instruments authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Obligations may obtain payment of the principal of, redemption premium, if any, and interest in the Refunded Obligations only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Obligations are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

- (4) Under existing laws, regulations, rulings, and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Respectfully submitted,

Leon | Alcala, PLLC

APPENDIX D

The Permanent School Fund Guarantee Program

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE BONDS

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.

During the 87th Regular Session of the Texas Legislature (the “87th Regular Session”), which concluded on May 31, 2021, Senate Bill 1232 (“SB 1232”) was enacted and became effective on September 1, 2021. SB 1232 provided for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the “PSF Corporation”), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the “SBOE”) to the PSF Corporation. SB 1232 also required changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board (the “SLB”), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation.

The regular session of the 88th Texas Legislature (the “Legislature”) was held from January 10, 2023, to May 29, 2023. As of the date of this disclosure, there have been four special sessions held, with the fourth special session ending December 5, 2023. The Texas Governor may call one or more additional special sessions. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the SBOE, the Act, the PSF Corporation, 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”). Due to the establishment of the PSF Corporation, the most recent financial statements include several restatements related thereto. The SLB’s 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 of 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, 2023, 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, 2023, 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, 2023, and for a description of the financial results of the PSF for the year ended August 31, 2023, the most recent year for which audited financial information regarding the Fund is available. The 2023 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2023 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/bond-guarantee-program/> 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’s roles and responsibilities in managing and administering the fund, see the IPS (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 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.

With respect to the 2024-2025 State biennium, and for subsequent biennia, 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 2024 and 2025. 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” that provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the “Distribution Rate”), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding State fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the “Ten Year Total Return”). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att’y Gen. No. GA-0707 (2009) (“GA-0707”), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year,

transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

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

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

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

Annual Distributions to the Available School Fund⁽¹⁾

Fiscal Year Ending	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 ²
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076
PSF (SBOE) Distribution	839	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-
PSF(SLB) Distribution	0	0	0	0	0	300	600	600 ³	415	115
Per Student Distribution	175	173	215	212	247	306	347	341	432	440

¹ In millions of dollars. Source: Annual Report for year ended August 31, 2023.

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 2022, the SBOE approved a \$3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of \$1.2 billion for the biennium.

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

State Fiscal Biennium	2008-09	2010-11	2012-13	2014-15	2016-17	2018-19	2020-21	2022-23	2024-25
SBOE Distribution Rate ¹	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32% ²

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 SLB approved transfers of \$600 million per year directly to the ASF for fiscal biennium 2024-25.

- ² The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

<u>State Fiscal Biennium</u>	<u>2008-09</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>SBOE Distribution Rate</u> ⁽¹⁾	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32% ⁽²⁾

- (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 SLB approved transfers of \$600 million per year directly to the ASF for fiscal biennium 2024-25.
- (2) The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

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. Effective January 1, 2023, 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 asset allocation of the Fund that was adopted February 2024 (which is subject to change from time to time):

Asset Class	Strategic Asset Allocation	Range	
		Min	Max
Cash	2.0%	0.0%	7.0%
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, 2022 and 2023, as set forth in the Annual Report for the 2023 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF (SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2023 and 2022				
<u>ASSET CLASS</u>	<u>August 31, 2023</u>	<u>August 31, 2022</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
EQUITY				
Domestic Small Cap	\$ 2,975.1	\$ 2,858.4	\$ 116.7	4.1%
Domestic Large Cap	<u>7,896.5</u>	<u>6,402.1</u>	<u>1,494.4</u>	<u>23.3%</u>
Total Domestic Equity	10,871.6	9,260.5	1,611.1	17.4%
International Equity	<u>7,945.5</u>	<u>7,197.9</u>	<u>747.6</u>	<u>10.4%</u>
TOTAL EQUITY	18,817.1	16,458.4	2,358.7	14.3%
FIXED INCOME				
Domestic Fixed Income	5,563.7	5,867.5	(303.8)	-5.2%
U.S. Treasuries	937.5	1,140.2	(202.7)	-17.8%
High Yield Bonds	1,231.6	1,142.5	89.1	7.8%
Emerging Market Debt	<u>869.7</u>	<u>1,190.9</u>	<u>(321.2)</u>	<u>-27.0%</u>
TOTAL FIXED INCOME	8,602.5	9,341.1	(738.6)	-7.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,175.8	2,932.3	243.5	8.3%
Real Estate	6,525.2	6,286.9	238.3	3.8%
Private Equity	8,400.7	7,933.1	467.6	5.9%
Emerging Manager Program	134.5	29.9	104.6	349.8%
Real Return	<u>1,663.7</u>	<u>1,620.3</u>	<u>43.4</u>	<u>2.7%</u>
TOT ALT INVESTMENTS	24,612.0	23,143.8	1,468.2	6.3%
UNALLOCATED				
CASH	<u>348.2</u>	<u>231.7</u>	<u>116.5</u>	<u>50.3%</u>
TOTAL PSF(CORP) INVESTMENTS	\$52,379.8	\$49,175.0	\$3,204.8	6.5%

Source: Annual Report for year ended August 31, 2023.

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The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2023.

Investment Schedule - PSF(SLB)1

<u>Fair Value (in millions) August 31, 2023</u>	
	<u>As of</u> <u>8-31-23</u>
Investment Type	
Investments in Real Assets	
Sovereign Lands	\$ 276.14
Discretionary Internal Investments	264.32
Other Lands	167.97
Minerals ^{(2), (3)}	<u>5,435.62</u> ⁽⁶⁾
Total Investments ⁽⁴⁾	6,144.05
Cash in State Treasury ⁽⁵⁾	508.38
Total Investments & Cash in State Treasury	\$ 6,652.44

¹ Unaudited figures from Table 5 in the FY 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

² Historical Cost of investments at August 31, 2023 was: Sovereign Lands \$838,776.71; Discretionary Internal Investments \$129,728,504.04; Other Lands \$38,241,863.70; 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 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. 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. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now 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"). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now 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 2024 fiscal year, the ratio is 7.69%. At February 26, 2024, there were 186 active open-enrollment charter schools in the State and there were 1,128 charter school campuses authorized under such charters, though as of such date, 212 of such campuses are not currently serving students for various reasons; therefore, there are 916 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 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. 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. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding “intercept” feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the “CDBG Capacity”) is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See “Capacity Limits for the Guarantee Program.” Other factors that could increase the CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG Capacity, as described below, changes in State or federal law or regulations related

to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 (“SB 389”) was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF.

Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

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

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2023 the cost value of the Guarantee Program was \$44,034,322,531 (unaudited), thereby producing an IRS Limit of \$220,171,612,655 in principal amount of guaranteed bonds outstanding.

As of December 31, 2023, the estimated State Capacity Limit is \$154,120,128,859, 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 7.69% in February 2024. 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, 2024, the Charter District Reserve Fund contained \$97,636,048, which represented approximately 2.32% 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.

Infectious Disease Outbreak

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054. That plan was designed to ensure performance of the Agency's essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

Circumstances regarding the COVID-19 pandemic continue to evolve; for additional information on these events in the State, reference is made to the website of the Governor, <https://gov.texas.gov/>, and, with respect to public school events, the website of TEA, <https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance>.

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of January 2024, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

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⁾
2019	\$35,288,344,219	\$46,464,447,981
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 ⁽²⁾	43,915,792,841	59,020,536,667

⁽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, 2023, mineral assets, sovereign and other lands and discretionary internal investments, and cash managed by the SLB had book values of approximately \$13.4 million, \$168.8 million, and \$708.4 million, respectively, and market values of approximately \$5,435.6 million, \$678.4 million, and \$508.4 million, respectively.

Permanent School Fund Guaranteed Bonds	
At 8/31	Principal Amount ⁽¹⁾
2019	\$ 84,397,900,203
2020	90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682 ⁽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, 2023 (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 \$178,520,723,868, of which \$62,789,897,186 represents interest to be paid. As shown in the table above, at August 31, 2023, there were \$115,730,826,682 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$154,120,128,859 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2023, the amount of outstanding bond guarantees represented 76.36% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾						
Fiscal Year Ended 8/31	School District Bonds		Charter District Bonds		Totals	
	Number of Issues	Principal Amount (\$)	Number of Issues	Principal Amount (\$)	Number of Issues	Principal Amount (\$)
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
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 ⁽²⁾	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682

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

(2) At December 31, 2023 (based on unaudited data, which is subject to adjustment), there were \$117,374,697,034 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,369 school district issues, aggregating \$113,174,765,034 in principal amount and 105 charter district issues, aggregating \$4,199,932,000 in principal amount. At December 31, 2023 the projected guarantee capacity available was \$26,935,589,587 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2023

The following discussion is derived from the Annual Report for the year ended August 31, 2023, 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 PSFC Board 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 2023, the PSF(CORP) net position was \$52.3 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 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, 2023, net of fees, were 6.14%, 6.19%, and 6.78%, 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, 2023.

Beginning January 1, 2023, Texas PSF transitioned into the PSF Corporation combining all PSF financial investment assets under the singular management of the PSF Corporation. The new structure of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include absolute return, private equity, real estate, natural resources, infrastructure, and real return (TIPS and commodities). The inauguration of the PSF Corporation as a discretely presented component unit of the State of Texas for fiscal year 2023 required a change in the basis of accounting to full accrual. For a description of the full accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2023 Annual Report which is included by reference herein.

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PSF Returns Fiscal Year Ended 8-31-2023⁽¹⁾

<u>Portfolio</u>	<u>Return</u>	Benchmark <u>Return⁽²⁾</u>
Total PSF(CORP) Portfolio	6.14%	4.38
Domestic Large Cap Equities	16.09	15.94
Domestic Small/Mid Cap Equities	9.31	9.14
International Equities	12.38	11.89
Emerging Market Equity	2.48	1.25
Fixed Income	(1.30)	(1.19)
U.S. Treasuries	(9.21)	(9.69)
Absolute Return	7.59	3.58
Real Estate	(1.96)	(3.13)
Private Equity	4.55	0.20
Real Return	(5.51)	(5.88)
Emerging Market Debt	12.68	11.34
High Yield	7.80	7.19
Emerging Manager Program	33.35	0.97
Natural Resources	5.70	3.67
Infrastructure	14.22	3.67

(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, 2023.

(2) Benchmarks are as set forth in the Annual Report for year ended August 31, 2023.

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, interest in real estate, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2023 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 2023, \$2.1 billion was distributed to the ASF, \$345 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, 2023, 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

The Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking 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 different bases of accounting.

The PSF Corporation classified as a proprietary endowment fund and reported by the State of Texas as a discretely presented component unit and accounted for on an economic resources measurement focus and the full accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the full 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 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.