I. PURPOSE

The Fort Bend Independent School District (the "District") is committed to sound financial management through integrity, prudent stewardship, planning, accountability, full transparency, and open communication. The purpose of the Fiscal and Budgetary Strategy is to enable the District to achieve and maintain a stable long-term financial condition, provide guidelines for the day-to-day planning and operations of the District's financial affairs, and communicate the District's financial practices to stakeholders.

Fort Bend ISD's general obligation bonds are currently rated at AA+ by Fitch and AA+ by Standard & Poor's Investor Services. A high credit rating typically reduces the interest costs the District pays on the amounts borrowed. This in turn directly correlates to a lower tax rate on the outstanding debt of the District.

To help maintain the District's creditworthiness, an established strategy of managing the District's financial resources is essential and in the District's best economic interest. The District shall take all practical precautions and proactive measures to avoid any financial decision that will negatively impact the credit ratings on existing or future debt issues.

The scope of the fiscal strategy encompasses accounting and financial reporting, internal controls, operating and capital budgeting, revenue management, investment and asset management, debt management, maintenance of fund balance, and forecasting. This is done to:

1. Demonstrate to Fort Bend ISD taxpayers, citizens, investment community, and bond rating agencies that the District is committed to a system of strong fiscal operations;

2. Provide precedents for future policy-makers and financial managers on common financial goals and strategies;

3. Fairly present and fully disclose the financial position of the District in conformity with generally accepted accounting principles (GAAP); and

4. Demonstrate compliance with finance-related legal and contractual issues in accordance with the Texas Education Code and other legal mandates.

This Fiscal and Budgetary Strategy shall be reviewed and updated as necessary, but not less than annually.

The Fort Bend Independent School District financial statements include the following fund types:

Governmental Funds:

General Fund accounts for the financial resources of the District and includes transactions as a result of revenues received primarily from local maintenance taxes, foundation entitlements, and other Foundation School Program resources,

Special Revenue Funds account for the proceeds of specific revenues that are legally restricted or committed to expenditure for specific purposes through federal, state, and local grant awards.

Debt Service Fund accounts for financial resources that are restricted, committed, or assigned to expenditure for principal and interest payments on the outstanding debt obligations of the District. These resources include Interest and Sinking Tax Revenues, which are considered restricted and for which a tax has been dedicated.

Capital Project Funds account for resources that are restricted, committed, or assigned to expenditures for capital outlay that include acquisition or construction of capital facilities and other capital assets that are financed through voter approved debt.

Proprietary Funds:

Internal Service Fund accounts for the activities of the District's Print Shop, self-funded health, unemployment, technology, and worker's compensation accounts.

Enterprise Fund accounts for the activities of the District's Extended Day program. Operations that generate revenue from outside sources are typically accounted for as Enterprise funds. Facility rentals, advertising, Career and Technology services, and other non-traditional revenue sources will also be accounted for in an Enterprise fund.

Fiduciary Funds:

Trust and Agency Fund accounts for assets held by a school district in a trustee capacity or as an agent for student organizations and scholarship funds. Funds maintained for the non-Teacher Retirement System (TRS) pension plan (Fort Bend ISD 457(b) Deferred Compensation Plan) are held the District in a trustee capacity only.

Basis of Accounting and Basis of Budgeting - The District accounts and budgets for all **Governmental Funds** using the modified accrual basis of accounting. This basis means that revenue is recognized in the accounting period in which it becomes available and measurable, while expenditures are recognized in the accounting period in which they are incurred. Because the appropriated budget is used as the basis for control and comparison of budgeted and actual amounts, the basis for preparing the budget is the same as the basis of accounting. Governmental funds would include the District's general, special revenue, debt service, and capital projects funds.

The District's Internal Service Funds and Enterprise Funds, which function as **Proprietary Funds,** are accounted and budgeted for using the full-accrual basis of accounting. Under this method, revenues are recognized when they are earned and measurable, while expenses are recognized when they are incurred.

II. OPERATING BUDGET

The budgeting process is an essential element of the financial planning, control and evaluation process of the District. The legal basis for the budget process is established in the Texas Education Code sections 44.002 through 44.006 and local policy.

The operating budget is Fort Bend Independent School District's annual financial operating plan. The adopted annual budget shall include allocations for campuses, departments, and approved positions of the district.

Strategic Plan – The District Strategic Plan (DSP) provides a strategic focus for district operations and student achievement and is adopted annually by the Board of Trustees. Funding for District programs shall be based upon the objectives contained in the District Strategic Plan and further outlined by the identified targets for success.

Specifically, the DSP provides the following priorities for the District:

> District Priority 1: Increase successful student outcomes through enhanced learning opportunities.
>
> District Priority 2: Create and sustain a culture and climate of professionalism, accountability, and communication (PAC) where stakeholders (students, parents, and staff) are valued, inspired, and engaged.
>
> District Priority 3: Exhibit financial responsibility through transparent budgeting processes and effective management of resources aligned to the district strategic plan.

Preparation – The Texas Education Code requires that the District budget be prepared by a date set by the State Board of Education, currently June 19th for districts that have a June 30th fiscal year end. The code further requires that the president of the Board of Trustees call a public meeting to discuss and adopt the budget and proposed tax rate. Notice under this subsection shall be published not earlier than the 30th day or later than the 10th day before the date of the hearing. Section 44.0041 of the Education Code, requires that, "concurrently with the publication of notice of the budget, a school district shall post a summary of the proposed budget on the school district's website. The budget summary must include: (1) information relating to per student and aggregate spending on (A) instruction; (B) instructional support; (C) central administration; (D) district operations; (E) debt service; and (F) any other category designated by the commissioner; (2) a comparison to the previous year's actual spending."

The Board of Trustees must adopt the prepared budget, inclusive of any amendments, no later than June 30th. The officially adopted District budget must be filed with the Texas Education Agency (TEA) through the Public Education Information Management System by the date prescribed annually by TEA.

1. Proposed Budget – A proposed budget shall be prepared by the Superintendent and Chief Financial Officer with participation of campus and department stakeholders within the provisions outlined in the District's strategic plan and federal and state mandated program guidelines.

    a. The budget shall include four basic segments for review and evaluation:

        i. Revenues
        ii. Personnel Costs
        iii. Operational Costs
        iv. Capital and other non-project costs

    b. The budget review process will include Board of Trustee participation and will allow for sufficient time for the Board to address the strategic plan and fiscal issues.

    c. The proposed budget and all preliminary budgetary information will be available on the District's website for public view.

2. Adoption – Upon finalization of the proposed budget, the Board of Trustees will hold a public hearing, and subsequently adopt the final budget as amended. The budget will be effective for the fiscal year beginning July 1st.

3. Tax Rate Adoption – Not later than April 30th, the chief appraiser shall prepare and certify to the school district an estimate of the taxable value of property in that taxing unit. The District may adopt a tax rate, prior to the adoption of the budget, based upon this certified property estimate. The certified estimate shall be used in the calculation of the effective tax rate and the rollback tax rate of the District.

If the district elects to establish the tax rate after receiving the certified appraisal roll as defined by Section 26.01 of the Property Tax Code, typically July 25th, and the tax rate exceeds the rate proposed in the District's notice prepared for the budget hearing or the District's rollback rate as determined under Section 26.08 of the Property Tax Code, the District must publish a revised notice and hold another public meeting before adopting the tax rate.

Balanced Budget – The goal of the District is to balance the operating budget with current revenues, whereby current revenues would match and fund on-going expenditures. Unassigned fund balance in the general operating fund may be used for onetime non-recurring expenditures or capital needs.

Planning – The budget process will be coordinated so that major strategic issues are identified prior to the budget approval date. This will allow the Board of Trustees adequate time for consideration of appropriate decisions and analysis of the associated financial impacts.

Reporting – Written financial reports will be presented to the Board of Trustees on a monthly basis. In addition, the Administration will provide a quarterly report on financial outcomes at regularly scheduled meetings of the Board. These reports will enable the Board to understand the overall budget and financial status of the District. The reports shall include comparative financial statements, a budget amendment report, the investment report, tax collection report, and statement of cash flow. In addition, the budget will be electronically reported to TEA as required by the prescribed deadlines established by TEA.

Control and Accountability – Each campus and departmental administrator is responsible for the administration and oversight of their budget, which is controlled on an organizational basis. This includes accomplishing the targets adopted as part of the budget and monitoring each campus and departmental budget for compliance within approved spending limitations.

Budget Amendments – The District budget shall be amended as required. Budget amendments between fund and increases in expenditures require the approval of the Board of Trustees. The Board of Trustees may authorize an amendment to the budget for those items not included in the originally approved budget due to unforeseen circumstances.

III. REVENUE MANAGEMENT

The District will understand its revenue sources and enact consistent policies to provide assurances that the revenue base will materialize according to the budget. Revenues shall be estimated realistically and conservatively taking into account potential changes in law related to property valuation and state and federal funding.

Revenues shall be monitored as they are received and regularly compared to budgeted revenues; variances will be investigated as they are identified. Any abnormalities shall be included in the quarterly financial report and the budget shall be amended to appropriately reflect the change in anticipated revenue.

State Funding – The District shall ensure that the Weighted Average Daily Attendance (WADA) is maximized by accurately reporting student attendance and shall have processes in place to ensure that special program information is appropriately reflected in the information uploaded to the Public Education Information Management System (PEIMS). Information regarding property value, property tax collections, employee counts, and other information required by TEA for the purposes of state funding computation shall be reported within the prescribed timelines. The Board of Trustees authorized the superintendent to file waivers for missed days and low attendance days as needed. The Superintendent will inform the Board of any waivers submitted to TEA.

Property Tax Revenues – All real and business personal property located within the District shall be valued at 100% of fair market value for any given year based upon the current appraisal supplied by the Fort Bend County Appraisal District. Tax collections estimates utilized in the development of the budget will be based upon a prudent analysis of historical collection percentages and the current economic trends.

Current state funding guidelines penalize districts that adopt tax rates below the compressed tax rate. For budgeting purposes, the District will forecast the proposed property tax rate for maintenance and operations (M&O) the greater of the compressed rate, the compressed rate plus four cents ($.04) or the voter approved rollback rate, not to exceed the current legal limit.

The District shall also consider the interest and sinking (I&S) tax rate in an amount to fund tax supported debt service that is due and payable for the corresponding calendar year period.

Interest Income – General, debt service, capital projects, food service, and internal service funds shall be invested individually in accordance with the Investment Strategy approved annually by the Board of Trustees. Interest earned from each investment account shall be credited to the fund from which the monies were provided.

User-Based Fees and Service Charges – For services associated with a user fee, such as building usage and instrument rental, the direct or indirect costs of that service will be offset by a fee where possible. The District shall update the usage fee schedule as required to ensure that fees provide adequate coverage for the cost of services.

Other Revenue – The District will pursue the full utilization of its assets to include trademarks of logos, rentals of facilities and real estate, and multiple forms of advertising. Advertising will include space on scoreboards, fences, gyms, buses, websites, etc.

Intergovernmental Revenues – The District shall carefully analyze grant opportunities to ensure that all grants comply with the overall District mission and strategic plan. All potential grants shall be examined for matching requirements, or other potential financial implications, prior to application to ensure that adequate funds are available from the general funds of the District.

Efforts should be made to ensure that grants are self-sustaining. However, it must be clearly understood that the operational requirements (on-going costs) set up as a result of a grant program could be discontinued once the terms and conditions of the program have been completed in the event that sufficient resources are not available in the District's general operating budget.

Collection of Delinquent Receivables - All Fort Bend ISD campuses, programs and departments will, to the extent practicable, require payment in advance. Aged balances (90 days +) owed to the District will be pursued for collections and can be submitted to a collection agency at the discretion of Administration according to written District guidelines.

IV. EXPENDITURE POLICIES

Appropriations – The budget for all funds shall be controlled at the organizational level. Budget managers are authorized to transfer funds included in their basic budget within fund, function, and program intent code without prior approval. Budget amendments between fund, function, and program intent code require administrative approval. Approval of the Board of Trustees is required for all budget amendments between fund and any increases to fund expenditures. The cumulative transfer of funds between functions District-wide will be included in the next amendment for board approval.

Staffing – The staffing guidelines of the District shall be administered jointly by Human Resources, Department of School Leadership (DOSL), Curriculum and Instruction, and Business and Finance using established staffing guidelines and a system of position control.

In addition to teaching units, staffing guidelines shall also provide guidance for appropriate levels of staffing in the administrative, counseling, nursing, art, music, physical education, and educational and clerical support at each campus. Staffing allocations shall be distributed based upon the total student population and with additional consideration for special education, bilingual and at-risk student programming.

Course schedules shall be carefully reviewed to ensure that instructional units are used to best meet the instructional needs of the District within the available resources. Based upon sufficient revenues, additional staff members may be allocated to campuses based upon input from the Superintendent, Chief Human Resources Officer, DOSL, Teaching and Learning, and Business and Finance to balance class loads or to address the unique needs of a particular campus. Adjustments for student enrollment in grades K-4 shall be done only after a careful analysis of historical attendance patterns and available classroom capacity.

To the extent possible, the payroll for all employees, substitutes and temporaries will be done via direct deposit.

Benefits – To ensure the long-term health of the District's self-funded benefit programs, the budget shall be sufficient to provide for a fiscally sound health and worker's compensation program along with other state and federally mandated benefits including Medicare and Teacher Retirement System above state minimum.

The District's self-insured employee insurance program shall be funded by both District and employee contributions for employees and their supplemental dependents. The fund shall be evaluated annually by a third-party actuary to ensure that the premium structure is sufficient to meet the long-term needs of the District's employees.

The plans shall be administered by a third-party plan administrator and shall be bid periodically to ensure that the network reimbursement rates and employee co-pays are comparable to those provided within the marketplace. The District shall seek to ensure that insurance services are provided in both a cost efficient and compassionate manner to ensure the success of the program.

The District's self-insured worker's compensation program shall be funded through the budget process to ensure that the program has sufficient assets to meet both short and long-term worker's compensation claims. The district has established a comprehensive safety program to minimize the District's claims exposure and shall ensure that the plan is evaluated annually by a third-party actuary to ensure that the funding for the plan is sufficient.

Ongoing Maintenance Repair and Replacement – Ongoing maintenance and repair costs are included within the departmental operating budgets. These costs are generally considered systematic repairs and are not capitalized for accounting purposes. They include such items such as athletic equipment, routine musical instrument repair, HVAC maintenance and repair, and other general routine maintenance.

Major Maintenance Repair and Replacement – Repair costs that exceed departmental operating budgets, are considered non-routine, and are due to a major breakdown or extensive damage.

Each year, if sufficient fund balance capacity is available, funds are included in designated fund balance in the General Fund to address unexpected maintenance costs caused by weather incidents or catastrophic failure. Additionally, the District typically may have contingency within Capital Projects Funds that is available due to project cost savings and interest earnings. On a quarterly basis, the Business & Finance and Facilities Maintenance departments will evaluate expenditures made to date within the Facilities Maintenance department and determine if any are eligible for use of major maintenance or bond contingency funds. The final list of items identified will be included in the year-end budget amendment recommended to the Board of Trustees to reallocate the expenditures to the source of funding that is most appropriate for use. If fund balance capacity is not available and the expenditure is not eligible for use of bond contingency, operating funds will be used. Use of funds will be prioritized as follows:

1. Bond contingency, if available and not prioritized for other uses
2. General Fund major maintenance designated fund balance, if available
3. General Fund operating funds

Capital Projects – The District's goal is to maintain its facilities and infrastructure in order to provide exemplary educational services for its students, meet the needs of a growing community, and to comply with all local, state, and federal regulations. The District shall regularly review building capacity, enrollment projections, and planned subdivision and other housing information for the purpose of determining the number and timing of future facilities.

Capital project budgets shall be developed according to the projects approved by the voters. Excess capital project funds generated as a result of investment income and project savings may not be directed to other needs of the District without the specific approval of the Board of Trustees.

Technology – It is the policy of the District to plan and fund the maintenance and replacement of its computer network and other technology systems (infrastructure) through capital funding. Capital funding approved by the voters would be maintained in a capital fund (bond fund). Insurance fees for computer devices paid by parents or students will be maintained in a technology fund that is reported part of Internal Service Funds. Such fees will be utilized to pay for repairs for computer devices and expenditures necessary to provide computer devices to students.

Ongoing replacement of computer devices (PCs, laptops, printers, etc.) could be funded through a contribution from the general fund into the technology internal service fund or within the respective fund making the purchase of computer devices.. In some cases, administration may recommend replacement using bond funds. When using bond funds, the weighted average maturity of the bonds issued for technology will not exceed the weighted average economic life of the bond financed assets by more than 120%.

Accounts Payable – To the extent practical, all vendors doing business with the District must be able to accept payments electronically via ACH (automated clearing house).

V. BUDGET CONTINGENCY PLAN

This strategy is designed to establish general guidelines for managing revenue shortfalls resulting from local and state economic downturns that may adversely affect the District's revenue stream.

Once a budgetary shortfall is projected, the Superintendent may take the necessary actions to offset any revenue shortfalls with a reduction in current expenses to include but not be limited to the following:

- Review all staffing levels;
- Freeze all new hire and vacant positions except those deemed to be a necessity to the instructional process or the safety of students;
- Review all planned capital expenditures;
- Forego out-of-state staff development;
- Review of all planned staff development activities;
- Curtail after-hours facility usage;
- Forego extracurricular field trips; and,
- Delay all non-essential spending or equipment replacement purchases.

If the above actions are insufficient to offset the revenue deficit and the shortfall continues to increase, the Superintendent shall develop an expenditure reduction plan for approval by the Board of Trustees that will further reduce operating expenses to balance the variance.

VI. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

Accounting – The District is solely responsible for the recording and reporting of its financial affairs, both internally and externally. The Chief Financial Officer is responsible for establishing the structure for the District's Chart of Accounts and for ensuring that procedures are in place to properly record financial transactions and report the District's financial position. All financial reports shall be published on the District's website.

Audit of Accounts – In accordance with Texas Education Code 44.008, the Board of Trustees shall cause the District's accounts to be audited at the close of each fiscal year, currently June 30th, by an auditor holding a valid permit from the Texas State Board of Public Accountancy.

The auditor shall perform the audit in accordance with generally accepted governmental auditing standards published by the United States General Accounting Office, commonly referred to as the Yellow Book. The financial statements shall be prepared on a government-wide basis and shall be in conformity with all pronouncements of the Governmental Accounting Standards Board (GASB).

External Reporting - The audit shall be accepted and completed within 150 days of year end and filed with the Texas Education Agency (TEA), Municipal Securities Rulemaking Board (MSRB), the Federal Audit Clearinghouse, Health and Human Services and the Liquidity Provider and Remarketing agent for the debt commercial paper program. In addition, certain schedules required by the TEA to be completed electronically shall be submitted no later than this date along with the publication of schedules required by law in a locally published newspaper.

No later than January27th of each year, and in accordance with TEA published guidelines, the audit shall be transmitted electronically into the Public Education Information Management System (PEIMS).

Internal Auditing and Reporting – In accordance with Texas Education Code Section 11.170, consultants serving as the internal auditor shall report directly to the Board of Trustees. The internal auditor shall conduct internal audits on a rotational basis in accordance with the audit plan adopted annually by the Board of Trustees. The reports shall be of sufficient detail to identify areas of needed improvement and potential lapses of internal control. The internal audit staff, in conjunction with the finance staff and any other appropriate department of the District, shall make recommendations for improvement and develop improved financial processes based upon the prepared reports.

Each departmental director or campus principal is responsible for ensuring that good internal controls are adhered to throughout their organization and that all Financial Services procedures and policies are implemented. The Financial Services Department will periodically review and update written internal control processes and procedures.

Internal Risk Assessment – Departmental managers in the business area shall perform on-going risk assessments of their area of supervision to ensure that internal controls and business practices are sufficient to protect the assets of the District and prevent fraudulent activity.

VII. ASSET MANAGEMENT

Cash Management and Investments - The Board of Trustees has formally approved a separate Investment Strategy for Fort Bend ISD that meets the requirements of the Public Funds Investment Act (PFIA), Chapter 2256 of the Texas Local Government Code. This strategy is reviewed annually by the Board of Trustees and applies to all financial assets held by the District.

The District shall maintain a comprehensive cash management program to include the effective collection of all accounts receivable, prompt deposit of receipts to the District's depository and payment of obligations, and the prudent investment of idle funds in accordance with the approved investment strategy.

The District's investment program will be conducted in such a manner to accomplish the following listed in the order of priority:

1. Safety of principal
2. Liquidity and availability of cash to pay obligations when due
3. Receive the highest possible rate of return (yield) consistent with the District's investment strategy

Fixed Assets – These assets will be reasonably safeguarded, properly accounted for, and prudently insured. For purposes of budgeting and accounting classification, the following criteria must be met in order for an item to be capitalized:

1. The expected useful life of the asset must be longer than one year, or extend the life of an identified existing asset by more than one year
2. The original cost of the asset must be at least $5,000
3. The asset must be tangible

On-going repairs and general maintenance are not capitalized. In the event that improvements are made to an asset that extends its original life or makes the asset more valuable, the cost will be capitalized. The replacement of asset components will normally be expensed unless it is of a significant nature and meets all capitalization criteria.

Business and Finance will maintain the permanent records of the District's fixed asset inventory including description, cost, department of responsibility, date of acquisition, depreciation, and expected useful life. Periodically random sampling at the department or campus level will be performed to inventory fixed assets assigned to that department or campus. Responsibility for safeguarding the District's fixed assets lies with the department or campus supervisor whose department has been assigned the asset.

VIII. DEBT MANAGEMENT

Fort Bend ISD faces continuing capital infrastructure requirements and recognizes that the primary purpose of capital debt is to provide educational services designed to meet the demands of the twenty first century. Debt financing is a tool that shall be judiciously used within the District's legal, financial, and debt market capacities.

The use of debt financing to support the District's long-term facilities program shall be evaluated based on facility condition and lifecycle needs, educational program requirements, facility equity across the District, demographic and enrollment trends, and limitation on total debt imposed by Texas Education Code 45.0031. The District recognizes that maintaining safe, effective, and equitable learning environments is essential to educational success. At the same time, the District acknowledges that prudent management of outstanding debt and repayment schedules is necessary to preserve long-term financial stability and flexibility.

The District may issue long-term debt in accordance with Texas Education Code Section 45.001 for the following:

1. The construction, acquisition, and equipment of school buildings in the District.
2. The acquisition of property or refinancing of property financed under a contract entered under Subchapter A, Chapter 271, Local Government Code.
3. The purchase of the necessary sites for school buildings.
4. The purchase of new school buses.
5. The retrofitting of school buses with emergency, safety, or security equipment.
6. The purchase or retrofitting of vehicle to be used for emergency, safety, or security purposes.

The District will ensure that its long-term debt is soundly financed by conservatively projecting growth in taxable valuations and anticipated interest rates. The District will not finance improvements or purchases over a period greater than its estimated useful life and will determine that the cost benefit of the facilities, renovations, and equipment supported by the debt will have a positive impact on the District's student population and community.

The District shall, when planning for the issuance of new debt, consider the impact of such new debt on overlapping debt and the financing plans of local, state, and other governments that overlap the District. The District shall assess financial

alternatives to include new and innovative financing approaches, including whenever feasible categorical grants, or other types of aid to minimize voter approved debt.

General Obligation Bonds (GO) – General obligation bonds must be authorized by a majority of the voters in a District election for the issuance of debt. General obligation bonds may be used only to fund capital assets of the District and are not to be used to fund on-going operational needs. The District shall determine the amortization schedule that will best fit with the overall debt structure of the District at the time the new debt is issued.

The District's unlimited debt service ad valorem taxing authority shall back general obligation bonds and the District shall endeavor to maintain the best possible credit rating for each debt issue. Where possible, the District shall also seek the guarantee of the Permanent School Fund for all debt issued.

Revenue Anticipation Notes – The District may issue fixed or variable rate tax and revenue anticipation notes that allow the District to meet its cash flow requirements. However, the District shall generally manage its cash position in a manner so that internally generated cash flow is sufficient to meet expenditures.

Lease-Purchase Agreements – Lease-purchase obligations are a routine and appropriate means of financing capital equipment. However, lease obligations are repaid from the District's maintenance and operations ad valorem tax and, therefore, have the greatest impact on budget flexibility. Therefore, efforts will be made to fund capital equipment directly through the budget process or with voter approved debt. Only the highest priority equipment purchases will be funded with lease obligations when it is determined that the cost benefit of such an arrangement is advantageous to the District.

Maintenance Tax Notes – The District may authorize the issuance of maintenance tax notes for the acquisition of personal public property, such as equipment. Maintenance tax notes are repaid from the District's maintenance and operations ad valorem tax. Each issuance will be assessed to ensure the cost effectiveness and the repayment schedule will not exceed the useful life of the asset and that the District has sufficient capacity in future budgets to ensure that the issuance does not place undue burden on the operating budget.

Use of Reserve Funds – The District may authorize the use of reserve funds to potentially delay or eliminate a proposed project from a future bond issue. This may occur due to higher than anticipated fund balances in prior years, thus eliminating or reducing the need for debt proceeds or when the timing of the related capital improvement does not correspond with a planned bond issue. Funds used in such manner should be used judiciously and with extreme care after careful analysis of the effect on the future funding needs of the District.

Method of Sale – The District will thoroughly analyze the conditions in the bond market prior to determining the method of sale that will be used to market bonds. The District may utilize a competitive bidding process, negotiated bid or private placement. The District will publicly present the reasons for the selected method of sale prior to the sale date.

Competitive sales shall be awarded based upon the lowest offered True Interest Cost (TIC). The District's Financial Advisor shall ensure that interest costs offered in a negotiated sale are in accordance with comparable market interest rates. In a negotiated sale, the District will rely on the recommendation of the Superintendent, Deputy Superintendent (if applicable), Chief Financial Officer, and the contracted Financial Advisor in the selection of the underwriter(s). The contracted financial advisory firm may not serve in an underwriting capacity.

Following the bid award, the financial advisor shall prepare a post-sale summary and analysis that documents the pricing of the bonds relative to other similar transactions priced at or near the time of the District's bond sale.

Private placement sales shall only be utilized when the sale must be structured for a single or limited number of purchasers, such as would be present in a Qualified Zone Academy Bond (QZAB) or Qualified School Construction Bond (QSCB) offering.

Debt Structuring – The District shall seek to repay its debt in an expeditious manner within the District's overall financial objectives and will issue bonds with an average life of no more than thirty (30) years, not to exceed the useful life of the asset acquired. Pursuant to State law, the District can issue fixed rate, variable rate, or capital appreciation bonds. Market factors, such as the effects of legislative statutes, level of debt service fund balance, and the cost of early debt redemption will be given consideration during the structuring of long term debt instruments.

The District shall keep its variable rate exposure, to the extent not hedged or swapped to a fixed rate, at or below twenty-five percent (25%) of the total principal outstanding. If variable rate debt is used, the Chief Financial Officer will periodically, and no later than annually, determine whether it is appropriate to convert the debt to fixed interest rates.

The District issues commercial paper (which is variable rate debt by its nature) in blocks totaling up to $150 million at a time. The District may exceed the 25% variable rate threshold, but only until that $150 million of commercial paper is refunded by issuing fixed rate debt that would be expected to complete within a maximum time of six months.

Refunding and Restructuring Strategy – The District shall consider accelerated retirement and restructuring of its outstanding debt when financially advantageous or beneficial.

The Superintendent, Deputy Superintendent (if applicable), and Chief Financial Officer shall review a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposal. The target net present value savings as a percentage of the refunded aggregate principal amount shall be no less than three percent (3%) when a refunding is offered in conjunction with new debt. In the case of a standalone refunding, savings should be evaluated in conjunction with the call dates of the outstanding bonds and a higher net present value savings should generally be achieved.

Financing Team Members – The District shall conduct a Request for Proposal (RFP) to determine the District's financial advisor and bond counsel when warranted. Generally, the District's contracts with financial advisors and bond counsel shall be for a term of three years with the option to renew for two additional one year periods. In all cases, the District will attempt to ensure that the contractual terms align with voter approved debt.

All financing team members will be required to provide full and complete disclosure relative to any and all agreements with other financing team members and outside parties. No agreements will be permitted that will compromise a firm's ability to provide independent advice that is solely in the best interest of the District or which could reasonably be perceived as a conflict of interest.

Markets – The District shall consider products and conditions in the bond market when meeting the District's financing needs. When practical in its financing program, the District shall consider local and regional markets as well as retail and institutional investors.

Disclosure – Full disclosure of operating costs along with capital costs will be made to the bond rating agencies and other users of financial information. The District shall follow the Disclosure Strategy as outlined in Exhibit A of the Fiscal and Budgetary Strategy.

The District shall maintain information on its website so that interested persons have a convenient way to locate major financial reports and documents pertaining to the District's finances and debt. The District will take responsibility for the accuracy of all financial information released.

The District shall prepare or cause to be prepared appropriate disclosures as required by the Securities and Exchange Commission Rule 15c2-12. District staff, with assistance of the financial advisor and bond counsel, will prepare the necessary materials for presentation to rating agencies and will aid in the production of the Preliminary Official Statements as required.

Federal Requirements – The District will maintain procedures to comply with arbitrage rebate and other Federal requirements in accordance with the Internal Revenue Code and applicable United States Treasury regulations.

Bond Reimbursement Resolution – The District may utilize reimbursements from bond proceeds as a tool to manage debt issues consistent with arbitrage requirements and project timing. In so doing, the District will utilize its general fund reserve cash balances to delay the bond issue until such time when the issuance and timing are favorable and beneficial to the District.

The District shall comply with Internal Revenue Service requirements that stipulate that the reimbursement occur the earlier of (i) eighteen (18) months after the capital item is placed in service or (ii) thirty-six (36) months from the date of the

expenditure. The total outstanding bond reimbursements may not exceed the total amount of the District's operational reserve fund.

Commercial Paper – In order to minimize the overall costs of borrowing, the District may issue short-term commercial paper as market conditions and cash flow needs for construction projects dictate. The maturity of the commercial paper should never exceed 270 days. The issuance of commercial paper can only be done for un-issued authorized voter approved debt. Any other issuance of commercial paper must have the approval of the Board of Trustees. The balance of outstanding commercial paper will be reported to the board on a quarterly basis.

Impact on Operating Budget – When considering any debt issuance, the potential impact of debt service and additional operating costs induced by new projects on the operating budget of the District, both short and long-term will be evaluated.

IX. Financial Conditions, Fund Balance Reserves, and Stability Ratios

Fort Bend ISD will maintain sufficient reserves in the ending fund balances to provide for a secure, healthy financial base for the District in the event of a natural disaster or other emergency, to allow for stability of District operations should revenues fall short of budgeted projections, and to provide available resources to implement budgeted expenditures without regard to actual timing of cash flows into the District.

Operational Coverage – The District's goal is to maintain operating revenues that at least equal or exceed current operating expenditures. Unless advantageous to the District, deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques.

Operating Reserves – Due to the timing of the District's fiscal year (July 1) and the receipt of maintenance and tax revenues (typically, December 31st), the District will strive to maintain an unassigned general fund balance equal to the greater of sixty (60) days or seventeen percent (17%) of the greater of the current year's anticipated adjusted budget operating expenditures or next year's net budgeted operating expenditures, if higher than the previous year. Unassigned fund balance requirements will be calculated as part of the annual budget process and will exclude TRS on behalf when calculating. In addition, non-recurring or one-time budget expenditures should be deducted from the calculation

In order to protect the district from a potential loss in state revenue, the district will commit at least thirty (30) days or eight and a third (8.33%) of the greater of the current year's anticipated adjusted budget operating expenditures or next year's net anticipated original budgeted operating expenditures to a Reserve for Potential Loss of State Revenue. When calculating the committed fund balance for potential loss of state revenue, TRS on behalf will be excluded from the calculation. In addition, non-recurring or one-time budget expenditures should be deducted from the calculation of Reserve for Potential Loss of State Revenue.

If operating reserves fall below the 60 days or seventeen percent (17%) in unassigned or below the 30 days or (8.33%) then strategies as more fully described V. Budget Contingency Plan above will be implemented. In addition, the District can utilize nonrecurring revenues, budget surpluses, excess resources in other funds (if legally permissible and there is a defensible rationale). The District shall make every effort to replenish the fund balances within one to three years.

The Board of Trustees will report the government fund balances per Governmental Accounting Standards Board (GASB) Statement 54 definitions in the balance sheet as follows: non-spendable, restricted, committed, assigned, and unassigned. The Board will utilize funds in the following spending order: restricted, committed, assigned, and then unassigned.

Unassigned fund balance is defined as the balance in excess of the optimum fund balance as defined by the Texas Education Agency and calculated annually in conjunction with the District's annual audit or the cash requirements for two months operating expenditures. Usage of the unassigned fund balance shall be approached with caution after careful review of both the optimum fund balance and the cash flow needs of the District for the upcoming three-year period.

The Board of Trustees may establish commitments of fund balance from time to time in order to meet specific District needs. The purpose of commitments must be approved by the Board resolution prior to the fiscal year end but the amount of the commitment may be determined subsequent to June 30th. Amendments or modifications of the committed fund balance must also be approved by formal action of the Board.

Liabilities and Receivables – Procedures will be followed to maximize discounts and reduce penalties offered by creditors. Current liabilities will be paid within thirty (30) days of receiving the invoice. Accounts Receivable procedures will target collection for a maximum of thirty (30) days of service. To the extent allowable by law, non-collectible accounts that are delinquent for more than one year are considered uncollectible and shall be written off. To the extent allowable by law, patrons that owe the district money will be precluded from receiving district services. This includes patrons with open balances from Facility Rentals. Balances owed to the District can be submitted to a collection agency at the discretion of administration. A collection agency could be used for the all outstanding balance collections including, but not limited to the following:

a. Unpaid facility rental fees
b. Overpayments to former employees
c. Unpaid Child Nutrition balances
d. Unpaid advertising fees
e. Unpaid tuition for Extended Learning programs

Capital Projects Funds – All reasonable efforts will be made to expend all monies within the Capital Project Funds within thirty-six (36) months of receipt. The restricted, committed, and assigned fund balance will be invested and the income generated will offset increases in construction costs or other costs associated with the project. Any excess funds remaining after the completion of the approved projects may be reallocated by the Board of Trustees to other capital projects to offset the cost of future bond issues or when the timing of a capital improvement does not correspond with a planned bond issue. Restricted, committed, or assigned funds shall be used judiciously and with extreme care after careful analysis of the effect on the future funding needs of the District.

Debt Service Funds – Revenues within this fund are stable, based on property tax revenues. Balances are maintained to meet contingencies and to make certain that the next year's debt service payments may be met in a timely manner. The fund balance should not fall below one month or 1/12th the annual debt service requirements in accordance with Internal Revenue Service guidelines.

Investment of Funds – The non-spendable, restricted, committed, assigned, and unassigned funds will be invested in accordance with the District's approved investment strategy.

Ratio/Trend Analysis – Ratios and significant balances will be incorporated into the annual financial report. This information will provide users with meaningful data to identify major trends of the District's financial condition through analytical procedures. The following ratios/balances will be used as key financial indicators:

1.	Fund Balance / Equity:	Assets less liabilities
2.	Working Capital	Current assets less current liabilities
3.	Current Ratio	Current assets divided by current liabilities
4.	Debt / Assessed Value	Debt divided by assessed value
5.	Debt Ratio	Current liabilities plus long-term liabilities / Total assets

The District will develop minimum and maximum levels for the above ratios/balances by thoroughly analyzing District historical trends, projected growth and peer districts.

Special Situations - Changes in the state funding allocations, economic downturn, District programs or other unforeseen circumstances may from time to time produce situations that are not covered by this strategy. These situations may require modifications or exceptions to achieve strategy goals. Management flexibility is appropriate and necessary in such situations, provided specific authorization is received from the Board of Trustees.

X. OTHER FINANCIAL CONSIDERATIONS

Use of Unclaimed Lunch Credits - At the close of each fiscal year there are unpaid lunch balances as well as unclaimed lunch credits. The balances and credits are typically left by students who have left the district or graduated. Unpaid balances are charged to the General Fund as Federal statutes prevent the Child Nutrition Fund from absorbing these balances. At the close of each fiscal year, the unclaimed credits will be used to offset the unpaid balance amounts to avoid a negative financial

impact to the General Fund. If a student or parent requests a refund of the credit after the amount has been used to offset the unpaid balances in the General Fund, a refund will be paid from the General Fund where the credits were used.

Designation of New Title I Campuses - The District is charged by the U.S. Department of Education and Texas Education Agency with deciding where to best utilize federal funding to have the greatest impact on student academic performance. Texas Education Agency allocates funding to the District based on a formula that includes district-wide poverty; therefore, designating additional campuses does not increase the federal funding received. The District follows all statutes and timelines when choosing to designate a campus as Title I. Aligned with current research and best practices, the District channels the majority of federal funds into the elementary level where it is most impactful.

The District planning process for reviewing campuses for Title I eligibility begins in March of each year. The District utilizes the February monthly report compiled by the Child Nutrition Department containing enrollment and free and reduced meal participation numbers to determine campuses that meet eligibility requirements. February data is used because it is the most recent period for which a full month of enrollment and free and reduced meal participation information is available.

A campus must be in an eligible attendance area, where the percentage of children from low income families is at least as high as the district-wide percentage of children from low income families, as referenced in 20 U.S.C. 6313(a)(2)(B). The district-wide percentage of low-income students from the Texas Academic Performance Report for the prior year is used to establish eligible attendance areas. Attendance areas that meet or exceed the district-wide percentage are considered for Title I designation.

The District chooses which campuses to serve, or allocate funding, within the structure of Federal statutes. If the funding is insufficient to serve all eligible school attendance areas, the District must:

a. Rank the eligible attendance areas that exceed a 75% low income population based on February information compiled by the Child Nutrition Department, Section 1113 of Title I, Part A. Serve campuses that exceed 75% low income population first, in rank order, and without regard to grade spans (i.e. elementary or secondary schools) 20 U.S.C. 6313(a)(3).

    i. If a campus exceeds a 75% low income population, the District can choose to not designate the campus as Title I and elect to provide supplemental funds from other state or local sources that equal or exceed the amount that would be provided to the campus under Title I.

    ii. Allocate Title I funds based on the free and reduced numbers for each campus.

b. Funds remaining after the allocation to campuses that exceed 75% low income population are allocated to existing Title I campuses that do not exceed the 75% low income population and meet the district threshold for being an eligible attendance area 20 U.S.C. 6313(a)(4). Allocation of remaining funds is done as follows:

    i. Remaining eligible Elementary campuses are ranked using the February Free and Reduced Report information compiled by the Child Nutrition Department; campuses with a Free and Reduced percentage based on February data with a rate of 70% or greater receive Title I.

    ii. Secondary campuses are not served until they have a low-income population greater than 75%, based on the District's decision to provide funding at the elementary level where it is most impactful.

EXHIBIT A

DISCLOSURE STRATEGY
PURPOSE AND INTENT

It is the stated policy and objective of Fort Bend Independent School District (the "District") to (i) ensure that the District's financial disclosures are fair and accurate, and comply with all applicable securities laws, (ii) satisfy in a timely manner all contractual obligations undertaken pursuant to the District's Continuing Disclosure Undertakings (as defined herein), and (iii) promote best practices relating to financial disclosures by the District.

The Board of Trustees has approved this Disclosure Strategy (referred to herein as the "Procedures") as of the date set forth above for the purpose of establishing, maintaining, and evidencing compliance with internal procedures, promoting compliance with securities laws, documenting the process for preparing and reviewing Disclosure Documents, and assisting the District in complying with its Continuing Disclosure Undertakings.

It is the intention of the District to modify or amend these Procedures in the future in order to comply with any changes in legal or regulatory requirements to the extent such changes may apply to the District and its obligations, or improve the realization of the purpose and intent of these Procedures.

I. DEFINITIONS

Capitalized terms used in these Procedures shall have the meanings set forth below:

"Auditor" means the independent outside auditor retained by the District to conduct an annual audit of the District and prepare a report thereon.

"Annual Report" means the annual financial information and operating data required to be filed pursuant to the Continuing Disclosure Undertakings.

"Annual Review" means the annual evaluation of the Procedures that is performed by the DWG.

"Periodic Training" means periodic disclosure training for staff and officials of the District involved in preparing or approving the Disclosure Documents.

"Audit Committee" means the Audit Committee of the Board of Trustees.

"Audited Financial Statements" means the audited financial statements or comprehensive annual financial reports of the District.

"Board of Trustees" means the Board of Trustees of the District.

"Bond Counsel" means the attorney or law firm retained to provide an opinion regarding the validity of the bonds or other municipal securities described in the Offering Documents.

"Continuing Disclosure Undertakings" means the District's contractual obligations relating to its outstanding securities entered into to permit the underwriters of such securities to comply with the Rule.

"Continuing Disclosure Undertakings Master List" means a current list of each Continuing Disclosure Undertaking of the District, identified by name of the issue covered and the CUSIP numbers associated therewith, for which the District remains obligated to advance funds to pay or support the municipal

securities covered, together with a description of the tables and other matters required in the Annual Report for such Continuing Disclosure Undertaking, the date on or before which the Annual Report and Audited Financial Statements must be filed, a description of information required in any notice of a failure to file the Annual Report and Audited Financial Statements, and a description of each event for which notice must be filed and whether the event must be filed in a timely manner or within ten business days of the occurrence of the event.

"Contributors" means those District staff members and officials involved in preparing or approving the Disclosure Documents or additional staff members assigned by the DWG Chair or identified to the DWG Chair by a director or manager of a department, or other unit of the District, to assist with the review or preparation of one or more sections of a Disclosure Document.

"Disclosure Document" means any of the District's documents and materials prepared, issued, or distributed in connection with the District's disclosure obligations under applicable federal securities laws or that could potentially subject the District to liability under applicable federal securities laws, and shall include, but not be limited to, the following: the Offering Documents; the Annual Report; any filing made by the District with EMMA pursuant to Continuing Disclosure Undertakings, including an Event Notice; any voluntary filing made by the District that is filed on EMMA; rating agency presentations; and any other document that is reviewed and approved in accordance with these Procedures.

"Disclosure Working Group" or "DWG" means the District's Chief Financial Officer, Executive Director of Finance, Director of Finance, District Treasurer, and in-house General Counsel, or the designee of any of the foregoing.

"Disclosure Working Group Chair" or "DWG Chair" means the Chief Financial Officer (or the person acting in the capacity of the Chief Financial Officer), or a designee authorized by the Chief Financial Officer to act on his or her behalf.

"EMMA" means the Electronic Municipal Market Access system maintained by the MSRB.

"Event Notice" means a notice for any of the events listed in the Rule.

"Financial Advisor" means an individual or firm providing financial advice to the District, including a municipal advisor.

"Financial Obligation" 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) guarantee of (A) or (B). The term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. The terms used in the definition of Financial Obligation have the meanings ascribed to them in 83 F.R. 44700 (Aug. 31, 2018).

"Financial Obligations Master List" means a list of the District's existing Financial Obligations. The Financial Obligations Master List should include for each Financial Obligation listed such terms of the Financial Obligation as may be necessary to comply with the information reporting requirements of event (15) under the Rule and monitoring requirements of event (16) under the Rule. The Financial Obligations Master List should be updated on a continuing basis upon incurrence of each new Financial Obligation or modification of an existing Financial Obligation.

"Financing Group" means the members of the DWG, Bond Counsel, the Financial Advisor, the Underwriter, counsel to the Underwriter, and any other party engaged by the District to assist in the offer, placement, and sale of the bonds or municipal securities described in an Offering Document.

"MSRB" means the Municipal Securities Rulemaking Board.

"Offering Documents" means all preliminary and final official statements, offering memoranda and other materials prepared by or for the District, together with any amendments or supplements thereto, for use in connection with the offering of notes, bonds, other municipal securities, or other obligations of the District subject to the antifraud provisions of federal securities law.

"Required Date" means the latest date or dates after the end of the District's fiscal year when the Audited Financial Statements and Annual Report are required to be filed with the MSRB under the District's Continuing Disclosure Undertakings, as identified by the Continuing Disclosure Undertakings Master List.

"Rule" means Securities and Exchange Commission Rule 15c2-12, adopted pursuant to the Securities Exchange Act of 1934, 17 CFR § 240.15c2-12, as amended from time to time.

"Underwriter" means the broker, dealer, or municipal securities dealer offering or placing the bonds or other municipal securities described in the Offering Documents to or with investors.

II. DISCLOSURE WORKING GROUP

A. DWG CHAIR RESPONSIBILITIES

The DWG Chair is responsible for oversight of compliance with these Procedures. The DWG Chair is the leader of the DWG.

The DWG Chair may designate staff or engage the Financial Advisor, Bond Counsel or other professional to assist in the execution of his or her responsibilities under these Procedures.

B. DWG RESPONSIBILITIES

The DWG is responsible for compliance with these Procedures and promoting compliance with federal securities laws.

The DWG shall meet (which meeting may be by phone or electronic means) not less than annually to fulfill its obligations under these Procedures. The DWG shall also meet (which meeting may be by phone or electronic means) prior to the posting of any Disclosure Document relating to the issuance of bonds. The DWG is encouraged to provide suggestions to improve these Procedures and the Disclosure Documents. The DWG may consult with Bond Counsel, the Financial Advisor, and the Auditor as necessary in connection with carrying out their obligations under these procedures.

Contributors, staff, and officials must cooperate with the DWG and provide the DWG with any information, assurances or certifications that it deems necessary to ensure that the Disclosure Documents are accurate and complete in all material respects.

III. DISCLOSURE PROCEDURES

A. PRIMARY DISCLOSURE

The following process will be used in connection with reviewing the form and content of Offering Documents and any supplements thereto.

1. DWG CHAIR

- The DWG Chair will coordinate with the members of the DWG to: (i) ensure that all appropriate members of the DWG are included on the distribution lists of the Financing Group, (ii) assign portions of the Offering Documents, including appendices, to members of the DWG or Contributors with responsibility for the financial information or operating data described therein, and (iii) assign relevant portions of the Offering Document to Bond Counsel for review.

2. OFFERING DOCUMENT REVIEW PROCESS

- Unless the District has contracted with another party to provide such services, the Financial Advisor will prepare the initial draft of the Offering Document and appendices thereto for review by the DWG and Financing Group and manage the incorporation of comments to the Offering Document received from the DWG, Contributors and the Financing Group.

- The District Treasurer, with the assistance of the Financial Advisor, will be responsible for compiling the financial information and operating data contained in the tables in the Offering Document and assigning such information and operating data to the members of District's staff with responsibility for such financial information or operating data for review and comment.

- If the Offering Document will be a "final official statement" as defined in the Rule, the District Treasurer will be responsible for coordinating, with the assistance of the Financial Advisor, a review of the District's compliance with its Continuing Disclosure Undertakings for the past five years and reviewing the information regarding the same in the Offering Document. Such review shall include a review of the Continuing Disclosure Master List, the Financial Obligation Master List, and the District's filings with EMMA for the preceding five years to determine whether any failures to comply have occurred. The DWG will consider any identified failures to comply and may consult with Bond Counsel regarding whether the disclosure of any such failures is required in the Offering Document and the contents of any such disclosure. To the extent practicable, remedial filings with respect to any such failures to file shall be prepared and filed in accordance with these Procedures.

- The District's in-house General Counsel will review and, if necessary, consult with District staff and other consultants or attorneys regarding disclosures contained in the Offering Document related to litigation, ongoing investigations and other general legal matters.

- The Chief Financial Officer or his or her designee, with the assistance of the DWG, will be available to respond to diligence questions during the preparation of the Offering Documents.

- Bond Counsel will review and comment on disclosures related to the order or resolution authorizing the debt obligations, the description of the continuing disclosure undertaking, and federal income tax considerations contained in the Offering Document.

- The DWG will consult with Contributors and other appropriate District officials, the Auditor, the Financial Advisor, Bond Counsel, and other outside consultants, if necessary, regarding the disclosure in the Offering Documents.

- The DWG must approve the final version of an Offering Document prior to the approval or execution of the Offering Document by the DWG Chair or other District Official or the posting or distribution of the Offering Document when such approval or execution is not required. Before final approval, the DWG must determine that the material facts described therein are consistent with those known to the DWG, and that the final version of the Offering Document (1) does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects.

- Approval of an Offering Document shall be evidenced by written sign-off (which may be delivered by e-mail) from each member of the DWG with responsibility for the disclosure provided in the Offering Document. The DWG Chair should retain the written sign-offs received from such members of the DWG in accordance with the District's records retention policy. In circumstances in which approval or execution by the District or a District official other than the DWG Chair is not required, the DWG Chair will authorize the distribution of the Offering Document.

- If requested by the Board of Trustees or any District official signing the Offering Document or approving its use, the DWG Chair will certify that (i) the Offering Document has been prepared in accordance with these Procedures and (ii) to the knowledge of the DWG and the DWG Chair, the Offering Document is accurate and complete in all material respects and does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in light of the circumstances in which they are made, not misleading. This process may occur with respect to: (1) posting or other distribution of (i) a preliminary Offering Document, and deeming final thereof, (ii) a final Offering Document, and (iii) any supplement or amendment to a preliminary or final Offering Document, and (2) execution of (i) any purchase agreement or (ii) closing document by an District official containing a representation, warranty, or certification that the Offering Document is accurate and complete in all material respects and does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in light of the circumstances in which they are made, not misleading.

- The DWG Chair will keep a record of the members of the DWG, the Financing Group, Contributors or other outside consultants that reviewed, drafted, approved or certified the Offering Document.

3. REPORT TO THE BOARD OF TRUSTEES

- Following each transaction pricing and the posting of the final official statement, the DWG will provide the Board of Trustees with a summary of the pricing, a copy of the final official statement containing the Continuing Disclosure Undertaking entered into in connection with such transaction, and a statement that the Offering Documents for the transaction were prepared in accordance with these Procedures.

B. CONTINUING DISCLOSURE

In connection with the issuance of municipal securities, the District has entered into (and in the future may enter into) a Continuing Disclosure Undertaking for the benefit of the holders and beneficial owners of the municipal securities of each such issuance, as required by the Underwriters in accordance with the Rule. The District is required to comply with these Continuing Disclosure Undertakings for so long as it remains obligated to advance funds to pay or support the municipal securities covered by the respective Continuing Disclosure Undertaking.

Under the Continuing Disclosure Undertakings, the District is obligated to provide (1) annual financial information consisting of (i) Audited Financial Statements and (ii) the Annual Report on or before the date specified in the Continuing Disclosure Undertaking, and notice of any failure to provide such annual financial information, and (2) in a timely manner, notice of any of the events specified in the Continuing Disclosure Undertaking to the MSRB by means of the EMMA system.

The District Treasurer will maintain the Continuing Disclosure Undertakings Master List of the District.

1. AUDITED FINANCIAL STATEMENTS

- The Director of Finance will work with relevant officials of the District to assure that the engagement letter with the Auditor requires completion and delivery by the Auditor of the District's annual Audited Financial Statements with sufficient time to permit the presentation to and acceptance by the District of the Audited Financial Statements and for the DWG to review and incorporate data and other information provided therein into the Annual Report prior to the respective Required Date.

- The Financial Advisor will file the Audited Financial Statements with EMMA upon availability or together with the Annual Report, provided such filing occurs on or before the respective Required Date. The Director of Finance or his or her designee shall be responsible for confirming that such filings have been made.

- If the Audited Financial Statements are not available by the Required Date, the Director of Finance will (i) if required under the District's Continuing Disclosure Undertakings, arrange for the review by the DWG and filing of unaudited financial statements with such cautionary statements and disclaimers as may be appropriate on or before the Required Date or as soon as practicable thereafter, and (ii) coordinate with Bond Counsel and the Financial Advisor for the drafting of and with the Financial Advisor for the filing of an Event Notice, in conformity with the failure to file notice provisions of the Continuing Disclosure Undertakings, stating that the Audited Financial Statements are not yet available and will not be filed by the Required Date. When the Audited Financial Statements become available, the Director of Finance shall make arrangements with the Financial Advisor for the filing of such Audited Financial Statements on EMMA and confirm that such filling was made.

2. ANNUAL REPORT

- The Director of Finance, with the assistance of the Financial Advisor, will schedule the preparation and drafting of the Annual Report with the DWG in time to file the Annual Report on or before the Required Date.

- The Director of Finance, with the assistance of the Financial Advisor, will assign drafting portions of the draft Annual Report, as appropriate, to DWG members and Contributors with responsibility for the financial information or operating data described therein.

- The DWG will review, comment on, and revise the initial and any subsequent drafts of the Annual Report; check, confirm and include or incorporate by reference, as appropriate, information contained in the Audited Financial Statements, and such other reports as required; and consult with appropriate staff and officials, the Auditor, Bond Counsel, the Financial Advisor and other outside consultants, if necessary, regarding the disclosure in the Annual Report.

- The DWG must approve of the final version of the Annual Report. Before final approval, the DWG must determine that the material facts described therein are consistent with those known to the DWG, and that the final version of the Annual Report (1) does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects.

- Prior to releasing the Annual Report, the DWG Chair must receive written sign-off (which may be delivered by email) from each member of the DWG with responsibility for the disclosure provided in the Annual Report. The DWG Chair should retain the written sign-offs received from such members of the DWG in in accordance with the District's records retention policy.

- If the Annual Report is not available by the Required Date, the Director of Finance shall coordinate with Bond Counsel and the Financial Advisor for the drafting of and with the Financial Advisor for the filing of an Event Notice, in conformity with the failure to file notice provisions of the Continuing Disclosure Undertakings, stating that the Annual Report is not yet available and will not be filed by the Required Date. When the Annual Report becomes available, the Director of Finance shall make arrangements with the Financial Advisor for the filing of such Audited Financial Statements on EMMA and confirm that such filling was made.

3. EVENT NOTICES

In its Continuing Disclosure Undertakings, the District is obligated to file notices of certain events on EMMA in a timely manner (in certain undertakings within ten business days) after the occurrence of the event, as set forth in the Continuing Disclosure Undertakings Master List. While the list of required event notices required under the District's Continuing Disclosure Undertakings has varied with changes in the Rule, a copy of the events for which event notices are required under the District's most recent Continuing Disclosure Undertakings and reflecting the amendments to the Rule that became effective in 2019 is attached hereto as **Attachment #1**.

A. EVENT NOTICES – GENERAL

- Each member of the DWG is expected to have an understanding of the events listed in the Continuing Disclosure Undertakings, as described in the Continuing Disclosure Undertakings Master List.

- At all times a DWG member is required to notify the DWG Chair if he or she becomes aware of any event or potential for the occurrence of an event described in the Continuing Disclosure Undertakings Master List that may require the filing of an Event Notice.

- The DWG shall identify District departments responsible for information relating to the District's Continuing Disclosure Undertakings and Event Notices. The DWG shall require all departments in the District to promptly notify the DWG regarding the occurrence of any event or the potential occurrence of an event triggering a requirement to file an Event of Default.

- Upon notification of the occurrence of an event or potential occurrence of an event that may require filing of an Event Notice, the DWG Chair will confer with members of the DWG, as well as District staff, Bond Counsel, the Financial Advisor and other outside consultants, if necessary, to determine whether an event has occurred and, if necessary, draft or assign the drafting of the Event Notice in sufficient time to allow the District to meet its continuing disclosure obligations described in the Continuing Disclosure Undertakings Master List.

- The DWG Chair will provide the DWG with a draft of the Event Notice and the DWG will review, revise, and comment on initial and revised drafts of the Event Notice. The DWG will consult with Contributors and other

appropriate District staff and officials, the Auditor, Bond Counsel, the Financial Advisor and/or other outside consultants they deem necessary regarding the Event Notice.

- Before final approval, the DWG must determine that the material facts described in the Event Notice are consistent with those known to the DWG, and that the final version of the Event Notice (1) does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects.

- Prior to releasing the Event Notice, the DWG Chair must receive written sign-off (which may be delivered by email) from each member of the DWG with responsibility for the disclosure provided in the Event Notice. The DWG Chair should retain the written sign-offs received from such members of the DWG in accordance with the District's records retention policy.

- If the DWG becomes aware of an Event Notice that was not filed, the DWG Chair will follow the process described above to promptly file such Event Notice.

B. EVENT NOTICES – FINANCIAL OBLIGATIONS

Beginning February 27, 2019, in connection with any primary offering subject to the Rule, the District will be required to include in Continuing Disclosure Undertakings an agreement to file, not in excess of ten business days, an Event Notice for: (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. The terms used in events (15) and (16) shall have the meanings ascribed to them in 83 F.R. 44700 (Aug. 31, 2018).

- Each member of the DWG is expected to have an understanding of new events (15) and (16) under the Rule.

- The DWG will, in consultation with Bond Counsel and the Financial Advisor, be responsible for: (i) identifying existing material Financial Obligations; (ii) tracking new material Financial Obligations, including amendments thereto; and (iii) monitoring Financial Obligations for events which may reflect financial difficulties.

- To assist in monitoring compliance with new events (15) and (16), the DWG Chair and the DWG will create the Financial Obligations Master List, with the assistance of the Financial Advisor, Bond Counsel, and other outside consultants, as the DWG Chair and DWG deem appropriate.

- The DWG Chair will maintain and update the Financial Obligations Master List, and upon approval of the DWG and the District, may retain a Financial Advisor or other outside consultants, as may be necessary, to effectively maintain and continuously update such Master List as well as to make all filings required to be made by the District under the Continuing Disclosure Undertakings.

- The DWG Chair shall review District agenda items in order to identify potential Financial Obligations (or a modification of an existing Financial Obligation) and shall follow-up with the individual responsible for the agenda item to determine if the item rises to the level of disclosure. For purposes of this section, at a minimum, items to be considered by the DWG as a potential "Financial Obligation" shall include, but are not limited to:

  1. A debt obligation;
  2. A derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation;
  3. A guarantee of (1) or (2);
  4. A financing agreement, financing lease or energy savings performance contract where the District effectively borrows money at a rate of interest for the purchase of vehicles and equipment and pays back such borrowing over a number of years;
  5. A line of credit, credit agreement or commercial paper program; and
  6. Any other instrument that contains "debt-like" features or terms.

- The DWG shall review all potential Financial Obligations for materiality and recommend to the DWG chair whether filing is required. For purposes of this section, a determination as to the materiality of a potential Financial Obligation involves a determination as to whether a financial obligation or the terms of a financial obligation, if they affect security holders, would be important, to the total mix of information made available to a reasonable investor when making an investment decision.

- At all times the DWG members are required to notify the DWG Chair if they become aware of the occurrence or potential occurrence of events, amendments or new agreements, or other items that would constitute new events (15) and (16) under the Rule. If a DWG member provides such notice or the DWG Chair otherwise becomes aware of such actual or potential event, the DWG Chair will follow the steps under "Section IV(B)(3)(A) Event Notices – General" of these Procedures in determining whether an event has occurred and, if necessary, the drafting and filing of the Event Notice and related record-keeping.

C. VOLUNTARY FILINGS WITH EMMA

- If District staff or officials desire to file a voluntary disclosure filing on EMMA, the staff or officials must make a request to the DWG Chair describing the reason for providing a voluntary disclosure. The DWG Chair will coordinate with the DWG, Bond Counsel and the Financial Advisor to determine whether a voluntary filing is appropriate and, if so, draft or assign the drafting of the voluntary disclosure filing.

- The DWG Chair will provide the DWG with a draft of the voluntary filing and the DWG will review, revise, and comment on initial and revised drafts of the voluntary filing. The DWG will consult with Contributors and other appropriate District staff and officials, the Auditor, the Financial Advisor, Bond Counsel, and other outside consultants, if necessary, regarding the voluntary filing.

- The DWG must approve of the final version of the voluntary filing. Before final approval, the DWG must determine that the material facts described therein are consistent with those known to the DWG, and that the final version of the voluntary filing (1) does not make any

untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects.

- Approval of a voluntary filing shall be evidenced by written sign-off (which may be delivered by e-mail) from each member of the DWG with responsibility for the disclosure provided in the voluntary filing. Upon receipt of sign-off from such members of the DWG, the DWG Chair shall file the voluntary filing with EMMA. The DWG Chair should retain the written sign-offs received from members of the DWG in in accordance with the District's records retention policy.

D. RATING AGENCY PRESENTATIONS

- In the event officials of the District are to make a presentation to a rating agency relating to the rating of outstanding or proposed municipal securities, the DWG Chair will assign portions of the draft rating agency presentation to DWG members and Contributors with responsibility for the financial and other information to be provided therein and to Bond Counsel and the Financial Advisor, as appropriate.

- The DWG will consult with Contributors and other appropriate District staff and officials, the Auditor, the Financial Advisor, Bond Counsel, and other outside consultants, if necessary, regarding the disclosure in the rating agency presentation. The DWG will review, revise, and comment on initial and revised drafts of the rating agency presentation.

- The DWG must approve the final version of any rating agency presentation prior to delivery to a rating agency. Before final approval, the DWG must determine that the material facts described therein are consistent with those known to the DWG, and that the final version of the rating agency presentation (1) does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects.

- Approval of a rating agency presentation shall be evidenced by written sign-off (which may be delivered by e-mail) from each member of the DWG with responsibility for the disclosure provided in the rating agency presentation. Upon receipt of sign-off from such members of the DWG, the DWG Chair shall provide the rating agency presentation to the rating agency. The DWG Chair should retain the written sign-offs received from members of the DWG in the in accordance with the District's records retention policy.

IV. ANNUAL REVIEW OF PROCEDURES

- Each year the DWG will conduct the Annual Review. The purpose of the Annual Review is for the DWG to evaluate the design, operation and effectiveness of these Procedures.

- Following the Annual Review, the Procedures will be submitted to the Board of Trustees for review. If the DWG recommends any substantive amendment to these Procedures, the DWG Chair will prepare a written summary of such amendment and deliver such summary to the Board of Trustees together with the recommendations of the DWG. Any amendments to the Procedures will be discussed with Bond Counsel.

- In addition to a recommendation to amend these Procedures made in the Annual Review, the DWG, the DWG Chair, and any official or staff involved in preparing or approving the Disclosure Documents may at any time recommend an amendment to the Procedures.

- Following receipt of the recommendation for an amendment, the DWG will convene a meeting (which may be by phone or electronic means) to discuss the proposed amendment and determine whether such amendment should be approved. Any amendments to the Procedures will be discussed with Bond Counsel. If the DWG recommends that the Board of Trustees make any substantive amendment to these Procedures, the DWG Chair will prepare a written summary of such amendment and deliver such summary to the Board of Trustees together with the recommendations of the DWG.

V. PERIODIC TRAINING

- The District will provide Periodic Training for all staff and officials involved in preparing or approving the Disclosure Documents, including members of the DWG authorizing or participating in the preparation of or approval of any Offering Document for dissemination. The Periodic Training should be prepared by or with the assistance of Bond Counsel.

- The Periodic Training will generally include an overview of these Procedures, the disclosure obligations of the District under federal and state securities laws, and the responsibilities and potential liabilities of the staff and officials involved in preparing or approving the Disclosure Documents.

- All staff and officials involved in preparing or approving the Disclosure Documents are required to attend the Periodic Training or obtain comparable training approved by the DWG Chair.

- The DWG Chair will keep a record of those that attend the Periodic Training and maintain such record in accordance with these Procedures.

VI. INTERNAL USE ONLY

These Procedures are intended for internal use only and are not intended to establish any duties in favor of or rights of any person other than the District.

Attachment #1

Example Event Notice Requirements
(Reflecting Amendments to the Rule that Became Effective on February 27, 2019)

Event Notices.

(a) The District shall provide the following 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) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of the 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;

Note to paragraph 12: For the purposes of the event identified in paragraph 12 of this section, the event 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 U.S. 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.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material;

(15) Incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

Note to paragraphs (15) and (16): For purposes of the events identified in paragraphs (15) and (16) of this section and in the definition of Financial Obligation in Section 1.01, the District intends the words used in such paragraphs to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release."

The District shall provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, notice of a failure by the District to provide financial information and operating data (i.e. Annual Reports and Audited Financial Statements) in accordance with the requirements of the applicable Order. All documents provided to the MSRB should be accompanied by identifying information as prescribed by the MSRB.

Additionally, if the District changes its fiscal year, it must notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide its Annual Reports and Audited Financial Statements.