

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 14, 2026

NEW ISSUE  
BOOK-ENTRY-ONLY

RATING Enhanced/Unenhanced: Standard & Poor's: "\_\_\_"

PSF: "Applied For"

(see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"  
and "OTHER INFORMATION-Rating" herein)

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*



**\$11,999,998.20\***

**DIBOLL INDEPENDENT SCHOOL DISTRICT**  
(Angelina County, Texas)  
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026**

(The Bonds will not be designated as Qualified Tax-Exempt Obligations for Financial Institutions)

**Dated Date:** February 1, 2026

**Due:** As shown on the inside cover page hereof

Interest Accrues from date of delivery

The Diboll Independent School District Unlimited Tax School Building Bonds, Series 2026 are issued in part as current interest bonds ("CIBs") and in part as premium capital appreciation bonds ("CABs") (the CIBs and CABs collectively, the "Bonds"). The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") including particularly Chapter 45, Texas Education Code, and an order to be adopted by the Board of Trustees (the "Board") of the Diboll Independent School District (the "District") authorizing the issuance of the Bonds. Additionally, the Bonds are authorized pursuant to an election held in the District on November 4, 2025. The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the District, as provided in the Order. See "THE BONDS—Authority for Issuance" herein.

Interest on the CIBs will accrue from the date they are initially delivered (the "Delivery Date") to the Initial Purchaser (defined below) and will be payable on August 15 and February 15 of each year until maturity or prior redemption, commencing August 15, 2026. Interest on the CABs will accrete from the Delivery Date, compounded semiannually on February 15 and August 15, commencing February 15, 2026, and will be payable only upon maturity. The CIBs will be issued in principal denominations of \$5,000 or any integral multiple thereof. The CABs will be issued in denominations of \$5,000 of the total amount of principal, plus the initial premium, if any, and accrued interest payable upon maturity (the "Maturity Amount"), or any integral multiple thereof. Principal of and interest on the CIBs and the Maturity Amount of the CABs will be payable by the Paying Agent/Registrar, initially Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. See "THE BONDS—Description" herein.

The definitive Bonds will be initially registered and delivered to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 in principal amount (with respect to the CIBs) and Maturity Amount (with respect to the CABs), or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amount so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS Book-Entry-Only System" herein.

The District has applied for and received conditional approval for the payment of the principal of and interest on the Bonds to be guaranteed by the Texas Permanent School Fund. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

Proceeds from the sale of the Bonds will be used for (i) design, construction, acquisition, rehabilitation, renovation, expansion, improvement, and equipment of school buildings in the District, and (ii) paying the costs of issuing the Bonds. See "THE BONDS—Sources and Uses of Funds" herein.

The CIBs maturing on and after February 15, 2044, are subject to optional redemption in whole or in part on February 15, 2035, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date of redemption. The CABs are not subject to redemption prior to maturity. See "THE BONDS—Optional Redemption" herein. If the principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined to create one or more term bonds ("Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption. See "THE BONDS-Mandatory Sinking Fund Redemption."

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SEE MATURITY SCHEDULE ON THE INSIDE COVER PAGE

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The Bonds are offered for delivery when, as and if issued and received by the initial purchaser of the Bonds (the "Initial Purchaser") and will be subject to the approving opinion of the Attorney General of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. See "FORM OF BOND COUNSEL'S OPINION" attached hereto as Appendix C. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about February 12, 2026.

**BIDS DUE TUESDAY, JANUARY 20, 2026, AT 9:30 A.M. (CST)**

\* Preliminary, subject to change.

The Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor any offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

# MATURITY SCHEDULE\*

## DIBOLL INDEPENDENT SCHOOL DISTRICT (Angelina County, Texas)

**\$11,999,998.20\***  
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026**

### \$11,955,000\* Current Interest Bonds

Maturity		Principal Amount*	Interest Rate	Initial Reoffering	CUSIP No <sup>(c)</sup>
				Yield <sup>(b)</sup>	
2/15/2044	(a)	\$ 750,000	%	%	
2/15/2045	(a)	780,000			
2/15/2046	(a)	810,000			
2/15/2047	(a)	840,000			
2/15/2048	(a)	875,000			
2/15/2049	(a)	915,000			
2/15/2050	(a)	970,000			
2/15/2051	(a)	1,010,000			
2/15/2052	(a)	915,000			
2/15/2053	(a)	955,000			
2/15/2054	(a)	1,000,000			
2/15/2055	(a)	1,045,000			
2/15/2056	(a)	1,090,000			

(Interest to accrue from the Delivery Date)

### \$44,998.20\* Capital Appreciation Bonds

Maturity	Principal Amount*	Yield to Maturity <sup>(b)</sup>	CAB	Initial Offering	CUSIP No <sup>(c)</sup>
			Value at Maturity	Price per \$5,000 In Maturity Amount	
2/15/2041	\$ 18,550.35	%	\$	\$	
2/15/2042	14,736.15				
2/15/2043	11,711.70				

(Interest to accrete from the date of delivery)

\* Preliminary, subject to change.

<sup>(a)</sup> The CIBs maturing on and after February 15, 2044, are subject to optional redemption in whole or in part on February 15, 2035, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date of redemption. The CABs are not subject to redemption prior to maturity. See “THE BONDS—Optional Redemption” herein. If the principal amounts designated in the serial maturity schedule above are combined to create one or more term bonds (“Term Bonds”), each such Term Bond shall be subject to mandatory sinking fund redemption. See “THE BONDS—Mandatory Sinking Fund Redemption.”

<sup>(b)</sup> The initial yields at which Bonds are priced are established by and are the sole responsibility of the Initial Purchaser and may be changed at any time at the discretion of the Initial Purchaser.

<sup>(c)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright © 2022 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Financial Advisor or their agents or counsel assume responsibility for the accuracy of such numbers.

## DISTRICT OFFICIALS, STAFF AND CONSULTANTS

### Board of Trustees

<u>Name</u>	<u>Title</u>	<u>Years of Service</u>	<u>Term Expires May</u>	<u>Occupation</u>
Jay Wyatt	President	26	2028	Sales
Mike Terrell	Vice President	4	2026	Operations/Terminal Manager
Roy Salazar	Secretary	14	2027	Business Owner/Paint & Body
Nathan Terrell	Member	7	2026	Business Owner/Insurance
Justin Barkley	Member	3	2028	Librarian
Laurel Youngblood	Member	2	2026	Retired
Jana Coulter	Member	1	2027	HR Director

### Administrators

<u>Name</u>	<u>Title</u>	<u>Years in Service</u>	<u>Years in Position</u>
Dr. Igor Gussyakov	Superintendent	.5	.5
Katherina Crager	Assistant Superintendent of Finance	15	13

### Consultants and Advisors

Certified Public Accountant.....Axley & Rode, LLP Certified Public Accountants  
Lufkin, Texas

Bond Counsel .....Orrick, Herrington & Sutcliffe LLP  
Houston, Texas

Financial Advisor.....USCA Municipal Advisors, LLC  
Houston, Texas

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

*The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the District’s undertaking to provide certain information on a continuing basis.*

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

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

*The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the Initial Purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.*

**NEITHER THE DISTRICT NOR ITS FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM DESCRIBED UNDER “THE BONDS–BOOK-ENTRY-ONLY SYSTEM” HEREIN NOR AS TO THE INFORMATION PROVIDED BY TEXAS EDUCATION AGENCY UNDER “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” HEREIN.**

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

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## OFFICIAL STATEMENT SUMMARY

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

<b>The District</b>	Diboll Independent School District (the “District”) operates as an independent school district under the laws of the State of Texas (the “State”). The District is located in Angelina County, Texas. See “THE DISTRICT” herein.
<b>The Bonds</b>	Diboll Independent School District Unlimited Tax School Building Bonds, Series 2026 (the “Bonds”) are being issued in part as current interest bonds (“CIBs”) and in part as premium capital appreciation bonds (“CABs”) (the CIBs and CABs together, the “Bonds”). See “THE BONDS—Description” herein.
<b>The CIBs</b>	The CIBs are being issued in the principal amounts and mature on the dates set forth on the inside cover page hereof. The CIBs bear interest from the date of their initial delivery (the “Delivery Date”), at the rates per annum set forth on the inside cover hereof, which interest is payable each August 15 and February 15, commencing August 15, 2026, until maturity or prior redemption. See “THE BONDS—Description” herein.
<b>The CABs</b>	The CABs are being issued in Maturity Amounts (hereafter defined) and mature on the dates set forth on the inside cover page hereof. Interest on the CABs accretes from the Delivery Date and will be compounded on February 15 and August 15, commencing February 15, 2026, and will be payable only at maturity. See “THE BONDS Description” herein.
<b>Authority for Issuance</b>	The Bonds are being issued pursuant to an order authorizing the issuance of the Bonds to be approved by the Board of Trustees (the “Board”) of the District on January 20, 2026 (the “Order”) and the Constitution and general laws of the State, including particularly Chapter 45, Texas Education Code. Additionally, the Bonds are authorized pursuant to an election held in the District on November 4, 2025. See “THE BONDS Authority for Issuance” herein.
<b>Security for Bonds</b>	Principal of and interest on the Bonds will be payable from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the District. See “THE BONDS-Security and Source of Payment” and “AD VALOREM TAX PROCEDURES-Tax Rate Limitations” herein.
<b>Permanent School Fund Guarantee</b>	The District applied to the Texas Education Agency and has received conditional approval for the Bonds to be guaranteed by the Texas Permanent School Fund. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein.
<b>Redemption</b>	The CIBs maturing on and after February 15, 2041, are subject to optional redemption in whole or in part on February 15, 2035, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date of redemption. The CABs are not subject to redemption prior to maturity. See “THE BONDS—Optional Redemption” herein. If the principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined to create one or more term bonds (“Term Bonds”), each such Term Bond shall be subject to mandatory sinking fund redemption. See “THE BONDS-Mandatory Sinking Fund Redemption.”
<b>Use of Proceeds</b>	Proceeds from the sale of the Bonds will be used for (i) design, construction, acquisition, rehabilitation, renovation, expansion, improvement, and equipment of school buildings in the District, and (ii) paying the costs of issuing the Bonds. See “THE BONDS—Sources and Uses of Funds” herein.

<b>Tax Exemption</b>	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.
<b>Rating</b>	S&P Global Ratings, Inc. (“S&P”) has assigned its municipal bond rating of “____”, to the Bonds by virtue of the guarantee of the Permanent School Fund of the State of Texas on the Bonds. See “OTHER INFORMATION—Rating” and “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein. S&P generally rates all bonds that are guaranteed by the Permanent School Fund Guarantee Program as “AAA.” S&P has assigned a rating of “___” without respect to credit enhancement.
<b>Book-Entry-Only System</b>	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company, New York, New York (“DTC”), pursuant to the book-entry-only system described herein. The Bonds will be issued in principal denominations of \$5,000 of principal amount (with respect to the CIBs) or Maturity Amount (with respect to the CABs) or any integral multiple thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the initial paying agent/registrar, Zions Bancorporation, National Association dba Amegy Bank, Houston, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS-Book-Entry-Only System” herein.
<b>Payment Record</b>	The District has never defaulted in the payment of its tax-supported debt.

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## SELECTED FINANCIAL INFORMATION

<b>Fiscal Year End</b>	<b>Estimated Population <sup>(a)</sup></b>	<b>Taxable Assessed Valuation <sup>(b)</sup></b>	<b>Per Capita Assessed Valuation</b>	<b>Ad Valorem Tax Supported Debt</b>	<b>Per Capita Tax Supported Debt</b>	<b>Ratio Tax Debt to Assessed Valuation</b>	<b>Tax Year</b>
2022	9,352	\$ 349,927,364	\$ 37,417	\$ 17,524,924	\$ 1,874	5.008%	2021
2023	8,896	369,870,149	41,577	16,529,924	1,858	4.469%	2022
2024	8,708	352,426,170	40,472	15,514,924	1,782	4.402%	2023
2025	8,481	373,713,576	44,065	14,484,924	1,708	3.876%	2024
2026	8,312	344,172,601	41,407	25,439,922 <sup>(c)</sup>	3,061	7.392%	2025

<sup>(a)</sup> Source: Municipal Advisory Council of Texas.

<sup>(b)</sup> Source: The District's Annual Financial Reports and from the Angelina County Appraisal District.

<sup>(c)</sup> Includes the Bonds. Preliminary, subject to change.

### General Fund Consolidated Statement Summary

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Beginning Balance	\$ 4,609,177	\$ 5,249,499	\$ 4,959,344	\$ 4,902,283	\$ 5,530,538
Adjustments to Fund Balance	-	-	-	-	-
Total Revenue	22,685,148	19,493,096	20,098,022	19,305,587	20,784,527
Total Expenses	19,867,961	20,141,618	19,879,867	21,011,820	20,748,866
Net Other Resources (Uses)	56,366	8,200	72,000	1,763,294	(663,916)
Ending Balance	\$ 7,482,730	\$ 4,609,177	\$ 5,249,499	\$ 4,959,344	\$ 4,902,283

Note: The District estimates of General Fund balance of \$6,913,183 for fiscal year 2025.

### For Additional Information Regarding the District Contact:

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Superintendent  
Diboll Independent School District  
215 N. Temple  
Diboll, Texas 75941  
Phone: 936-829-6108

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**DIBOLL INDEPENDENT SCHOOL DISTRICT**  
**(Angelina County, Texas)**

**\$11,999,998.20\***  
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026**

**INTRODUCTION**

This Official Statement, including Appendices A and B hereto, provides certain information regarding the issuance of the Diboll Independent School District Unlimited Tax School Building Bonds, Series 2026 (the “Bonds”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order (the “Order”) to be adopted by the Board of Trustees (the “Board”) of the Diboll Independent School District (the “District”) authorizing the issuance of the Bonds.

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

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Financial Advisor, USCA Municipal Advisors, LLC, 4444 Westheimer, Suite G500, Houston, Texas 77027 by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board at [www.emma.msrb.org](http://www.emma.msrb.org). See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the District’s undertaking to provide certain information on a continuing basis.

**THE BONDS**

**Description**

The Bonds are dated February 1, 2026 and mature on February 15 thereafter in each of the years and in the amounts shown on the inside cover page hereof. The Bonds are being issued in part as current interest bonds (the “CIBs”) and in part as premium capital appreciation bonds (the “CABs”). Interest on the CIBs will accrue from the date they are initially delivered to the initial purchaser of the Bonds (the “Initial Purchaser”) (the “Delivery Date”), and will be payable each August 15 and February 15, commencing August 15, 2026, until maturity or earlier redemption. Interest on the CIBs will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the CABs will accrete from the Delivery Date, will be compounded semi-annually on February 15 and August 15, commencing February 15, 2026, and will be payable only upon maturity. The amount of principal, plus the initial premium, if any, and accrued interest paid at maturity with respect to the CABs is hereinafter referred to as the “Maturity Amount.”

The term “Accreted Value” as used in this Official Statement and in the Order means the original principal amount of a CAB plus the initial premium, if any, paid therefor with interest thereon compounded semiannually to February 15 or August 15, as the case may be, next preceding the date of such calculation (or the date of calculation, if such calculation is made on February 15 or August 15), at the respective yields stated on the inside cover page of this Official Statement and, with respect to each \$5,000 Maturity Amount, as set forth in the Accreted Value tables attached hereto as Schedule I. For any day other than a February 15 and August 15, the Accreted Value of a CAB shall be determined by a straight line interpolation between the values for the applicable semiannual compounding dates (based on a 360 day year of 30-day months).

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\* Preliminary, subject to change.

The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount (with respect to the CIBs) or Maturity Amount (with respect to the CABs) for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and accrued interest on the CIBs and the Maturity Amount of the CABs will be payable by the Paying Agent/Registrar, initially Zions Bancorporation, National Association, Houston, Texas (the “Paying Agent/Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS-Book-Entry-Only System” herein.

### **Yield on CABs**

The yields of the CABs as set forth on the inside cover page of this Official Statement are the approximate yields based upon the initial offering prices therefor set forth on the inside cover page of this Official Statement. Such offering price includes the principal amount of such CABs plus premium equal to the amount by which such offering price exceeds the principal amount of such CABs. Because of such premium, the approximate offering yield on the CABs is lower than the bond interest rates thereon. The yield on the CABs to a particular purchaser may differ depending upon the price paid by the purchaser. For various reasons, securities that do not pay interest periodically, such as the CABs, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

### **Authority for Issuance**

The Bonds are being issued pursuant to the Order and the Constitution and general laws of the State, including particularly Chapter 45, Texas Education Code. Additionally, the Bonds are authorized pursuant to an election held in the District on November 4, 2025 (the “2025 Election”). The Bonds constitute the first and final installment of a total of \$12,000,000 from the 2025 Election. After the issuance of the Bonds, the District will have no authorized but unissued bonds from the 2025 Election.

### **Security and Source of Payment**

The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property within the District. In addition, the District has received approval, subject to certain conditions, for the Bonds to be guaranteed by the Permanent School Fund of the State of Texas. See “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”, “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” herein.

### **Permanent School Fund Guarantee**

In connection with the sale of the Bonds, the District has submitted an application to the Texas Education Agency, and has received conditional approval from the Commissioner of Education, for the guarantee of the Bonds under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed in “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM,” the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas in accordance with the terms of the Guarantee Program for School District Bonds. In the event of default, registered owners will receive all payments due from the corpus of the Permanent School Fund.

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

### **Optional Redemption**

The District reserves the right, at its option, to redeem CIBs having stated maturities on and after February 15, 2041, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date. The CABs are not subject to redemption prior to maturity.

## **Mandatory Sinking Fund Redemption**

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined to create term bonds (the "Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Bond and continuing on February 15 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on the inside cover page hereof.

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Bonds to be mandatorily redeemed on such mandatory redemption date shall be reduced by the principal amount of such Term Bond which, by the 30th day prior to such mandatory redemption date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

## **Notice of Redemption**

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

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

## **Defeasance**

The Order provides that the Bonds may be defeased in any manner now or hereafter permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal and all interest to accrue on the Bonds to maturity, and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable

obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Bonds. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used to defease the Bonds or those for any other securities used to defease the Bonds will be maintained at any particular rating category.

Upon defeasance, such defeased Bonds shall no longer be regarded to be outstanding or unpaid and the Bonds will no longer be guaranteed by the Texas Permanent School Fund.

### **Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurance that (1) DTC will distribute payment of debt service on the Bonds, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. Discontinuance by the District of use of the system of book-entry transfers through DTC may require compliance with DTC operational arrangements.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of the system of book-entry transfers by the District may require the consent of Participants under DTC's operational arrangements. In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District, the Financial Advisor nor the Initial Purchaser take responsibility for the accuracy thereof.

*Use of Certain Terms in Other Sections of this Official Statement.*

In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires

an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

#### *Effect of Termination of Book-Entry-Only-System*

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under “- Transfer, Exchange and Registration” herein.

#### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times while any Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

#### **Transfer, Exchange and Registration**

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated payment office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond or Bonds being transferred or exchanged, at the designated payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See “THE BONDS-Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

#### **Record Date for Interest Payment**

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

#### **Bondholders’ Remedies**

The Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due or the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, or the District defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Order and the District’s obligations are not uncertain or disputed, as well as to enforce the rights of payment under the Permanent School Fund Guarantee. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of

the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants, in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors by principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

## Sources and Uses of Funds

Proceeds from the sale of the Bonds will be used for (i) design, construction, acquisition, rehabilitation, renovation, expansion, improvement, and equipment of school buildings in the District, and (ii) paying the costs of issuing the Bonds. Proceeds from the sale of the Bonds will be applied in the amounts shown below.

### Sources of Funds

Par Amount of the Bonds	\$
[Net] Premium	
Total	<hr/>

### Uses of Funds

Deposit to Project Fund	\$
Costs of Issuance	
Underwriter's Discount	
Deposit to Debt Service Fund (Additional Proceeds)	<hr/>
Total	\$

## THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

## STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

### Litigation Relating to the Texas Public School Finance System

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

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

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

### Possible Effects of Changes in Law on District Bonds

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

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

## CURRENT PUBLIC SCHOOL FINANCE SYSTEM

### Overview

The following language constitutes only a summary of the public school finance system (the “Finance System”) as it is currently structured. The information contained under the captions “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “TAX RATE LIMITATIONS” is subject to change, and only reflects the District’s understanding based on information available to the District as of the date of this Official Statement. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.



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

## **2025 Legislative Session**

The regular session of the 89th Texas Legislature (the "Legislature") commenced on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the "2025 Legislative Sessions"). The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session. Additional special sessions may be called by the Governor. During such time, the Legislature may enact laws that materially change current law as it relates to funding public schools, including the District and its finances.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation passed by both houses of the Legislature increases: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000, and (3) the exemption for tangible personal property used in the "production of income" from \$2,499 to \$125,000. Voters approved constitutional amendments authorizing the new exemptions at an election held on November 4, 2025. Additionally, the Legislature passed legislation that authorizes roughly \$8.5 billion in funding for public schools and provides districts with a \$55 per-student increase to their base funding, as well as additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature created an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school.

The legislation became effective September 1, 2025, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2025-2027 biennium may not exceed \$1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding.

## **Local Funding for School Districts**

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

**State Compression Percentage.** The "State Compression Percentage" ("SCP") is a statutory defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's maximum compressed tax rate (defined below). The SCP is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State

Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

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

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

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

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

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

## **State Funding for School Districts**

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

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

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

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

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

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

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

**Tier Two.** Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district’s Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.02084. For the 2026-2027 State fiscal biennium, school districts are guaranteed \$129.52 per student in WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district’s Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield of \$49.72 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

**Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment.** The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district’s I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the “IFA Yield”) in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued

to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the State Legislature for the 2026-2027 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2026-2027 State fiscal biennium on new bonds issued by school districts in the 2026-2027 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption from \$100,000 to \$140,000. See “— 2025 Legislative Sessions.” Hold-harmless applies only to bonds authorized by voters prior to September 1, 2023.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. In the 2025 Legislative Session, the State Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

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

For the 2026-2027 school year, school districts will be held harmless and entitled to additional State aid to the extent that State and local revenue used to service eligible debt is less than the State and local revenue that would have been available to the district under State law providing for State aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling as such State law existed on September 1, 2022, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred. See “AD VALOREM PROPERTY TAXATION - Local Option Homestead Exemptions” and “- State Mandated Freeze on School District Taxes.”

### **Local Revenue Level in Excess of Entitlement**

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district’s Tier One Tax Rate and Copper Pennies in excess of the school district’s respective funding entitlements (a “Chapter 49 school district”), is subject to the local revenue reduction provisions contained in Chapter 49 of the Texas Education Code, as amended (“Chapter 49”). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary

to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture," which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "*Options for Local Revenue Levels in Excess of Entitlement.*" Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund but are generally not eligible to receive State aid under the Foundation School Program (except for Golden Pennies, if applicable), although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

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

A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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

## **THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DIBOLL INDEPENDENT SCHOOL DISTRICT**

For the 2025-2026 fiscal year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

## **AD VALOREM TAX PROCEDURES**

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

### **Valuation of Taxable Property**

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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

product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

### **State Mandated Homestead Exemptions**

State law grants, with respect to each school district in the State, (1) a \$140,000 exemption of the appraised value of all homesteads, (2) a \$60,000 exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions" for a discussion of legislation passed during the regular session and the November 4, 2025 State-wide election at which voters approved an amendment to the Texas Constitution to increase the general residential homestead exemption for school districts from \$100,000 to \$140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

### **Local Option Homestead Exemptions**

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

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

### **State Mandated Freeze on School District Taxes**

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled. Additionally, at an election held on May 3, 2025, the voters in the State approved a constitutional amendment which requires a recalculation of the school district tax limitations (i.e. the tax ceiling) on residence homesteads for persons sixty-five (65) years of age or older or disabled persons to reflect the reductions in MCR (as defined herein) for 2019 and subsequent tax years. Senate Bill 1, which was also passed during the Third Special Session of the 87th Texas Legislature made provisions for additional State aid to hold school districts harmless for tax revenue losses resulting from these recalculations.

### **Personal Property**

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

that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of the increase, effective January 1, 2026, in the exemption for tangible personal property used in the “production of income” from \$2,499 to \$125,000.

### **Freeport and Goods-In-Transit Exemptions**

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

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

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

### **Temporary Exemption for Qualified Property Damaged by a Disaster**

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

### **Other Exempt Property**

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

### **Tax Increment Reinvestment Zones**

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



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

### **Tax Limitation Agreements**

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

The Chapter 313 program expired effective December 31, 2022. During the regular session of the 88th Texas Legislature, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code, as amended ("Chapter 403"), was enacted into law. Chapter 403 was intended as a replacement of former Chapter 313, but it contains significantly different provisions than the prior program under Chapter 313. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations ad valorem taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt services taxes securing the Bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, provision of utility services, including dispatchable electric generation facilities, facilities related to the development of natural resources, facilities engaged in the research, development or manufacture of high-tech equipment or technology, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements.

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

### **Tax Abatement Agreement**

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

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

### **District and Taxpayer Remedies**

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

### **Levy and Collection of Taxes**

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

### **District’s Rights in the Event of Tax Delinquencies**

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

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

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

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

### **District Application of Tax Code**

The District has granted an additional \$35,000 exemption to the market value of the residence homestead of persons 65 years of age or older, over the state-mandated exemption. The District has granted an additional 20% exemption of the market value of residence homesteads.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt. The District does not tax nonbusiness personal property. The District does not permit split payments and discounts are not allowed. The District does not tax Freeport Property. The District has not adopted a tax abatement policy and has no current tax abatements. The District does not tax Goods-In-Transit.

## **TAX RATE LIMITATIONS**

### **M&O Tax Rate Limitations**

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on March 28, 1964 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended (“Article 2784e-1”).

The maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 and the school district’s MCR. A school district’s MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is \$0.93. See “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts” herein.

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

### **I&S Tax Rate Limitations**

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

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

### **Public Hearing and Voter-Approval Tax Rate**

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

A school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60th) day after the date the certified appraisal roll is received by the taxing unit, except that a tax rate that exceeds the Voter-Approval Tax Rate must be

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

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

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

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

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

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

## **EMPLOYEES' BENEFIT PLANS**

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit.

In addition to the TRS retirement plan, the District provides health care coverage for its employees. For a discussion of the TRS retirement plan and the District’s medical benefit plan, see the audited financial statements of the District that are attached hereto as Appendix B.

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

## **THE DISTRICT**

The District, an independent school district and political subdivision of the State of Texas, is located within Angelina County, Texas. The City of Diboll, Angelina County and the Angelina County Junior College District, along with other overlapping governmental entities, has authority to levy ad valorem taxes. See Appendix A, Table 6, “ESTIMATED OVERLAPPING DEBT.” Generally, see Appendix A – Information Regarding the District” for more information regarding the District.

### **Administration**

The Board of Trustees is the governing body of the District and consists of seven members, who serve three-year terms without salary. The District is under the administrative supervision of the Superintendent of Schools, who is employed by the Board of Trustees.

### **District School Operations**

On December 1, 2025, the District owned and operated one high school, one junior high school, one intermediate school and one elementary school. The following table provides information regarding student enrollment in the District.

	<b>For the Year Ending August 31</b>				
	<b><u>2026</u><sup>(a)</sup></b>	<b><u>2025</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Student Enrollment	1,515	1,562	1,646	1,656	1,736
Average Daily Attendance	1,383	1,419	1,457	1,488	1,535
Cost Per Student	\$13,963	\$12,716	\$11,717	\$12,008	11,025

<sup>(a)</sup> Projected.

### **Financial Policies**

**General Fund** – This is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

**Debt Service Fund** – This fund is used to account for resources accumulated from the proceeds of debt service taxes levied for the purpose of the repayment of debt, the issuance of which has been approved by the voters of the District. Other resources include State Foundation program funds received for the purpose of bonded debt repayment. This fund is required to be budgeted on an annual basis.

**Capital Projects Fund** – This fund is used to account for revenues and expenses related to projects financed by the proceeds of bond issues or for capital projects otherwise mandated to be accounted for in this fund. This fund is not required to be budgeted on an annual basis.

**Internal Service Funds** – These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the issues of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements.

Private-Purpose Trust Funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds – These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary Funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the District-wide statements.

## **INVESTMENTS**

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

### **Legal Investments**

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

the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District’s name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers’ acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District’s name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than “AAA” or “Aaa” or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

### **Investment Policies**

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, marketability of each investment, (4) diversification of the portfolio, and (5) yield.

Under Texas law, District investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for

investment, considering the probable safety of capital and the probable income to be derived.” At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning and ending market value of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board.

### **Additional Provisions**

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

### **Current Investments**

As of October 31, 2025, the District had approximately \$4,058,938 invested with LoneStar Investment Pool. The market value of such investments is approximately 100% of their book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

## **TAX MATTERS**

### **Tax Exemption**

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on



the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406 (a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”). Information will be available free of charge via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org). See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein for a description of the TEA’s continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee, to the MSRB.

### **Annual Reports**

The District will provide updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement in APPENDIX A, Tables 1 through 5 and Tables 7 through 10, and Appendix B. The District will update and provide this information within six months after the end of each fiscal year.

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

The District’s current fiscal year-end is the last day of August. Accordingly, the District must provide updated information by the last day of February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

### **Event Notices**

The District shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the

consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of 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 District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide the financial information or operating data described under “-Annual Reports” in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. As used in this section, the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in 15c2-12 Rule) has been provided to the MSRB consistent with the Rule. The District intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

### **Compliance with Prior Undertakings**

During the past five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

## **OTHER INFORMATION**

### **Rating**

S&P Global Ratings (“S&P”) has assigned its municipal rating of “\_\_\_\_” to the Bonds by virtue of the guarantee of the Texas Permanent School Fund on the Bonds. An explanation of the rating may be obtained from S&P. S&P generally rates all bonds that are guaranteed by the Permanent School Fund Guarantee Program as “AAA.” The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if in the judgment of the company circumstances so warrant. Any such downward revision or withdrawal by such rating may have an adverse effect on the market price of the Bonds. The District’s underlying rating for the Bonds from S&P (without consideration of credit enhancement) is “\_\_\_\_”. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein.

### **No Litigation Certificate**

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by an authorized officer of the District, to the effect that, except as disclosed in this Official Statement, no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

### **Registration and Qualification of Bonds for Sale**

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

### **The Bonds as Legal Investments in Texas**

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires the Bonds to be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. (See “-Rating” above). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for State banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

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

### **Legal Matters**

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

The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions “THE BONDS” (except for the information under the sub-captions “– Permanent School Fund Guarantee” “– Bondholders’ Remedies” and “– Sources and Uses of Funds,” as to which no opinion is expressed) and “CONTINUING DISCLOSURE OF INFORMATION,” and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM,” “TAX RATE LIMITATIONS – M&O Tax Rate Limitations” (first paragraph only), “TAX MATTERS,” “OTHER INFORMATION – Legal Matters” (except for the last two sentences of the second paragraph), “OTHER INFORMATION – Registration and Qualification of Bonds for Sale” and “OTHER INFORMATION – The Bonds as Legal Investments in Texas” and Bond Counsel is of the opinion that the statements and information contained therein accurately describe the laws and legal issues addressed therein.

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

### **Authenticity of Financial Data and Other Information**

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

### **Financial Advisor**

USCA Municipal Advisors, LLC (“USCA” or the “Financial Advisor”), a subsidiary of U.S. Capital Wealth, LLC, is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. USCA, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

USCA has reviewed the information in this Official Statement in accordance with its responsibilities to the District and, as applicable, to investors under federal securities laws as applied to the facts and circumstances of this transaction, but USCA does not guarantee the accuracy or completeness of such information.

### **Sale of Bonds**

After requesting competitive bids for the Bonds, the District has accepted a bid tendered by \_\_\_\_\_ (the “Initial Purchaser”) to purchase the Bonds at the rates shown on the inside cover page of this Official Statement at a price of \$ \_\_\_\_\_. No assurance can be given that any trading market will be developed for the Bonds after their initial sale by the District. The District has no control over the prices at which the Bonds will initially be re-offered to the public.

## **MISCELLANEOUS**

### **Forward-Looking Statements**

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or

strategies regarding the future. Readers should not place undue reliance on such forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward- looking statements.

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

#### **Certification of the Official Statement**

At the time of payment for and delivery of the Bonds, the Initial Purchaser will be furnished a certificate, executed by a proper officer acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements, and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District.

**DIBOLL INDEPENDENT SCHOOL DISTRICT**

## SCHEDULE I

### SCHEDULE I - TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS

The following schedule is calculated based on yields as of the date of sale, and is included for information purposes only.  
The accreted values may not reflect market values in the secondary market from time to time, if any.

Capital Appreciation Bonds 2/15/2041		Capital Appreciation Bonds 2/15/2042		Capital Appreciation Bonds 2/15/2043	
Date	@ ____%	Date	@ ____%	Date	@ ____%
2/12/2026		2/12/2026		2/12/2026	
2/15/2026		2/15/2026		2/15/2026	
8/15/2026		8/15/2026		8/15/2026	
2/15/2027		2/15/2027		2/15/2027	
8/15/2027		8/15/2027		8/15/2027	
2/15/2028		2/15/2028		2/15/2028	
8/15/2028		8/15/2028		8/15/2028	
2/15/2029		2/15/2029		2/15/2029	
8/15/2029		8/15/2029		8/15/2029	
2/15/2030		2/15/2030		2/15/2030	
8/15/2030		8/15/2030		8/15/2030	
2/15/2031		2/15/2031		2/15/2031	
8/15/2031		8/15/2031		8/15/2031	
2/15/2032		2/15/2032		2/15/2032	
8/15/2032		8/15/2032		8/15/2032	
2/15/2033		2/15/2033		2/15/2033	
8/15/2033		8/15/2033		8/15/2033	
2/15/2034		2/15/2034		2/15/2034	
8/15/2034		8/15/2034		8/15/2034	
2/15/2035		2/15/2035		2/15/2035	
8/15/2035		8/15/2035		8/15/2035	
2/15/2036		2/15/2036		2/15/2036	
8/15/2036		8/15/2036		8/15/2036	
2/15/2037		2/15/2037		2/15/2037	
8/15/2037		8/15/2037		8/15/2037	
2/15/2038		2/15/2038		2/15/2038	
8/15/2038		8/15/2038		8/15/2038	
2/15/2039		2/15/2039		2/15/2039	
8/15/2039		8/15/2039		8/15/2039	
2/15/2040		2/15/2040		2/15/2040	
8/15/2040		8/15/2040		8/15/2040	
2/15/2041		2/15/2041		2/15/2041	
		8/15/2041		8/15/2041	
		2/15/2042		2/15/2042	
				8/15/2042	
				2/15/2043	

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**APPENDIX A**  
**INFORMATION REGARDING THE DISTRICT**

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**TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT**

2025 Certified Net Taxable Valuation (100% of Estimated Market Value)	\$ 344,172,601 <sup>(a)</sup>
Outstanding U/L Tax Debt (December 1, 2025)	\$ 14,484,924
Plus: The Bonds	<u>11,999,998</u>
Total Direct Debt	\$ 26,484,922 <sup>(b)</sup>
As a % of Assessed Valuation	7.70%

<sup>(a)</sup> Source: Angelina County Appraisal District.

<sup>(b)</sup> Includes unlimited and limited tax debt. Includes the Bonds. Preliminary, subject to change.

**TABLE 2 - ASSESSED VALUATION BY CATEGORY <sup>(a)</sup>**

	<b>Tax Year 2025</b>	<b>Tax Year 2024</b>	<b>Tax Year 2023</b>	<b>Tax Year 2022</b>	<b>Tax Year 2021</b>
Real Property	\$ 758,915,602	\$ 742,059,642	\$ 721,953,272	\$ 617,572,031	\$ 567,192,242
Personal Property	<u>155,429,677</u>	<u>159,387,908</u>	<u>160,250,490</u>	<u>157,322,106</u>	<u>135,999,756</u>
Gross Value	\$ 914,345,279	\$ 901,447,550	\$ 882,203,762	\$ 774,894,137	\$ 703,191,998
Less Exemptions <sup>(b)(c)</sup>	<u>570,172,678</u>	<u>527,733,974</u>	<u>529,777,592</u>	<u>405,023,988</u>	<u>353,264,634</u>
Net Taxable Value	\$ 344,172,601	\$ 373,713,576	\$ 352,426,170	\$ 369,870,149	\$ 349,927,364

<sup>(a)</sup> Values may differ from those shown elsewhere in the documents due to subsequent additions, deletions, and adjustments to the tax rolls.

<sup>(b)</sup> Includes exemptions and productivity loss.

<sup>(c)</sup> Excludes Frozen Values of \$5,634,362 for 2025, \$17,604,482 for 2024; \$11,215,522 for 2023; \$26,069,309 for 2022; and \$28,056,147 for 2021.

**TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY; TAX RATE DISTRIBUTION**

<b>Fiscal Year End</b>	<b>Tax Year</b>	<b>Taxable Assessed Valuation</b>	<b>Tax Rate</b>	<b>Tax Levy</b>	<b>Percent Collected</b>	
					<b>Current</b>	<b>Total <sup>(a)</sup></b>
2022	2021	\$ 301,788,692 <sup>(b)</sup>	\$ 1.2107	\$ 3,482,981 <sup>(b)</sup>	95.60%	97.23%
2023	2022	336,694,846 <sup>(b)</sup>	1.1929	3,517,072 <sup>(b)</sup>	96.39%	97.89%
2024	2023	352,708,469 <sup>(b)</sup>	0.9840	3,609,029 <sup>(b)</sup>	93.28%	95.62%
2025	2024	373,713,576 <sup>(c)</sup>	1.0020	3,431,337 <sup>(c)</sup>	93.27%	95.36%
2026	2025	344,172,601 <sup>(c)</sup>	1.0020	3,448,609 <sup>(c)</sup>	In Process of Collection	

<sup>(a)</sup> Excludes penalties and interest.

<sup>(b)</sup> Source: The District's audited financial statements.

<sup>(c)</sup> Source: The Angelina County Appraisal District.

**Tax Rate Distribution**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Maintenance	\$ 0.7552	\$ 0.7552	\$ 0.7674	\$ 0.9429	\$ 0.9672
Debt Service	<u>0.2450</u>	<u>0.2450</u>	<u>0.2150</u>	<u>0.2500</u>	<u>0.2435</u>
Total	\$ 1.0002	\$ 1.0002	\$ 0.9824	\$ 1.1929	\$ 1.2107

**TABLE 4 - TEN LARGEST TAXPAYERS (a)**

<b>Name</b>	<b>2025 Net Taxable Assessed Valuation</b>	<b>% of Total 2025 Assessed Valuation <sup>(b)</sup></b>
Georgia Pacific Wood Products	\$ 24,751,500	7.19%
Hexion Inc.	18,779,720	5.46%
South Bow (USA) LLP	18,140,270	5.27%
Georgia-Pacific Panel P/B Products	11,547,830	3.36%
Union Pacific RR Co	10,019,310	2.91%
Oncor Electric Delivery Co LLC	9,228,080	2.68%
Atlas Roofing Corp	7,184,310	2.09%
ATCO Structures USA LLC	6,758,990	1.96%
SACYR Construction USA Inc	5,880,300	1.71%
Galaxy Digital	3,285,060	0.95%
	<u>\$ 115,575,370</u>	<u>33.58%</u>

<sup>(a)</sup> Source: Angelina County Appraisal District.

<sup>(b)</sup> As shown in the tables above, the top ten taxpayers in the District currently account for approximately 33% of the District's tax base. Adverse developments in economic conditions in oil and gas and lumber industries could adversely impact the businesses and the tax values in the District, resulting in less local tax revenue. If any major taxpayer were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or, perhaps, to issue debt until such amounts could be collected, if ever. See "THE BONDS – Bondholders' Remedies."

**TABLE 5 - TAX ADEQUACY****Unlimited Tax Bonds <sup>(a)</sup>**

Estimated Average Annual Debt Service Requirements	\$ 1,433,414 <sup>(a)</sup>
\$0.3296 per \$100 AV against the 2025 Taxable AV, at 95% collection, produces	\$ 1,433,692
Estimated Maximum Annual Debt Service Requirements (2037)	\$ 1,734,262 <sup>(a)</sup>
\$0.4217 per \$100 AV against the 2025 Taxable AV, at 95% collection, produces	\$ 1,734,826

**Limited Tax Bonds**

Average Annual Debt Service Requirements	\$ 353,333
\$0.1081 per \$100 AV against the 2025 Taxable AV, at 95% collection, produces	\$ 353,448
Maximum Annual Debt Service Requirements (2026)	\$ 353,840
\$0.1083 per \$100 AV against the 2025 Taxable AV, at 95% collection, produces	\$ 354,102

<sup>(a)</sup> Includes the Bonds and estimated state aid. Preliminary, subject to change.

**TABLE 6 - ESTIMATED OVERLAPPING DEBT<sup>(a)</sup>**

The following summary of estimated outstanding ad valorem tax bonds ("Tax Debt") of taxing entities in the District was compiled from a variety of sources listed below. No representation is made with respect to the accuracy or complexness of the information obtained from sources other than the District. Furthermore, certain entities listed below may have issued substantial amounts of Tax Debt since the dates shown in this table and may have capital improvement programs requiring the issuance of a substantial amounts of additional Tax Debt. Sources include: Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas, and the Angelina County Appraisal District.

Taxing Jurisdiction	Total Debt <sup>(a)</sup> <sup>(b)</sup>	Estimated % Overlapping	Overlapping Debt
Angelina County	\$ 7,195,000	7.51%	\$ 540,345
Angelina County JCD	7,775,000	7.51%	583,903
Diboll, City of	6,435,000	100.00%	6,435,000
Estimated Overlapping Debt			<u>\$ 7,559,247</u>
The District	\$ 26,484,922 <sup>(c)</sup>	100.00%	<u>26,484,922 <sup>(c)</sup></u>
Total Estimated & Overlapping Debt			<u>\$34,044,169 <sup>(c)</sup></u>

<sup>(a)</sup> Source: The Municipal Advisory Council of Texas, as of 11/30/25.

<sup>(b)</sup> Gross Debt.

<sup>(c)</sup> Includes the Bonds. Preliminary, subject to change.

**TABLE 7 - TAX SUPPORTED DEBT SERVICE REQUIREMENTS**

**Unlimited Tax Debt**

<b>FYE</b>	<b>Outstanding Debt Service</b>	<b>Principal*</b>	<b>The Bonds* Interest*</b>	<b>Total*</b>	<b>Combined Debt Service*</b>
2026	\$ 1,192,350	\$ -	\$ 270,487	\$ 270,487	\$ 1,462,837
2027	1,151,169	-	532,106	532,106	1,683,275
2028	1,178,244	-	532,106	532,106	1,710,350
2029	1,178,369	-	532,106	532,106	1,710,475
2030	1,174,919	-	532,106	532,106	1,707,025
2031	1,177,431	-	532,106	532,106	1,709,537
2032	1,175,350	-	532,106	532,106	1,707,456
2033	1,174,506	-	532,106	532,106	1,706,612
2034	1,175,056	-	532,106	532,106	1,707,162
2035	1,199,931	-	532,106	532,106	1,732,037
2036	1,199,031	-	532,106	532,106	1,731,137
2037	1,202,156	-	532,106	532,106	1,734,262
2038	1,199,306	-	532,106	532,106	1,731,412
2039	1,199,766	-	532,106	532,106	1,731,872
2040	1,198,438	-	532,106	532,106	1,730,544
2041	-	18,550	1,098,556	1,117,106	1,117,106
2042	-	14,736	1,102,370	1,117,106	1,117,106
2043	-	11,712	1,105,395	1,117,106	1,117,106
2044	-	750,000	513,356	1,263,356	1,263,356
2045	-	780,000	475,106	1,255,106	1,255,106
2046	-	810,000	438,394	1,248,394	1,248,394
2047	-	840,000	403,331	1,243,331	1,243,331
2048	-	875,000	366,888	1,241,888	1,241,888
2049	-	915,000	328,278	1,243,278	1,243,278
2050	-	970,000	287,044	1,257,044	1,257,044
2051	-	1,010,000	243,731	1,253,731	1,253,731
2052	-	915,000	201,622	1,116,622	1,116,622
2053	-	955,000	160,716	1,115,716	1,115,716
2054	-	1,000,000	117,950	1,117,950	1,117,950
2055	-	1,045,000	72,563	1,117,563	1,117,563
2056	-	1,090,000	24,525	1,114,525	1,114,525
	<u>\$ 17,776,022</u>	<u>\$ 11,999,998</u>	<u>\$ 14,659,799</u>	<u>\$ 26,659,797</u>	<u>\$44,435,819</u>

Estimated Average Annual Debt Service Requirements \$ 1,433,414

Estimated Maximum Annual Debt Service Requirements (2037) \$ 1,734,262

**Limited Tax Debt**

<b>FYE</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 340,000	\$ 13,840	\$ 353,840
2027	345,000	8,360	353,360
2028	350,000	2,800	352,800
Totals	<u>\$ 1,035,000</u>	<u>\$ 25,000</u>	<u>\$ 1,060,000</u>

Average Annual Debt Service Requirements \$ 353,333

Maximum Annual Debt Service Requirements (2026) \$ 353,840

\* Preliminary, subject to change. Interest is estimated solely for illustration purposes and includes accreted interest on the CABs.

**TABLE 8 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS**

<b>Date Authorized</b>	<b>Purpose</b>	<b>Amount Authorized</b>	<b>Heretofore Issued</b>	<b>The Bonds*</b>	<b>Authorized But Unissued*</b>
November 5, 2025	School Buildings	\$ 12,000,000	\$ -	\$ 12,000,000	\$ -

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\*Preliminary, subject to change. May include original issue premium counted against voted authorization.

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION**

Tax Supported Debt Service Requirements, FYE 2026		\$ 1,462,837 <sup>(a)</sup>
Estimated Debt Service Fund, FYE 2025	\$ 6,368,762 <sup>(b)</sup>	
Estimated State Aid	356,019	
Estimated Interest and Sinking Fund Tax Levy @ 95% collection	<u>801,062</u>	<u>7,525,843</u>
Estimated Debt Service Fund Balance, FYE 2021		\$ 6,063,005

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<sup>(a)</sup> Includes the Bonds. Preliminary, subject to change.

<sup>(b)</sup> Includes annual sinking fund payments deposited in connection with the District's Unlimited Tax Qualified School Construction Bonds, Taxable Series 2010 (Tax Credit Bonds).

**TABLE 10 - GENERAL FUND REVENUE AND EXPENDITURE HISTORY<sup>(a)</sup>**

<b>FOR FISCAL YEAR END</b>					
	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>REVENUES</b>					
Local and Intermediate Sources	\$ 2,941,472	\$ 3,756,156	\$ 3,483,736	\$ 3,480,538	\$ 3,410,892
State Program Revenues	19,586,509	15,502,516	16,365,307	15,594,108	17,114,536
Federal Program Revenues	157,167	234,424	248,979	230,941	259,099
<b>Total Revenues</b>	<b>\$ 22,685,148</b>	<b>\$ 19,493,096</b>	<b>\$ 20,098,022</b>	<b>\$ 19,305,587</b>	<b>\$ 20,784,527</b>
<b>EXPENDITURES</b>					
Instruction	\$ 10,530,913	\$ 10,556,507	\$ 10,264,588	\$ 9,971,993	\$ 10,052,847
Instructional Resources and Media	279,515	353,576	339,644	340,736	334,046
Curriculum & Staff Dev.	351,319	168,466	169,428	151,995	115,638
Instructional Leadership	288,029	436,326	441,718	406,907	325,721
School Leadership	1,119,210	1,408,774	1,347,283	1,269,833	1,258,931
Guidance, Counsel & Evaluation. Serv.	324,893	574,967	381,073	547,566	608,869
Health Services	33,748	195,120	37,084	26,998	223,470
Student (Pupil) Transportation	910,537	623,966	753,066	712,708	829,170
Extracurricular Activities	825,685	790,178	921,534	826,256	875,493
General Administration	973,762	957,053	868,140	817,492	784,147
Plant Maintenance and Operations	2,556,009	2,424,836	2,505,608	2,282,733	2,096,698
Security and Monitoring Services	411,470	443,724	341,357	334,496	352,559
Data Processing Services	750,574	612,390	762,860	622,900	528,846
Community Service	5,335	18,868	22,980	20,187	19,975
Capital Outlay	-	66,783	231,536	49,864	203,318
Debt Service	351,311	350,575	346,732	2,492,889	2,000,930
Pmts related to Shared Serv. Arrang.	75,398	79,371	74,916	71,752	72,147
Other Intragovernmental Charges	80,253	80,138	70,320	64,515	66,061
<b>Total Expenditures</b>	<b>\$ 19,867,961</b>	<b>\$ 20,141,618</b>	<b>\$ 19,879,867</b>	<b>\$ 21,011,820</b>	<b>\$ 20,748,866</b>
Excess (Deficiency) Rev. Over Exp.	\$ 2,817,187	\$ (648,522)	\$ 218,155	\$ (1,706,233)	\$ 35,661
Operating Transfers In	56,366	8,200	-	-	-
Operating Transfers Out	-	-	-	(576,706)	(663,916)
	-	-	72,000	2,340,000	-
Excess (Deficiency) of Rev. and Other Resources Over Exp. and Other Uses	\$ 2,873,553	\$ (640,322)	\$ 290,155	\$ 57,061	\$ (628,255)
Fund Balance - (Beginning)	\$ 4,609,177	\$ 5,249,499	\$ 4,959,344	\$ 4,902,283	\$ 5,530,538
Increase (Decrease) in Fund Balance	-	-	-	-	-
<b>Fund Balance - (Ending)</b>	<b>\$ 7,482,730</b>	<b>\$ 4,609,177</b>	<b>\$ 5,249,499</b>	<b>\$ 4,959,344</b>	<b>\$ 4,902,283</b>

<sup>(a)</sup> Source: The District's audited financial reports.

Note: The District estimates of General Fund balance of \$6,913,183 for fiscal year 2025.



**APPENDIX B**

**EXCERPTS FROM THE DISTRICT'S  
AUDITED FINANCIAL REPORT  
FOR YEAR ENDED AUGUST 31, 2024**

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DIBOLL INDEPENDENT SCHOOL DISTRICT  
Diboll, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2024

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## INTRODUCTORY SECTION

DIBOLL INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
August 31, 2024

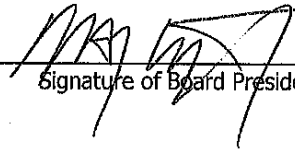
Diboll Independent School District  
Name of School District

Angelina  
County

003-905  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2024, at a meeting of the Board of Trustees of such school district on the 18<sup>th</sup> day of November.

  
Signature of Board Secretary

  
Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
 Diboll Independent School District  
 Diboll, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, fiduciary funds and the aggregate remaining fund information of Diboll Independent School District, as of August 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles general accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.



- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2024, on our consideration of Diboll Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Diboll Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Diboll Independent School District's internal control over financial reporting and compliance.

Lufkin, Texas  
November 18, 2024

*Axley & Rode LLP*  
CERTIFIED PUBLIC ACCOUNTANTS



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### FINANCIAL HIGHLIGHTS

- The Districts total combined net position at the close of the most recent fiscal year is \$9,087,344.
- The District's total net position increased by \$2,851,978.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,371,953, an increase of \$3,277,607.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,482,730, or 38 percent of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

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

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Payments to Fiscal Agent of Shared Service Arrangements, and Other Intergovernmental Charges*.

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

#### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **The District has two kinds of funds:**

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

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

The District maintains various individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the corporate and foundation grants fund, the debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual revenue and appropriations budget for its general fund. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information which includes schedules required by the Texas Education Agency. Other supplementary information can be found as noted in the table of contents of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, the total net position at the close of the most recent fiscal year is \$9,087,344.

#### The District's Net Position

	2024	2023
Current and other assets	\$ 15 004 523	\$ 12 709 938
Capital assets	30 923 043	32 041 594
TOTAL ASSETS	45 927 566	44 751 532
Deferred outflows	8 372 830	9 359 269
Other liabilities	3 326 875	4 373 858
Noncurrent liabilities	33 190 457	33 102 523
TOTAL LIABILITIES	36 517 332	37 476 381
Deferred inflows	8 695 720	10 399 054
Net Position:		
Net investment in capital assets	8 078 754	9 172 424
Restricted	5 889 223	5 485 169
Unrestricted	(4 880 633)	(8 422 227)
TOTAL NET POSITION	\$ 9 087 344	\$ 6 235 366

Investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, vehicles, and construction in progress), less any related debt used to acquire those assets that are still outstanding represent 89 percent of the District's net position. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position is for debt service requirements related to bonds and notes payable backed by local maintenance (general fund) and interest and sinking (debt service fund) taxes levied.

The *unrestricted net position* of \$(4,880,633) may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District reports a negative balance in unrestricted net position adjustment for pension and OPEB liability.

## Government Activities

Governmental activities increased the District's net position by \$2,851,978. Key elements of this change are as follows:

### The District's Changes in Net Position

	GOVERNMENTAL ACTIVITIES	
	2024	2023
Revenues:		
Program Revenues:		
Charges for services	\$ 204 860	\$ 227 562
Operating grants and contributions	9 611 860	9 284 820
General Revenues:		
Property taxes, levied for general purpose	2 653 653	3 411 629
Property taxes, levied for debt service	733 927	889 778
Investment earnings	307 005	286 754
Grants and contributions not restricted to specific programs	19 918 426	15 916 062
Miscellaneous	109 633	159 202
TOTAL REVENUES	<u>33 539 364</u>	<u>30 175 807</u>
Expenses:		
Instruction	15 576 429	14 925 477
Instructional resources and media services	387 916	462 501
Curriculum and staff development	508 824	301 016
Instructional leadership	572 755	784 692
School leadership	1 555 605	1 728 744
Guidance, counseling and evaluation services	1 673 212	1 498 652
Health services	233 817	282 358
Student transportation	1 094 366	723 076
Food service	1 737 085	1 867 568
Extracurricular activities	983 162	895 949
General administration	1 239 696	1 129 321
Plant maintenance and operations	2 999 200	2 903 801
Security and monitoring services	541 624	734 220
Data processing services	803 527	287 918
Community services	104 683	148 748
Debt service	519 826	535 600
Capital outlay	-	22 110
Payments to fiscal agent of shared service arrangement	75 398	79 371
Other intergovernmental charges	80 253	80 138
TOTAL EXPENSES	<u>30 687 386</u>	<u>29 391 260</u>
CHANGE IN NET POSITION	<u>\$ 2 851 978</u>	<u>\$ 784 547</u>

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$29,530,286 represent 88 percent of total revenues and property taxes \$3,387,580 represent 10 percent of total revenues. The remaining 2 percent is generated from investment earnings, charges for services and miscellaneous revenues.

The primary functional expenses of the District are instructional \$15,576,429 which represents 51 percent of total expenses, and plant maintenance and operations \$2,999,200 which represents 10 percent of total expenses. The remaining functional categories of expenses are less than 40 percent of total expenditures.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,371,953 an increase of \$3,277,607 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,472,900, while total fund balance was \$7,482,730. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 38 percent of total general fund expenditures and total fund balance represents 38 percent of that same amount. The fund balance of the District's general fund increased by \$2,873,553 during the current fiscal year.

The debt service fund has a total fund balance of \$5,595,184, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$467,754 and was primarily due to increase in property tax revenue.

The Corporate and Foundation fund had total revenues of \$65,368.

## General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. The significant differences between the originally-adopted budget and the final amended budget of the general fund were primarily from decreases in instruction, instructional leadership and data processing with similar increases to curriculum and staff development and plant maintenance. Net change in budgeted fund balance was projected to keep fund balance at \$4,609,177. The actual increase was more than budget expectations by \$2,873,553, due to increases in state revenue more than anticipated for the year. Amendments were approved by the governing body.

The District did not have any significant unused appropriations at fiscal year-end.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2024, amounts to \$30,923,043 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and leased and right of use assets. The total decrease in the District's investment in capital assets for the current fiscal year was less than four percent.

#### District's Capital Assets (Net of depreciation)

	2024	2023	% CHANGE
Land	\$ 1 092 354	\$ 1 092 354	-
Buildings and improvements	26 474 733	27 744 865	(5)
Furniture and equipment	2 936 170	2 504 439	17
Capital leased and right of use assets	419 786	699 936	(40)
NET CAPITAL ASSETS	\$ 30 923 043	\$ 32 041 594	(3)

Major capital asset events during the current fiscal year included the following:

- \$962,142 equipment & vehicles

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

### Long-term Liabilities

At the end of the current fiscal year, the District had total noncurrent liabilities outstanding of \$33,190,457. Of this amount, \$19,939,543 is comprised of debt backed by the full faith and credit of the District. The notes payable are secured by local maintenance taxes and equipment. The remainder, compensated absences, pension liability, and OPEB liability, is unsecured.

#### Long-term Liabilities

	2024	2023	% CHANGE
General obligation bonds (net)	\$ 20 072 506	\$ 20 365 095	(1.44)
Notes payable	1 370 000	1 700 000	(19.40)
Net pension liability	8 994 705	7 914 470	14.00
OPEB liability	4 277 373	4 465 176	(6.00)
Capital lease	2 720	34 700	(92.16)
Right of use contracts	295 233	503 946	(60.00)
Compensated absences	23 960	24 540	(2.36)
TOTAL LONG-TERM LIABILITIES	\$ 35 036 497	\$ 35 007 927	(0.08)

The District's bonded debt decreased by \$280,000 during the current fiscal year.

The District's general obligation debt is based by the full faith and credit District and is further guaranteed by the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy.

State statutes do not limit the rate or amount for the support of school district's bonded indebtedness.

Additional information on the District's long-term debt can be found in the notes to the financial statements as indicated in the table of contents of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Current enrollment totals 1,575 students.
- District staff totals 293 employees, which consist of 132 teachers.
- The District maintains 4 campuses for instruction.
- Property values of the District are projected to increase 4 percent for the 2024-2025 fiscal year
- A maintenance and operations tax rate of \$0.7552 and a debt service tax rate of \$0.2450, a total rate of \$1.0002 were adopted for 2024-2025. Preceding year rates were \$0.7674 total, \$0.215 and \$0.9824, respectively.

All of these factors were considered in preparing the District's budget for the 2024-2025 fiscal year.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Diboll Independent School District, P. O. Box 550, Diboll, Texas 75941.

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## BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 5 767 300
1120	Current investments	1 414 321
1225	Property taxes receivable, net	315 249
1240	Due from other governments	1 885 434
1290	Other receivables	2 500
1300	Inventory	69 650
	Capital Assets:	
1510	Land	1 092 354
1520	Buildings and improvements, net	26 474 733
1530	Furniture and equipment, net	2 936 170
1540	Lease assets, net	49 285
1550	Right of use assets, net	370 501
	Restricted Assets:	
1800	Restricted investments held for debt service	5 550 069
1000	TOTAL ASSETS	<u>45 927 566</u>
	DEFERRED OUTFLOWS	
	Deferred loss on bond refunding	152 037
	Deferred pension outflows	5 517 904
	Deferred OPEB outflows	2 702 889
1700	TOTAL DEFERRED OUTFLOWS	<u>8 372 830</u>
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>54 300 396</u>
	LIABILITIES	
2110	Accounts payable	70 664
2140	Interest payable	11 476
2150	Other accrued expense	262 157
2160	Accrued wages payable	927 456
2300	Unearned revenue	57 045
2501	Due within one year	823 458
	Noncurrent Liabilities:	
2502	Due in more than one year	19 918 379
2512	Accredited interest on CAB bonds	567 351
2516	Premium on issuance of bonds	607 268
2540	Net pension liability	8 994 705
2545	Net OPEB liability	4 277 373
2000	TOTAL LIABILITIES	<u>36 517 332</u>
	Deferred Inflows:	
	Deferred pension inflows	2 034 165
	Deferred OPEB inflows	6 661 555
2600	TOTAL DEFERRED INFLOWS	<u>8 695 720</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>45 213 052</u>
	NET POSITION	
3200	Net investment in capital assets	8 078 754
3820	Restricted for federal and state programs	294 039
3850	Restricted for debt service	5 595 184
3900	Unrestricted	(4 880 633)
3000	TOTAL NET POSITION	<u>\$ 9 087 344</u>

The accompanying notes are an integral part of this statement.



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

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1	3	4	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES
			CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
	Governmental Activities:				
11	Instruction	\$ 15 576 429	\$ 15 498	\$ 4 852 134	\$ (10 708 797)
12	Instruction resources and media services	387 916	-	113 212	(274 704)
13	Curriculum and staff development	508 824	-	74 154	(434 670)
21	Instructional leadership	572 755	-	245 314	(327 441)
23	School leadership	1 555 605	-	281 108	(1 274 497)
31	Guidance, counseling, and evaluation services	1 673 212	-	1 230 253	(442 959)
33	Health services	233 817	-	277 607	43 790
34	Student transportation	1 094 366	-	106 949	(987 417)
35	Food services	1 737 085	146 634	1 664 213	73 762
36	Cocurricular/extracurricular activities	983 162	42 728	88 521	(851 913)
41	General administration	1 239 696	-	180 824	(1 058 872)
51	Plant maintenance and operations	2 999 208	-	243 219	(2 755 989)
52	Security and monitoring services	541 624	-	85 117	(456 507)
53	Data processing services	803 527	-	141 318	(662 209)
61	Community services	104 683	-	27 917	(76 766)
72	Debt service	519 826	-		(519 826)
93	Payments related to shared services arrangements	75 398	-	-	(75 398)
99	Other intergovernmental charges	80 253	-	-	(80 253)
TG	TOTAL GOVERNMENTAL ACTIVITIES	30 687 386	204 860	9 611 860	(20 870 666)
TP	TOTAL PRIMARY GOVERNMENT	\$ 30 687 386	\$ 204 860	\$ 9 611 860	(20 870 666)
	General Revenues:				
MT	Property taxes, levied for general purposes				2 653 653
DT	Property taxes, levied for debt service				733 927
IE	Investment earnings				307 005
GC	Grants and contributions not restricted to specific programs				19 918 426
MI	Miscellaneous				109 633
TR	TOTAL GENERAL REVENUES				23 722 644
CN	CHANGE IN NET POSITION				2 851 978
NB	Net position - Beginning				6 235 366
NE	NET POSITION - ENDING				\$ 9 087 344

The accompanying notes are an integral part of this statement.

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

DATA CONTROL CODES		10  GENERAL FUND	499 CORPORATE AND FOUNDATION GRANT FUND
	ASSETS		
1110	Cash and cash equivalents	\$ 5 493 600	\$ 2 500
1120	Investments	1 369 206	-
1225	Taxes receivable, net	264 411	-
1240	Due from other governments	1 732 227	-
1260	Due from other funds	38 469	-
1290	Other receivables	2 500	-
1300	Inventory	9 830	-
1800	Restricted investments for debt obligations	-	-
1000	TOTAL ASSETS	\$ <u>8 910 243</u>	\$ <u>2 500</u>
	LIABILITIES		
2110	Accounts payable	\$ 40 179	\$ -
2150	Other accrued expense	259 295	-
2160	Accrued wages payable	863 629	-
2170	Due to other funds	-	-
2300	Unearned revenue	-	2 500
2000	TOTAL LIABILITIES	<u>1 163 103</u>	<u>2 500</u>
	DEFERRED INFLOW		
2600	Unearned revenue	<u>264 410</u>	-
	TOTAL LIABILITIES AND DEFERRED INFLOW	<u>264 410</u>	-
	FUND BALANCES		
	Nonspendable Fund Balances:		
3410	Inventory	9 830	-
	Restricted Fund Balances:		
3450	Food service	-	-
3480	Long term debt	-	-
3600	Unassigned	<u>7 472 900</u>	-
3000	TOTAL FUND BALANCE	<u>7 482 730</u>	-
4000	TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ <u>8 910 243</u>	\$ <u>2 500</u>

The accompanying notes are an integral part of this statement.

## EXHIBIT C-1

599 DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 271 200	\$ 5 767 300
45 115	-	1 414 321
50 838	-	315 249
-	153 207	1 885 434
-	-	38 469
-	-	2 500
-	59 820	69 650
5 550 069	-	5 550 069
<u>\$ 5 646 022</u>	<u>\$ 484 227</u>	<u>\$ 15 042 992</u>
\$ -	\$ 30 485	\$ 70 664
-	2 862	262 157
-	63 827	927 456
-	38 469	38 469
-	54 545	57 045
<u>-</u>	<u>190 188</u>	<u>1 355 791</u>
50 838	-	315 248
<u>50 838</u>	<u>-</u>	<u>315 248</u>
-	59 820	69 650
-	234 219	234 219
5 595 184	-	5 595 184
-	-	7 472 900
<u>5 595 184</u>	<u>294 039</u>	<u>13 371 953</u>
<u>\$ 5 646 022</u>	<u>\$ 484 227</u>	<u>\$ 15 042 992</u>

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

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)	\$ 13 371 953
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not reported in the funds.	30 923 043
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	315 248
Long-term liabilities, including bonds, notes, interest and compensated absences payables, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(21 775 895)
Pension activity, including deferred inflows, deferred outflows and net pension liability are not due and payable in the current period and, therefore, are not recorded in the funds.	(5 510 966)
OPEB activity, including deferred inflows, deferred outflows and net OPEB liability are not due and payable in the current period and, therefore, are not recorded in the funds.	<u>(8 236 039)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	<u>\$ 9 087 344</u>

The accompanying notes are an integral part of this statement.

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

DATA CONTROL CODES		10 GENERAL FUND	499 CORPORATE AND FOUNDATION GRANT FUND
	Revenues:		
5700	Local and intermediate sources	\$ 2 941 472	\$ 65 368
5800	State program revenues	19 586 509	-
5900	Federal program revenues	157 167	-
5020	TOTAL REVENUES	<u>22 685 148</u>	<u>65 368</u>
	Expenditures:		
0011	Instruction	10 530 913	1 115
0012	Instructional resources and media services	279 515	-
0013	Curriculum and staff development	351 319	-
0021	Instructional leadership	288 029	-
0023	School leadership	1 119 210	-
0031	Guidance, counseling, and evaluation services	324 893	-
0033	Health services	33 748	-
0034	Student transportation	910 537	-
0035	Food service	-	-
0036	Extracurricular activities	825 685	-
0041	General administration	973 762	-
0051	Plant maintenance and operations	2 556 009	-
0052	Security and monitoring services	411 470	-
0053	Data processing services	750 574	-
0061	Community services	5 335	64 253
0071	Debt service	351 311	-
0093	Payments to shared service arrangements	75 398	-
0099	Other governmental charges	80 253	-
6030	TOTAL EXPENDITURES	<u>19 867 961</u>	<u>65 368</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2 817 187</u>	<u>-</u>
	Other Financing Sources (Uses):		
7915	Transfer in	56 366	-
8911	Transfers out	-	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>56 366</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	2 873 553	-
0100	Fund balances - Beginning	<u>4 609 177</u>	<u>-</u>
3000	FUND BALANCES - ENDING	\$ <u>7 482 730</u>	\$ <u>-</u>

The accompanying notes are an integral part of this statement.

## EXHIBIT C-2

599 DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
\$ 948 568	\$ 149 609	\$ 4 105 017
310 636	1 112 841	21 009 986
-	4 427 542	4 584 709
<u>1 259 204</u>	<u>5 689 992</u>	<u>29 699 712</u>
-	2 239 898	12 771 926
-	6 117	285 632
-	120 363	471 682
-	171 579	459 608
-	99 812	1 219 022
-	952 479	1 277 372
-	183 001	216 749
-	14 545	925 082
-	1 665 159	1 665 159
-	2 039	827 724
-	15 278	989 040
-	185 578	2 741 587
-	18 636	430 106
-	9 198	759 772
-	13 644	83 232
791 450	-	1 142 761
-	-	75 398
-	-	80 253
<u>791 450</u>	<u>5 697 326</u>	<u>26 422 105</u>
<u>467 754</u>	<u>(7 334)</u>	<u>3 277 607</u>
-	-	56 366
-	(56 366)	(56 366)
-	(56 366)	-
467 754	(63 700)	3 277 607
<u>5 127 430</u>	<u>357 739</u>	<u>10 094 346</u>
\$ <u>5 595 184</u>	\$ <u>294 039</u>	\$ <u>13 371 953</u>

DIBOLL INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2024

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3 277 607
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the Statement of Net Assets.	815 386
Change in depreciation of capital assets used in governmental activities is not reported in the funds.	(1 933 937)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(5 851)
Repayment of debt costs and interest are an expenditure in the funds but is not an expense in the SOA.	346
Current year debt changes are reported as revenue and expense in the fund financial statements and changes in long-term debt and amortization of deferrals in government-wide financials.	863 862
Governmental funds report district pension contributions as expenditures in the government wide statements, the cost of pension benefits earned net of employee contributions is reported as pension expense.	(1 007 063)
Governmental funds report district OPEB contributions as expenditures in the government wide statements, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.	<u>841 628</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	\$ <u><u>2 851 978</u></u>

The accompanying notes are an integral part of this statement.



DIBOLL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
August 31, 2024

EXHIBIT E-1

ASSETS  
Cash and cash equivalents  
TOTAL ASSETS

	CUSTODIAL FUND
\$	<u>118 991</u>
\$	<u><u>118 991</u></u>

NET POSITION  
Restricted net position  
TOTAL NET POSITION

\$	<u>118 991</u>
\$	<u><u>118 991</u></u>

The accompanying notes are an integral part of this statement.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET FIDUCIARY POSITION  
August 31, 2024

EXHIBIT E-2

	CUSTODIAL FUND
Additions:	
Contributions	\$ 227 104
TOTAL ADDITIONS	<u>227 104</u>
Deductions:	
Payments to others	195 149
TOTAL DEDUCTIONS	<u>195 149</u>
NET CHANGE IN NET POSITION	31 955
Net position - Beginning	<u>87 036</u>
NET POSITION - ENDING	<u>\$ 118 991</u>

The accompanying notes are an integral part of this statement.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. The Reporting Entity

The Diboll Independent School District (District) is governed by a seven-member board of trustees (Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its general, special revenue, fiduciary and agency funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

Debt Service Fund: This fund is used to account for accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Corporate and Foundation Grants Fund: This fund is used to account for grants received from corporations and foundations to support education.

Additionally, the District reports the following fund types:

Custodial Fund: This fund accounts for assets held by the District for student organizations. The fund is custodial in nature and accounts for resources held for others.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount due from/to agency fund is included in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and, bank demand or time deposits with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in investment pools. In accordance with state law, the pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as a 2a7-like pool and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Land and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>CAPITAL ASSET CLASSES</u>	<u>LIVES</u>
Buildings and Improvements	5-50
Furniture and Equipment	3-25

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category.

6. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

7. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned Fund Balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Pensions

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

10. Other Post-Employment Benefits

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of January 1 of each year.

3. GASB Statement No. 77: Tax Abatement Disclosures

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- a. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- b. The gross dollar amount of taxes abated during the period.
- c. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This District does not have any abatements at this time, therefore, the implementation had no effect on the District's financial statements.

4. Compensated Absences

The District's policy permits employees to accumulate earned but unused sick pay benefits. There is a liability for unpaid accumulated sick leave since the District has a policy to pay earned amounts when employees separate from service with the District meeting the requirements of the board policy.

5. Use of Estimates

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

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Data Control Codes

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

B. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *National School Breakfast and Lunch Program* special revenue fund, and debt service fund. All other governmental funds adopt project-length budgets. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

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

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The District amended the general fund budget throughout the year between functions and total appropriations increased due to increased demands on capital outlay expense.

C. Encumbrances

Encumbrance accounting is employed in governmental funds. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

D. Subsequent Events

Management has evaluated subsequent events through November 18, 2024, the date the financial statements were available to be issued.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

A. Deposits and Investments

*Cash Deposits.* The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the TEA and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

*Investments.* The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC; 3) Repurchase agreement secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

As of August 31, 2024, the District had the following investments:

INVESTMENT TYPE	STANDARD & POOR'S RATING	FAIR VALUE	PERCENTAGE OF TOTAL INVESTMENT	WEIGHTED AVERAGE MATURITY DAYS
Current Investments:				
Lone Star - Corporate Overnight	AAAm	\$ 1 160 585	17	46
Lone Star - Government Overnight	AAAm	228 621	3	23
Restricted Investments for Debt Obligations:				
Federated Government	AAAm	5 550 069	80	N/A
TOTAL FAIR VALUE		\$ 6 939 275	100	
Portfolio weighted average maturity				35

*Credit Risk.* For fiscal year, the District invested in Lone Star Investment Pool and federal agencies. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, formerly the Texas Association of School Boards Financial Services. At year-end, the District's investments were rated as noted in the table above. All credit ratings met acceptable levels required by legal guidelines prescribed in both the PFIA and the District's investment policy.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days and any individual investment to one year from the date of purchase, unless approved by the Board of Trustees.

*Concentration of Credit Risk.* The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2024, the District's bank balance of \$5,743,360 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent in the District's name.

*Custodial Credit Risk - Investment.* For an investment, this is the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial credit risk due to the investments are insured or registered in the District's name, or the investments are insured or registered in the District's name, or the investments are held by the District or its agent.

**B. Receivables**

Receivables as of year-end for the District's individual major funds and other governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	GENERAL	DEBT SERVICE	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
Receivables:				
Property taxes	\$ 275 428	\$ 52 956	\$ -	\$ 328 384
Due from other governments	1 732 227	-	153 207	1 885 434
Other receivables	2 500	-	-	2 500
GROSS RECEIVABLES	2 007 655	52 956	153 207	2 216 318
Less: Allowance for uncollectibles	(11 017)	(2 118)	-	(13 135)
NET TOTAL RECEIVABLES	\$ 1 996 638	\$ 50 838	\$ 153 207	\$ 2 203 183

A concentration of risk exists for local revenue sources since approximately 24% of the District's taxable property value is attributed to one taxpayer in the timber industry. Similarly, the District's ten largest taxpayers approximate 33% of the total taxable value of the District.

**C. Interfund Receivables and Payables**

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

Interfund balances at August 31, 2024 consisted of the following individual fund amounts:

DUE TO FUND	DUE FROM FUND	AMOUNT	PURPOSE
General fund	Special revenue funds	\$ 38 469	Short-term advances



DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District's interfund transfers for the year ended August 31, 2024.

TRANSFER OUT	TRANSFER IN	AMOUNT
Other governmental funds	General fund	\$ 56 366

The transfer was to provide funding to cover expenditure overages in grant.

**D. Capital Assets**

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

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land and land improvement	\$ 1 092 354	\$ -	\$ -	\$ 1 092 354
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>1 092 354</u>	<u>-</u>	<u>-</u>	<u>1 092 354</u>
Capital Assets Being Depreciated:				
Buildings and improvements	47 839 723	-	-	47 839 723
Furniture and equipment	3 622 306	682 406	-	4 304 712
Vehicles	3 572 450	279 736	-	3 852 186
Lease assets	438 943	-	-	438 943
Right of use assets	707 372	-	(146 756)	560 616
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>56 180 794</u>	<u>962 142</u>	<u>(146 756)</u>	<u>56 996 180</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(20 094 858)	(1 270 132)	-	(21 364 990)
Furniture and equipment	(2 049 495)	(332 327)	-	(2 381 822)
Vehicles	(2 640 822)	(198 084)	-	(2 838 906)
Lease assets	(286 207)	(103 451)	-	(389 658)
Right of use assets	(160 172)	(78 862)	48 919	(190 115)
TOTAL ACCUMULATED DEPRECIATION	<u>(25 231 554)</u>	<u>(1 982 856)</u>	<u>48 919</u>	<u>(27 165 491)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>30 949 240</u>	<u>(1 020 714)</u>	<u>(195 675)</u>	<u>29 830 689</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 32 041 594</u>	<u>\$ (1 020 714)</u>	<u>\$ (195 675)</u>	<u>\$ 30 923 043</u>

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

Governmental Activities:		
11	Instruction	\$ 1 005 718
12	Instructional resources and media services	22 492
13	Curriculum and staff development	37 142
21	Instructional Leadership	36 192
23	School leadership	95 991
31	Guidance, counseling, and evaluation services	100 585
33	Health services	17 068
34	Student transportation	72 845
35	Food service	135 629
36	Extracurricular activities	65 179
41	General administration	77 881
51	Plant maintenance and operations	215 884
52	Security and monitoring services	33 868
53	Data processing services	59 828
61	Community services	6 554
	TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1 982 856</u>

**E. Long-term Liabilities**

The District's long-term liabilities consist of bond indebtedness, notes payable, and compensated absences. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for notes payable are accounted for in the general fund. The current requirements for compensated absences are accounted for in the general fund.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

Changes in Long-term Liabilities

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

	BEGINNING BALANCE	ADDITIONS	DECREASES	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 19 329 924	\$ -	\$ (280 000)	\$ 19 049 924	\$ 285 000
Deferred Amounts:					
For issuance premiums	651 780	-	(44 512)	607 268	-
Accreted interest (CAB)	545 530	-	21 821	567 351	-
Deferred loss on refunding	(162 139)	-	10 102	(152 037)	-
TOTAL BONDS PAYABLE, NET	20 365 095	-	(292 589)	20 072 506	285 000
Notes payable	1 700 000	-	(330 000)	1 370 000	335 000
Capital lease - Copiers	34 700	-	(31 980)	2 720	2 720
Right of use contracts	503 946	-	(208 713)	295 233	176 778
Compensated absences	24 540	-	(580)	23 960	23 960
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 22 628 281	\$ -	\$ (863 862)	\$ 21 764 419	\$ 823 458

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities and to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 6-30 year current interest and capital appreciation bonds (CAB) with various amounts of principal maturing each year. The following is a summary of changes in the general obligation bonds for the fiscal year:

SERIES	INTEREST RATE	ORIGINAL ISSUE	MATURITY DATE	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE
2010 (QSCB)	0.97%	\$ 5 730 000	2026	\$ 5 730 000	\$ -	\$ -	\$ 5 730 000
2010 (CAB)	0.97%	4 924	2028	4 924	-	-	4 924
2017	1.1-2.9%	9 085 000	2024	8 860 000	-	-	8 860 000
2018	4%	5 310 000	2034	4 735 000	-	(280 000)	4 455 000
TOTALS				\$ 19 329 924	\$ -	\$ (280 000)	\$ 19 049 924

Annual debt service requirements to maturity for general obligation bonds are as follows:

YEAR ENDING AUGUST 31,	PRINCIPAL VALUE	INTEREST	TOTAL REQUIREMENTS
2025	\$ 285 000	\$ 520 670	\$ 805 670
2026	6 020 000	509 170	6 529 170
2027	740 000	432 989	1 172 989
2028	129 924	415 505	545 429
2029	805 000	373 368	1 178 368
2030-2034	4 495 000	1 382 261	5 877 261
2035-2039	5 395 000	605 189	6 000 189
2040	1 180 000	18 437	1 198 437
TOTALS	\$ 19 049 924	\$ 4 257 589	\$ 23 307 513

As of August 31, 2024, the District has issued all authorized bonds.

Notes Payable

The District issued maintenance tax notes to provide funds for the construction and equipment of school facilities. The maintenance tax notes are secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District.

The following is a summary of changes in the notes payable for the fiscal year:

DESCRIPTION	INTEREST RATE	MATURITY DATE	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
2021 Maintenance Tax Note	1.39%	2020	\$ 1 700 000	\$ -	\$ (330 000)	\$ 1 370 000	\$ 335 000
TOTALS			\$ 1 700 000	\$ -	\$ (330 000)	\$ 1 370 000	\$ 335 000

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

Annual debt service for notes payable are as follows:

YEAR ENDING AUGUST 31,	PRINCIPAL VALUE	INTEREST	TOTAL REQUIREMENTS
2025	\$ 335 000	\$ 16 715	\$ 351 715
2026	340 000	12 024	352 024
2027	345 000	7 263	352 263
2028	350 000	2 433	352 433
TOTALS	\$ 1 370 000	\$ 38 435	\$ 1 408 435

**Leases Payable**

The District utilizes leases to finance the acquisition of assets. The following is a summary of the changes in leases payable during the year:

LEASE	INTEREST RATE	TERM	BALANCE 08/31/2023	ADDITIONS	DECREASES	BALANCE 08/31/2024
Texas doc sol	3.85%	48 mth/\$2,730 mth	\$ 34 700	\$ -	\$ (31 980)	\$ 2 720
TOTALS			\$ 34 700	\$ -	\$ (31 980)	\$ 2 720

**Right of Use Liabilities**

The District uses SBITA payables to finance software purchases. The following is a summary of the change in SBITA payables during the year:

CONTRACT	INTEREST RATE	TERM	BALANCE 08/31/2023	ADDITIONS	DECREASES	BALANCE 08/31/2024
Consolidated Comm	0.05%	60 mth/\$4,095 mth	\$ 82 177	\$ -	\$ (49 110)	\$ 33 067
Consolidated Comm	0.02%	36 mth/\$2,000 mth	38 016	-	(23 995)	14 021
Minerva EDU	3.10%	36 mth/\$4,000 annual	8 031	-	(3 751)	4 280
TimeClock	3.79%	36 mth/\$17,068 annual	34 285	-	(15 769)	18 516
FMX	3.38%	36 mth/\$4,566 annual	15 197	-	(7 052)	8 145
Heartland	3.96%	36 mth/\$7,124 annual	14 318	-	(6 557)	7 761
Ascender	3.10%	36 mth/\$26,907 annual	54 020	-	(25 232)	28 788
Remind	3.10%	36 mth/\$7,023 annual	14 100	-	(6 586)	7 514
Veeam	3.10%	36 mth/\$3,738 annual	7 505	-	(3 505)	4 000
SchoolFunds	3.91%	36 mth/\$4,868 annual	9 784	-	(4 485)	5 299
Frontline Central Solution	1.12%	48 mth/\$7,155 annual	7 155	-	(7 155)	-
Frontline Recruiting & Hiring	1.12%	48 mth/\$11,858 annual	11 858	-	(11 858)	-
Meerkat	3.96%	60 mth/\$51,875 annual	207 500	-	(43 658)	163 842
TOTAL			\$ 503 946	\$ -	\$ (208 713)	\$ 295 233

Annual debt service requirements are as follows:

RIGHT OF USE CONTRACTS				CAPITAL LEASE		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2025	\$ 176 778	\$ 9 387	\$ 186 165	\$ 2 720	\$ 10	\$ 2 730
2026	47 184	4 691	51 875	-	-	-
2027	71 271	2 822	74 093	-	-	-
	\$ 295 233	\$ 16 900	\$ 312 133	\$ 2 720	\$ 10	\$ 2 730

**F. Revenues from Local and Intermediate Sources**

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

	GENERAL	CORPORATE AND FOUNDATION GRANT	DEBT SERVICE	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
Property taxes	\$ 2 659 504	\$ -	\$ 733 927	\$ -	\$ 3 393 431
Investment income	91 352	-	214 641	-	307 005
Food sales	-	-	-	149 609	149 609
Contributions and donations	-	65 368	-	2 975	68 343
Tuition and fees	11 223	-	-	-	11 223
Extracurricular student activities	42 728	-	-	-	42 728
Other	136 665	-	-	-	136 665
TOTALS	\$ 2 941 472	\$ 65 368	\$ 948 568	\$ 149 609	\$ 4 105 017

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 4 - OTHER INFORMATION**

**A. Risk Management**

**Property/Liability**

The District participates in the Texas Association of Public Schools Property and Liability Fund for property and liability insurance. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for property and liability coverages and develop a comprehensive loss control program. The District pays an annual premium to the fund for its property and liability coverages and transfers the risk of loss to the fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**Health Care Coverage**

During the year ended August 31, 2024, the District contributed \$350 per month per employee towards the cost of health care for those who elected to participate in the TRS health care plan.

**Workers' Compensation**

The District participates in the Deep East Texas Insurance Fund for workers' compensation. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for workers' compensation coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its workers' compensation coverages and transfers the risk of loss to the Fund. The district's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. The Fund maintains stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1,000,000 per occurrence. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**B. Contingencies**

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2024, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

**C. Joint Venture - Shared Service Arrangement**

The District participates in the following shared service arrangements:

**Beth and Horace Stubblefield Learning Center Cooperative**

The District participates in a shared service arrangement for the education of at risk students under the terms of its First Amended Interlocal Cooperation Agreement with other school districts. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The revenues and expenditures are disclosed in the financial statements of the fiscal agent, Hudson I.S.D. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared service arrangement.

**D. Defined Benefit Pension Plan**

**Plan Description:**

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

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

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Pension Plan Fiduciary Net Position:**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided:**

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

**Contributions:**

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2023 and 2024.

	CONTRIBUTION RATES	
	2023	2024
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Employer Contributions - 2024		\$ 668 336
Member Contributions - 2024		\$ 1 226 072
NECE On-behalf Contributions - 2023		\$ 822 686

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

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

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

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 4 - OTHER INFORMATION - CONTINUED**

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**Actuarial Assumptions:**

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

Valuation Date	August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.00%
Long-term Expected Investment Rate of Return	7.00%
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a municipal bond rate of 3.91 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2023 are summarized below:

ASSET CLASS	TARGET** ALLOCATION	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN***	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS
<b>Global Equity</b>			
U.S.A.	18%	4.0%	1.00%
Non-U.S. Developed	13%	4.5%	0.90%
Emerging Markets	9%	4.8%	0.70%
Private Equity*	14%	7.0%	1.50%
<b>Stable Value</b>			
Government Bonds	16%	2.5%	0.50%
Absolute Return*	- %	3.6%	- %
Stable Value Hedge Funds	5%	4.1%	0.20%
<b>Real Return</b>			
Real Estate	15%	4.9%	1.10%
Energy, Natural Resources, and Infrastructure	6%	4.8%	0.40%
Commodities	- %	4.4%	- %
<b>Risk Parity</b>			
Risk Parity	8%	4.5%	0.40%
<b>Asset Allocation Leverage</b>			
Cash	2%	3.7%	- %
Asset Allocation Leverage	(6)%	4.4%	(0.10)%
Inflation Expectation			2.30%
Volatility Drag****			(0.90)%
<b>Expected Return</b>	<u>100%</u>		<u>8.00%</u>

\* Absolute Return includes Credit Sensitive Investments.

\*\* Target allocations are based on the FY2022 policy model.

\*\*\* Capital Market Assumptions come from Aon Hewitt (as of 08/31/2023).

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

For the fiscal year ended August 31, 2023, the annual money-weighted rate of return on pension plan investments was 7.00 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 4 - OTHER INFORMATION - CONTINUED**

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (6.00%)	DISCOUNT RATE (7.00%)	1% INCREASE IN DISCOUNT RATE (8.00%)
District proportionate share of the net pension liability	\$ 13 447 583	\$ 8 994 705	\$ 5 292 135

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

At August 31, 2024, the District reported a liability of \$8,994,705 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 8 994 705
State's proportionate share that is associated with the District	10 993 762
TOTAL	<u>\$ 19 988 467</u>

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

At August 31, 2023 the District's proportion of the collective net pension liability was 1.31% which was a decrease of 0.02% from its proportion measured as of August 31, 2022.

**Changes Since the Prior Actuarial Valuation** - The following changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period

The total pension liability as of August 31, 2023 was developed using a roll-forward method from the August 31, 2022 valuation.

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

For the year ended August 31, 2024, the District recognized pension expense of \$1,659,963 and revenue of \$1,659,963 for support provided by the State.

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

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 320 484	\$ 108 916
Changes in actuarial assumptions	850 723	208 191
Difference between projected and actual investment earnings	2 810 573	1 501 626
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	867 788	215 432
Contributions paid to TRS subsequent to the measurement date	668 336	-
TOTAL	<u>\$ 5 517 904</u>	<u>\$ 2 034 165</u>

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2025	\$ 610 964
2026	\$ 439 958
2027	\$ 1 294 773
2028	\$ 449 204
2029	\$ 20 504

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**E. Defined Other Post-Employment Benefit Plans**

**Plan Description:**

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

**OPEB Plan Fiduciary Net Position:**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

**Benefits Provided:**

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

<b>TRS-Care Plan Premium Rates</b>		
January 1, 2023 - December 31, 2023		
	<b>Medicare</b>	<b>Non-Medicare</b>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1 020	999

\* or surviving spouse

**Contributions:**

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

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

	<b>2023</b>	<b>2024</b>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Employer - 2024 Employer Contributions	\$ 145 762	
Employer - 2024 Member Contributions	\$ 96 598	
Employer - 2023 NECE On-Behalf Contributions	\$ 202 242	

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



DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Actuarial Assumptions:**

The total OPEB liability in the August 31, 2022 actuarial valuation was rolled forward to August 31, 2023 and determined using the following actuarial assumptions:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

**Actuarial Methods and Assumptions:**

<b>Valuation Date</b>	August 31, 2022
<b>Methods and Assumptions:</b>	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	4.31% as of August 31, 2023
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2020.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection, the ultimate improvement rates from the most recently published projection scale ("U-MP"). Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 7.3% for non-Medicare retirees. Initial prescription drug trend rate of 9.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Healthcare Trend Rates	
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

**Discount Rate:**

A single discount rate of 4.31% was used to measure the total OPEB liability. There was an increase of 0.22 % in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Discount Rate Sensitivity Analysis:**

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

	1% Decrease in Discount Rate (3.13%)	Current Single Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District's proportionate share of the net OPEB liability	\$ 5 037 854	\$ 4 277 373	\$ 3 656 802

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

At August 31, 2024, the District reported a liability of \$4,277,373 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 4 277 373
State's proportionate share that is associated with the District	5 161 308
<b>TOTAL</b>	<b>\$ 9 438 681</b>

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

At August 31, 2023, the employer's proportion of the collective Net OPEB Liability was 1.93% which was an increase of 0.07% from August 31, 2022.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

**NOTE 4 - OTHER INFORMATION - CONTINUED**

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 4.25% rate is used.

	1% Decrease in Healthcare Trend Rate (3.25%)	Current Single Healthcare Trend Rate (4.25%)	1% Increase in Healthcare Trend Rate (5.25%)
District's proportionate share of the net OPEB liability	\$ 3 522 202	\$ 4 277 373	\$ 5 248 902

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

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. The discount rate changed from 3.91 percent as of August 31, 2022 to 4.13 percent as of August 31, 2023. This change increased the TOL.
2. Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2023, the District recognized OPEB expense of \$(1,103,379) and revenue of \$(1,103,379) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 193 519	\$ 3 598 599
Changes in actuarial assumptions	583 830	2 619 149
Difference between projected and actual investment earnings	9 727	7 879
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1 770 051	435 928
Contributions paid to TRS subsequent to the measurement date	145 762	-
<b>TOTAL</b>	<b>\$ 2 702 889</b>	<b>\$ 6 661 555</b>

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2025	\$ (1 049 321)
2026	\$ (853 139)
2027	\$ (587 539)
2028	\$ (590 259)
2029	\$ (507 949)
Thereafter	\$ (516 221)

Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School Retiree Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2024, 2023 and 2022, the subsidy payments received by TRS-Care on behalf of the District were:

YEAR	AMOUNT
2024	\$ 78 713
2023	\$ 82 864
2022	\$ 59 900

**NOTE 5 - FINANCE - RELATED LEGAL AND CONTRACTUAL PROVISIONS**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosure", violations of finance-related legal and contractual provisions, if any, are reported below:

EXCEEDED BUDGET		
FUND	FUNCTION	AMOUNT
Child Nutrition	Food Services	\$ 31 432

#### REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board, but not considered a part of the basic financial statements.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISON  
For the Year Ended August 31, 2024

EXHIBIT G-1

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 2 987 889	\$ 2 987 889	\$ 2 941 472	\$ (46 417)
5800	State program revenues	17 348 227	17 348 227	19 586 509	2 238 282
5900	Federal program revenues	245 000	245 000	157 167	(87 833)
5020	TOTAL REVENUES	<u>20 581 116</u>	<u>20 581 116</u>	<u>22 658 148</u>	<u>2 104 032</u>
	Expenditures:				
0011	Instruction	10 985 173	10 823 099	10 530 913	292 186
0012	Instructional resources and media services	273 019	303 716	279 515	24 201
0013	Curriculum and staff development	163 970	381 344	351 319	30 025
0021	Instructional leadership	477 547	323 747	288 029	35 718
0023	School leadership	1 218 106	1 160 817	1 119 210	41 607
0031	Guidance, counseling, and evaluation services	286 418	344 052	324 893	19 159
0033	Health services	12 424	62 824	33 748	29 076
0034	Student transportation	905 767	911 000	910 537	463
0036	Cocurricular/extracurricular activities	814 919	876 744	825 685	51 059
0041	General administration	1 001 035	1 006 035	973 762	32 273
0051	Plant maintenance and operations	2 477 092	2 592 092	2 556 009	36 083
0052	Security and monitoring services	365 730	440 730	411 470	29 260
0053	Data processing services	1 058 958	783 958	750 574	33 384
0061	Community services	22 958	32 958	5 335	27 623
0071	Debt service	355 000	365 000	351 311	13 689
0093	Payments to shared service arrangements	82 000	87 000	75 398	11 602
0099	Other governmental charges	81 000	86 000	80 253	5 747
6030	TOTAL EXPENDITURES	<u>20 581 116</u>	<u>20 581 116</u>	<u>19 867 961</u>	<u>713 155</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>2 817 187</u>	<u>2 817 187</u>
	Other Financing Sources (Uses):				
7915	Transfer in	-	-	56 366	56 366
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>56 366</u>	<u>56 366</u>
1200	NET CHANGE IN FUND BALANCES	-	-	2 873 553	2 873 553
0100	Fund balances - Beginning	<u>4 609 177</u>	<u>4 609 177</u>	<u>4 609 177</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 4 609 177</u>	<u>\$ 4 609 177</u>	<u>\$ 7 482 730</u>	<u>\$ 2 873 553</u>

See independent auditor's report.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS

EXHIBIT G-2

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0131%	0.0133%	0.0109%	0.0102%	0.0108%	0.0111%	0.0111%	0.0108%	0.0117%	0.0074%
District's proportionate share of the net pension liability (asset)	\$ 8 994 705	\$ 7 914 470	\$ 2 784 136	\$ 5 441 471	\$ 5 628 153	\$ 6 089 940	\$ 3 548 302	\$ 4 072 449	\$ 4 139 930	\$ 1 974 185
State's proportionate share of the net pension liability (asset) associated with the District	10 993 762	9 402 898	4 612 695	10 052 953	9 491 312	9 986 909	5 890 370	2 752 889	2 809 424	1 527 354
TOTAL	\$ 19 988 467	\$ 17 317 368	\$ 7 396 831	\$ 15 494 424	\$ 15 119 465	\$ 16 076 849	\$ 9 438 672	\$ 6 825 338	\$ 6 949 354	\$ 3 501 539
District's covered-employee payroll	\$ 15 293 740	\$ 14 594 687	\$ 13 600 797	\$ 13 380 837	\$ 12 519 064	\$ 12 119 915	\$ 11 722 963	\$ 11 350 588	\$ 11 388 745	\$ 11 135 427
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	58.81%	54.23%	20.47%	40.67%	44.96%	50.25%	30.27%	35.88%	36.35%	17.73%
Plan fiduciary net position as a percentage of the total pension liability	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

See independent auditor's report.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS

EXHIBIT G-3

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 668 336	\$ 647 688	\$ 595 268	\$ 456 983	\$ 372 006	\$ 362 890	\$ 353 652	\$ 342 411	\$ 346 790	\$ 187 377
Contributions in relation to the contractually required contribution	<u>(668 336)</u>	<u>(647 688)</u>	<u>(595 268)</u>	<u>(456 983)</u>	<u>(372 006)</u>	<u>(362 890)</u>	<u>(353 652)</u>	<u>(342 411)</u>	<u>(346 790)</u>	<u>(187 377)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 14 861 473	\$ 15 293 740	\$ 14 594 687	\$ 13 600 797	\$ 13 380 837	\$ 12 519 064	\$ 12 119 915	\$ 11 722 963	\$ 11 350 588	\$ 11 388 745
Contributions as a percentage of covered-employee payroll	4.50%	4.23%	4.08%	3.36%	2.78%	2.90%	2.92%	2.92%	2.82%	2.86%

See independent auditor's report.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
OPEB LIABILITY AND DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\*

EXHIBIT G-4

<b>District's Proportionate Share of Liability</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
District's proportion of the OPEBL	0.0193%	0.0186%	0.0162%	0.0159%	0.0164%	0.0158%	0.0170%
District's proportionate share of the OPEBL	\$ 4 277 373	\$ 4 465 176	\$ 6 242 112	\$ 6 037 851	\$ 7 758 119	\$ 7 892 601	\$ 7 402 349
State share of the OPEBL associated with the District	5 161 308	5 446 813	8 363 039	8 113 424	10 308 805	10 091 778	8 865 856
<b>TOTAL</b>	<b>\$ 9 438 681</b>	<b>\$ 9 911 989</b>	<b>\$ 14 605 151</b>	<b>\$ 14 151 275</b>	<b>\$ 18 066 924</b>	<b>\$ 17 984 379</b>	<b>\$ 16 268 205</b>
District's covered-employee payroll*	\$ 15 293 740	\$ 14 594 687	\$ 13 600 797	\$ 13 380 837	\$ 12 518 064	\$ 12 119 915	\$ 11 722 963
<i>*Prior FY TRS Gross - September through August</i>							
Proportionate share/covered payroll	27.97%	30.59%	45.9%	45.12%	61.98%	65.12%	63.14%
Plan fiduciary net position/total OPEB liability	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

<b>District Contributions</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 145 762	\$ 165 037	\$ 147 654	\$ 124 284	\$ 116 153	\$ 115 211	\$ 107 726
Contributions to required contribution	(145 762)	(165 037)	(147 654)	(124 284)	(116 153)	(115 211)	(107 726)
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Current fiscal year TRS gross	\$ 14 861 473	\$ 15 293 740	\$ 14 594 687	\$ 13 600 797	\$ 13 380 837	\$ 12 518 064	\$ 12 119 915
Contributions to covered payroll	0.98%	1.08%	1.01%	0.91%	0.87%	0.92%	0.89%

Information provided by the Teacher Retirement System of Texas.

\* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditor's report.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
August 31, 2024

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund and Debt Service Fund and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District presented the General Fund budgetary comparison schedule as required supplementary information. The Child Nutrition Fund and Debt Service Fund budgetary comparison schedule is presented as required TEA schedules. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures.

See Note 2 for additional procedures followed in establishing the budget.

Pension and OPEB

See Note 4 for changes of assumptions that affected the pension liability.

See Note 4 for changes of assumptions that affected the OPEB liability.



COMBINING STATEMENTS AND BUDGET COMPARISONS  
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
August 31, 2024

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA - B FORMULA	225 IDEA - B PRESCHOOL	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM
	ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 199 593
1240	Due from other governments	100	51 066	1 834	94 971
1300	Inventory	-	-	-	59 820
1000	TOTAL ASSETS	<u>\$ 100</u>	<u>\$ 51 066</u>	<u>\$ 1 834</u>	<u>\$ 354 384</u>
	LIABILITIES				
2110	Accounts payable	\$ -	\$ 149	\$ -	\$ 14 385
2150	Other payable	-	1 787	105	970
2160	Accrued wages payable	-	15 312	900	44 990
2170	Due to other funds	100	33 818	829	-
2300	Unearned revenue	-	-	-	-
2000	TOTAL LIABILITIES	<u>100</u>	<u>51 066</u>	<u>1 834</u>	<u>60 345</u>
	FUND BALANCES				
3410	Non-spendable inventory	-	-	-	59 820
3450	Restricted for grants	-	-	-	234 219
3000	TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>294 039</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 100</u>	<u>\$ 51 066</u>	<u>\$ 1 834</u>	<u>\$ 354 384</u>

See independent auditor's report.

EXHIBIT H-1  
PAGE 1 OF 2

244 CAREER AND TECH BASIC GRANT	255 ESEA TITLE II TRAINING AND RECRUITING	263 ENGLISH LANGUAGE ACQUISITION AND ENHANCEMENT	270  ESEA TITLE IV PART B	279  TCLAS ESSER III	280  ARP ESSER III	282  ESSER III	289  SUMMER SCHOOL LEP
\$ -	\$ -	\$ 2 625	\$ -	\$ -	\$ -	\$ -	\$ 10 438
-	1 500	-	-	1 205	2 531	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1 500</u>	<u>\$ 2 625</u>	<u>\$ -</u>	<u>\$ 1 205</u>	<u>\$ 2 531</u>	<u>\$ -</u>	<u>\$ 10 438</u>
\$ -	\$ 1 500	\$ -	\$ -	\$ -	\$ 14	\$ -	\$ 10 438
-	-	-	-	-	-	-	-
-	-	2 625	-	-	-	-	-
-	-	-	-	1 205	2 517	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>1 500</u>	<u>2 625</u>	<u>-</u>	<u>1 205</u>	<u>2 531</u>	<u>-</u>	<u>10 438</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1 500</u>	<u>\$ 2 625</u>	<u>\$ -</u>	<u>\$ 1 205</u>	<u>\$ 2 531</u>	<u>\$ -</u>	<u>\$ 10 438</u>

DIBOLL INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET - CONTINUED  
NONMAJOR SPECIAL REVENUE FUNDS  
August 31, 2024

		410	429	495	496
DATA CONTROL CODES		STATE TEXTBOOK FUND	PRE-K GRANT	PRI GRANT	SCHOOL VIOLENCE PREVENTION
	ASSETS				
1110	Cash and cash equivalents	\$ 58 544	\$ -	\$ -	\$ -
1240	Due from other governments	-	-	-	-
1300	Inventory	-	-	-	-
1000	TOTAL ASSETS	\$ 58 544	\$ -	\$ -	\$ -
	LIABILITIES				
2110	Accounts payable	\$ 3 999	\$ -	\$ -	\$ -
2150	Other payable	-	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	-
2300	Unearned revenue	54 545	-	-	-
2000	TOTAL LIABILITIES	58 544	-	-	-
	FUND BALANCES				
3410	Non-spendable inventory	-	-	-	-
3450	Restricted for grants	-	-	-	-
3000	TOTAL FUND BALANCES	-	-	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 58 544	\$ -	\$ -	\$ -

See independent auditor's report.

497	498	SPECIAL REVENUE FUNDS (SEE EXHIBIT C-1)
BULLET RESISTANT SHIELD	JOBS & EDUCATION FOR TEXANS (JET)	SPECIAL REVENUE
\$ -	\$ -	\$ 271 200
-	-	153 207
-	-	59 820
\$ -	\$ -	\$ 484 227
\$ -	\$ -	\$ 30 485
-	-	2 862
-	-	63 827
-	-	38 469
-	-	54 545
-	-	190 188
-	-	59 820
-	-	234 219
-	-	294 039
\$ -	\$ -	\$ 484 227

DIBOLL INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
For the Year Ended August 31, 2024

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA - B FORMULA	225 IDEA - B PRESCHOOL	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ 146 634
5800	State program revenues	-	-	-	63 095
5900	Federal program revenues	701 947	405 960	8 154	1 416 003
5020	TOTAL REVENUES	701 947	405 960	8 154	1 625 732
	Expenditures:				
0011	Instruction	658 315	130 681	8 154	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	13 700	3 162	-	-
0021	Instructional leadership	18 327	6 704	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	265 258	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	155	-	-
0035	Food services	-	-	-	1 689 432
0036	Cocurricular/extracurricular activity	-	-	-	-
0041	General administration	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	11 605	-	-	-
6030	TOTAL EXPENDITURES	701 947	405 960	8 154	1 689 432
	EXCESS REVENUE OVER EXPENDITURES	-	-	-	(63 700)
	Other Financing Sources (Uses):				
8911	Transfer out	-	-	-	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
1200	NET CHANGE IN FUND BALANCE	-	-	-	(63 700)
0100	Fund balances - Beginning	-	-	-	357 739
3000	FUND BALANCES - ENDING	\$ -	\$ -	\$ -	\$ 294 039

See independent auditor's report.



DIBOLL INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED  
For the Year Ended August 31, 2024

		410	429	495	496
DATA CONTROL CODES		STATE TEXTBOOK FUND	PRE-K GRANT	PRI GRANT	SCHOOL VIOLENCE PREVENTION
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ -	\$ 2 975	\$ -
5800	State program revenues	306 097	425 080	-	-
5900	Federal program revenues	-	-	-	-
5020	TOTAL REVENUES	<u>306 097</u>	<u>425 080</u>	<u>2 975</u>	<u>-</u>
	Expenditures:				
0011	Instruction	299 888	111 000	2 975	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	6 209	40 000	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	49 229	-	-
0031	Guidance, counseling, and evaluation services	-	5 126	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extracurricular activity	-	-	-	-
0041	General administration	-	-	-	-
0051	Facilities maintenance and operations	-	155 439	-	-
0052	Security and monitoring services	-	7 920	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	TOTAL EXPENDITURES	<u>306 097</u>	<u>368 714</u>	<u>2 975</u>	<u>-</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>-</u>	<u>56 366</u>	<u>-</u>	<u>-</u>
	Other Financing Sources (Uses):				
8911	Transfer out	-	(56 366)	-	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(56 366)</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCE	-	-	-	-
0100	Fund balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.



497	498	
BULLET RESISTANT SHIELD	JOBS & EDUCATION FOR TEXANS (JET)	SPECIAL REVENUE FUNDS (SEE EXHIBIT C-2)
\$ -	\$ -	\$ 149 609
5 600	370 202	1 170 074
-	-	4 427 542
<u>5 600</u>	<u>370 202</u>	<u>5 747 225</u>
-	370 202	2 239 898
-	-	6 117
-	-	120 363
-	-	171 579
-	-	99 812
-	-	952 479
-	-	183 001
-	-	14 545
-	-	1 722 392
-	-	2 039
-	-	15 278
-	-	185 578
5 600	-	18 636
-	-	9 198
-	-	13 644
<u>5 600</u>	<u>370 202</u>	<u>5 754 559</u>
-	-	(7 334)
-	-	(56 366)
<u>-</u>	<u>-</u>	<u>(56 366)</u>
-	-	(63 700)
-	-	357 739
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294 039</u>

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#### OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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

LAST 10 YEARS	(1)	(2)	(3)
	TAX RATES		ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
	MAINTENANCE	DEBT SERVICE	
2015 and prior years	Various	Various	Various
2016	1.1700	0.2800	\$ 258 721 854
2017	1.1700	0.1100	\$ 276 965 166
2018	1.1700	0.1100	\$ 275 579 141
2019	1.1700	0.1100	\$ 280 705 275
2020	1.1700	0.1100	\$ 281 955 391
2021	1.0683	0.1100	\$ 291 210 812
2022	1.0547	0.1100	\$ 301 788 692
2023	0.9672	0.2435	\$ 336 694 846
2024 (School year under audit)	0.7674	0.2150	\$ 352 708 469
TOTALS			

Taxes Refunded

## EXHIBIT J-1

(10)	(20)	(31)	(32)	(40)	(50)	(99)
BEGINNING BALANCE 09/01	CURRENT YEAR'S TOTAL LEVY	MAINTENANCE COLLECTIONS	DEBT SERVICE COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 08/31	TOTAL TAXES REFUNDED UNDER SECTION 26.1115(c)
\$ 47 259	\$ -	\$ 4 189	\$ 477	\$ (8 056)	\$ 34 537	
13 331	-	1 385	130	-	11 816	
16 582	-	3 384	318	(1)	12 879	
18 144	-	3 914	368	-	13 862	
25 493	-	5 605	527	(154)	19 207	
24 266	-	5 547	571	274	18 422	
29 265	-	6 520	680	(4 419)	22 214	
54 140	-	9 734	2 451	(15 711)	37 536	
105 999	-	27 905	7 407	(130 043)	54 976	
-	3 465 008	2 524 297	707 733	-	102 935	
<u>\$ 334 479</u>	<u>\$ 3 465 008</u>	<u>\$ 2 592 480</u>	<u>\$ 720 662</u>	<u>\$ (157 961)</u>	<u>\$ 328 384</u>	
						\$ <u>3 077</u>

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2024

EXHIBIT J-2

DATA CONTROL CODES		1  ORIGINAL BUDGET	2  FINAL BUDGET	3  ACTUAL	4  VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 140 200	\$ 140 200	\$ 146 634	\$ 6 434
5800	State program revenues	6 800	6 800	63 095	56 295
5900	Federal program revenues	1 311 000	1 511 000	1 416 003	(94 997)
5020	TOTAL REVENUES	<u>1 458 000</u>	<u>1 658 000</u>	<u>1 625 732</u>	<u>(32 268)</u>
	Expenditures:				
0035	Food service	1 458 000	1 658 000	1 689 432	(31 432)
6030	TOTAL EXPENDITURES	<u>1 458 000</u>	<u>1 658 000</u>	<u>1 689 432</u>	<u>(31 432)</u>
1200	NET CHANGE IN FUND BALANCES	-	-	(63 700)	(63 700)
0100	Fund balance - Beginning	<u>357 739</u>	<u>357 739</u>	<u>357 739</u>	-
3000	FUND BALANCE - ENDING	\$ <u>357 739</u>	\$ <u>357 739</u>	\$ <u>294 039</u>	\$ <u>(63 700)</u>

See independent auditor's report.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For The Year Ended August 31, 2024

EXHIBIT J-3

DATA CONTROL CODES		1  ORIGINAL BUDGET	2  FINAL BUDGET	3  ACTUAL	4  VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 751 430	\$ 751 430	\$ 948 568	\$ 197 138
5800	State program revenues	443 720	443 720	310 636	(133 084)
5020	TOTAL REVENUES	<u>1 195 150</u>	<u>1 195 150</u>	<u>1 259 204</u>	<u>64 054</u>
	Expenditures:				
0071	Debt services	1 195 150	1 195 150	791 450	403 700
6030	TOTAL EXPENDITURES	<u>1 195 150</u>	<u>1 195 150</u>	<u>791 450</u>	<u>403 700</u>
1200	NET CHANGE IN FUND BALANCES	-	-	467 754	467 754
0100	Fund balance - Beginning	<u>5 127 430</u>	<u>5 127 430</u>	<u>5 127 430</u>	-
3000	FUND BALANCE - ENDING	\$ <u>5 127 430</u>	\$ <u>5 127 430</u>	\$ <u>5 595 184</u>	\$ <u>467 754</u>

See independent auditor's report.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
STATE SUPPLEMENTAL ALLOTMENT COMPLIANCE  
USE OF FUNDS REPORT  
For The Year Ended August 31, 2024

EXHIBIT J-4

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
	<u>Section A: Compensatory Education Programs</u>	
	Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.104.	
AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ <u>1 744 837</u>
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30,34)	\$ <u>1 491 914</u>
	<u>Section B: Bilingual Education Programs</u>	
	Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.105.	
AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ <u>123 628</u>
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25 and 35)	\$ <u>61 429</u>

See independent auditor's report.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Diboll Independent School District  
Diboll, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Diboll Independent School District as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated November 18, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

Lufkin, Texas  
November 18, 2024

  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees  
Diboll Independent School District  
Diboll, Texas

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Diboll Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Diboll Independent School District's major federal programs for the year ended August 31, 2024. Diboll Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Diboll Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2024.

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of Diboll Independent School District and to meet our other ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Diboll Independent School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Diboll Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Diboll Independent School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Diboll Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Diboll Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Diboll Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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

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

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

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

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
November 18, 2024



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

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified that are  
not considered to be material weaknesses?

☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified that are  
not considered to be material weaknesses?

☐ Yes ☒ None reported

Type of auditor's report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with Uniform  
Guidance?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)  
10.553/10.555/10.559

Name of Federal Program or Cluster  
Child Nutrition Program

Dollar threshold used to distinguish between  
type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

None

DIBOLL INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2024

None

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

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL ALN NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
U.S. Department of Agriculture:			
School Breakfast Program	10.553	71402001	\$ 309 754
Supply Chain Assistance	10.555	N/A	76 891
National School Lunch Program	10.555	71302001	927 166
CLUSTER SUBTOTAL			<u>1 313 811</u>
Commodity Supplemental Food Program	10.565	N/A	102 192
Secure Rural Schools	10.666	N/A	21 281
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1 437 284</u>
Department of Education:			
Special Education - Grants to States	84.027A	246600010039056000	405 960
Special Education - Capacity Contracted Services	84.027X	245350010039055000	24 370
Special Education - Preschool Grants ARP	84.173X	245360020039055000	8 154
TOTAL DEPARTMENT OF EDUCATION - SPECIAL EDUCATION CLUSTER			<u>438 484</u>
Other Programs:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	24610101003905	701 947
Career and Technical Education - Basic Grants to States	84.048A	24420006003905	28 098
Rural Education	84.358	24696001003905	51 478
English Language Acquisition State Grants	84.365A	24694501003905	34 142
Supporting Effective Instruction State Grants	84.367A	24694501003905	72 804
State Assessments	84.369	N/A	1 469
LEP Summer School	84.424A	69552002	55 739
TCLAS - ESSER III	84.425U	21680101003905	248 373
ARP - ESSER III	84.425U	21528001003905	1 373 359
ARP - ESSER III	84.425W	21533002003905	5 646
ESSER SUBTOTAL			<u>1 627 378</u>
TOTAL DEPARTMENT OF EDUCATION			<u>3 011 539</u>
U.S. Federal Communication Commission:			
Erate	32.000	N/A	41 280
TOTAL US FEDERAL COMMUNICATION COMMISSION			<u>41 280</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4 490 103</u>
Reconciliation to Federal Revenue per Exhibit C-2:			
Total Expenditures of Federal Awards			\$ 4 490 103
Other Federal Programs:			
SHARS			94 606
TOTAL OTHER FEDERAL PROGRAMS			<u>94 606</u>
TOTAL FEDERAL REVENUE PER C-2			<u>\$ 4 584 709</u>

See independent auditors report and the accompanying notes are integral part of this schedule.

DIBOLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2024

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Diboll Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in the preparation of, the general purpose financial statements.

Period of Availability

The period of availability for federal grant funds for the purpose of liquidating outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, *Period of Availability of Federal Funds, Part 3, OMB Uniform Guidance*.

Indirect Cost

The District has elected not to use the 10-percent de minimis indirect cost rate per Uniform Guidance (2.CRF.200.414).



DIBOLL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
SCHOOL FIRST INDICATORS  
As of August 31, 2024

Exhibit L-1

DATA CONTROL CODES		RESPONSES
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered <b>to not have made</b> timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ <u>567 351</u>

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**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

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February \_\_, 2026

We have acted as bond counsel to the Diboll Independent School District (the “District”) in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of bonds designated as “Diboll Independent School District Unlimited Tax School Building Bonds, Series 2026” (the “Bonds”). The Bonds are authorized by an order adopted by the Board of Trustees of the District (the “Board”) on January 20, 2026 (the “Order”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed the Order, the tax certificate of the District dated the date hereof (the “Tax Certificate”), certificates of the District, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the

accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding obligations of the District.
2. The Board has power and is obligated to levy an annual ad valorem tax, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.
3. Interest on the Series 2026 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2026 Bonds is not a specific preference item for purposes of federal alternative minimum tax. We observe that interest on the Series 2026 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2026 Bonds.

ORRICK, HERRINGTON & SUTCLIFFE LLP

## **APPENDIX D**

### **THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM**

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## **THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM**

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

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

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

The regular session of the 88th Texas Legislature (the “Legislature”) was held from January 10, 2023, to May 29, 2023. As of the date of this disclosure, there have been four special sessions held, with the fourth special session ending December 5, 2023. The Texas Governor may call one or more additional special sessions. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the SBOE, the Act, the PSF Corporation, and Texas school finance generally. No representation is made regarding any actions the Legislature has taken or may take, but the TEA, SBOE, and PSF Corporation monitor and analyze legislation for any developments applicable thereto.

### **History and Purpose**

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

from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation’s Annual Comprehensive Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). Due to the establishment of the PSF Corporation, the most recent financial statements include several restatements related thereto. The SLB’s land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the “GLO”) that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message of the Chief Executive Officer of the PSF Corporation (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2023, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the United States Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2023, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2023, and for a description of the financial results of the PSF for the year ended August 31, 2023, the most recent year for which audited financial information regarding the Fund is available. The 2023 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2023 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation’s Investment Policy Statement (the “IPS”), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the “Web Site Materials”) on the PSF Corporation’s web site at <https://texaspsf.org/bond-guarantee-program/> and with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund’s holdings of securities specified in Section 13(f), including exchange-traded (*e.g.*, NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at [www.sec.gov/edgar](http://www.sec.gov/edgar). A list of the Fund’s equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation’s web site and filed with the MSRB. Such list excludes holdings in the Fund’s securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

## **Management and Administration of the Fund**

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

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

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

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

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

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

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

With respect to the 2024-2025 State biennium, and for subsequent biennia, the PSF Corporation is required to submit a legislative appropriations request ("LAR") to the LBB and the Office of the Governor that details a request for appropriation of funds to enable the PSF Corporation to carry out its responsibilities for the investment management of the Fund. The requested funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2024 and 2025. As described therein, the LAR is designed to provide the PSF

Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

### **The Total Return Constitutional Amendment**

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

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

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

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

#### Annual Distributions to the Available School Fund<sup>1</sup>

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

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

<sup>2</sup> Reflects the first fiscal year in which distributions were made by the PSF Corporation.

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

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

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

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

<sup>1</sup> Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of \$600 million per year directly to the ASF for fiscal biennium 2024-25.

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

#### PSF Corporation Strategic Asset Allocation

The PSFC Board sets the asset allocation policy for the Fund, including determining the available asset classes for investment and approving target percentages and ranges for allocation to each asset class, with the goal of delivering a long-term risk adjusted return through all economic and market environments. Effective January 1, 2023, the IPS includes a combined asset allocation for all Fund assets (consisting of assets transferred for management to the PSF Corporation from the SBOE and the SLB). The IPS provides that the Fund’s investment objectives are as follows:

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

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

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

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2022 and 2023, as set forth in the Annual Report for the 2023 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF (SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

## Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2023 and 2022				
<u>ASSET CLASS</u>	<u>August 31, 2023</u>	<u>August 31, 2022</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
<b>EQUITY</b>				
Domestic Small Cap	\$ 2,975.1	\$ 2,858.4	\$ 116.7	4.1%
Domestic Large Cap	<u>7,896.5</u>	<u>6,402.1</u>	<u>1,494.4</u>	<u>23.3%</u>
Total Domestic Equity	10,871.6	9,260.5	1,611.1	17.4%
International Equity	<u>7,945.5</u>	<u>7,197.9</u>	<u>747.6</u>	<u>10.4%</u>
<b>TOTAL EQUITY</b>	<b>18,817.1</b>	<b>16,458.4</b>	<b>2,358.7</b>	<b>14.3%</b>
<b>FIXED INCOME</b>				
Domestic Fixed Income	5,563.7	5,867.5	(303.8)	-5.2%
U.S. Treasuries	937.5	1,140.2	(202.7)	-17.8%
High Yield Bonds	1,231.6	1,142.5	<u>89.1</u>	<u>7.8%</u>
Emerging Market Debt	<u>869.7</u>	<u>1,190.9</u>	<u>(321.2)</u>	<u>-27.0%</u>
<b>TOTAL FIXED INCOME</b>	<b>8,602.5</b>	<b>9,341.1</b>	<b>(738.6)</b>	<b>-7.9%</b>
<b>ALTERNATIVE INVESTMENTS</b>				
Absolute Return	3,175.8	2,932.3	243.5	8.3%
Real Estate	6,525.2	6,286.9	238.3	3.8%
Private Equity	8,400.7	7,933.1	467.6	5.9%
Emerging Manager Program	134.5	29.9	104.6	349.8%
Real Return	1,663.7	1,620.3	43.4	2.7%
Real Assets	<u>4,712.1</u>	<u>4,341.3</u>	<u>370.8</u>	<u>8.5%</u>
<b>TOT ALT INVESTMENTS</b>	<b>24,612.0</b>	<b>23,143.8</b>	<b>1,468.2</b>	<b>6.3%</b>
<b>UNALLOCATED CASH</b>	<b><u>348.2</u></b>	<b><u>231.7</u></b>	<b><u>116.5</u></b>	<b><u>50.3%</u></b>
<b>TOTAL PSF(CORP) INVESTMENTS</b>	<b>\$ 52,379.8</b>	<b>\$ 49,175.0</b>	<b>\$ 3,204.8</b>	<b>6.5%</b>

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

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

## Investment Schedule - PSF(SLB)<sup>1</sup>

Fair Value (in millions) August 31, 2023

As of 8-31-23

Investment Type Investments in Real Assets

Sovereign Lands	\$ 276.14
Discretionary Internal Investments	264.32
Other Lands	167.97
Minerals <sup>(2), (3)</sup>	<u>5,435.62<sup>(6)</sup></u>
Total Investments <sup>(4)</sup>	6,144.05
Cash in State Treasury <sup>(5)</sup>	508.38
Total Investments & Cash in State Treasury	\$ 6,652.44

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

<sup>2</sup> Historical Cost of investments at August 31, 2023 was: Sovereign Lands \$838,776.71; Discretionary Internal Investments \$129,728,504.04; Other Lands \$38,241,863.70; and Minerals \$13,437,063.73.

<sup>3</sup> Includes an estimated 1,000,000.00 acres in freshwater rivers.

<sup>4</sup> Includes an estimated 1,747,600.00 in excess acreage.

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

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

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

### The School District Bond Guarantee Program

The School District Bond Guarantee Program requires an application be made by a school district to the Education Commissioner for a guarantee of its bonds. If the conditions for the School District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

In the event of default, holders of guaranteed school district bonds will receive all payments due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Education Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Education Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable



to the school district. The amount withheld pursuant to this funding “intercept” feature will be deposited to the credit of the PSF. The Comptroller must hold such canceled bond or evidence of payment of the interest on behalf of the PSF. Following full reimbursement of such payment by the school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

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

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

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

### **The Charter District Bond Guarantee Program**

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2024 fiscal year, the ratio is 7.69%. At February 26, 2024, there were 186 active open-enrollment charter schools in the State and there were 1,128 charter school campuses authorized under such charters, though as of such date, 212 of such campuses are not currently serving students for various reasons; therefore, there are 916 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits

the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see “Capacity Limits for the Guarantee Program.” The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

The CDBG Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the "CDBGP Capacity") is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

### **Capacity Limits for the Guarantee Program**

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

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

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

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

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

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

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

As of December 31, 2023, the estimated State Capacity Limit is \$154,120,128,859, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues

by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

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

### **2017 Legislative Changes to the Charter District Bond Guarantee Program**

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

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.69% in February 2024. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the “Charter District Reserve Fund”). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2024, the Charter District Reserve Fund contained \$97,636,048, which represented approximately 2.32% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

### **Charter District Risk Factors**

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the

enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

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

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

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

### **Infectious Disease Outbreak**

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

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

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

operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

### **Ratings of Bonds Guaranteed Under the Guarantee Program**

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

### **Valuation of the PSF and Guaranteed Bonds**

<b>Permanent School Fund Valuations</b>		
<u>Fiscal Year</u>		
<u>Ended 8/31</u>	<u>Book Value<sup>(1)</sup></u>	<u>Market Value<sup>(1)</sup></u>
2019	\$35,288,344,219	\$46,464,447,981
2020	36,642,000,738	46,764,059,745
2021	38,699,895,545	55,582,252,097
2022	42,511,350,050	56,754,515,757
2023 <sup>(2)</sup>	43,915,792,841	59,020,536,667

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

<sup>(2)</sup> At August 31, 2023, mineral assets, sovereign and other lands and discretionary internal investments, and cash managed by the SLB had book values of approximately \$13.4 million, \$168.8 million, and \$708.4 million, respectively, and market values of approximately \$5,435.6 million, \$678.4 million, and \$508.4 million, respectively.

<b>Permanent School Fund Guaranteed Bonds</b>	
<u>At 8/31</u>	<u>Principal Amount<sup>(1)</sup></u>
2019	\$84,397,900,203
2020	90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682 <sup>(2)</sup>

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

<sup>(2)</sup> At August 31, 2023 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$178,520,723,868, of which \$62,789,897,186 represents interest to be paid. As shown in the table above, at August 31, 2023, there were \$115,730,826,682 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$154,120,128,859 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2023, the amount of outstanding bond guarantees represented 76.36% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2023 values are based on unaudited data, which is subject to adjustment.

<b>Permanent School Fund Guaranteed Bonds by Category<sup>(1)</sup></b>						
<u>Fiscal Year</u> <u>Ended 8/31</u>	<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023 <sup>(2)</sup>	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682

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

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

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

The following discussion is derived from the Annual Report for the year ended August 31, 2023, including the Message from the Chief Executive Officer of the Fund, the Management's Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the PSFC Board are referred to throughout this MD&A as the PSF(CORP). The Fund's non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.



At the end of fiscal year 2023, the PSF(CORP) net position was \$52.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(CORP) is invested in global markets and liquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten- year periods ending August 31, 2023, net of fees, were 6.14%, 6.19%, and 6.78%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund’s investments). See “Comparative Investment Schedule - PSF(CORP)” for the PSF(CORP) holdings as of August 31, 2023.

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

**PSF Returns Fiscal Year Ended 8-31-2023<sup>1</sup>**

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

<sup>1</sup> Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2023.

<sup>2</sup> Benchmarks are as set forth in the Annual Report for year ended August 31, 2023.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, interest in real estate, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2023, \$2.1 billion was distributed to the ASF, \$345 million of which was distributed by the PSF(CORP) on behalf of the SLB.

### **Other Events and Disclosures**

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the

TEA web site at <https://tea.texas.gov/sites/default/files/ch033a.pdf>. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at [texaspsf.org](http://texaspsf.org).

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

As of August 31, 2023, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

### **PSF Continuing Disclosure Undertaking**

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

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

The MSRB has established the Electronic Municipal Market Access ("EMMA") system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org), and the continuing disclosure filings of the TEA with respect to the PSF can be found at <https://emma.msrb.org/IssueView/Details/ER355077> or by searching for "Texas Permanent School Fund Bond Guarantee Program" on EMMA.

### **Annual Reports**

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this offering document under the

heading “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.” The information also includes the Annual Report. The PSF Corporation will update and provide this information within six months after the end of each fiscal year.

The TEA and the PSF Corporation may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited financial statements will be provided when available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is composed of two primary segments: the financial assets (PSF(CORP)) managed by PSF Corporation, and the non-financial assets (PSF(SLB)) managed by the SLB. Each of these segments is reported separately und different bases of accounting.

The PSF Corporation classified as a proprietary endowment fund and reported by the State of Texas as a discretely presented component unit and accounted for on an economic resources measurement focus and the full accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the full accrual basis of accounting, all revenues reported are recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

The SLB manages the Fund’s non-financial assets (PSF(SLB)), is classified as a governmental permanent fund and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related liability is incurred, if measurable.

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

## **Event Notices**

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets,

other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information**

The TEA and the PSF Corporation have agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The TEA and the PSF Corporation have agreed to update information and to provide notices of material events only as described above. The TEA and the PSF Corporation have not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The TEA and the PSF Corporation make no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The TEA and the PSF Corporation disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the TEA and the PSF Corporation to comply with its agreement.

The continuing disclosure agreement is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial information and operating data concerning such entity and events notices relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in this offering document.

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA or the PSF Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA or the PSF Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

### **Compliance with Prior Undertakings**

Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made

with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

### **SEC Exemptive Relief**

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than \$10 million of outstanding municipal securities.

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**USCA MUNICIPAL ADVISORS, LLC**

*Financial Advisor to the District*