

**OFFICIAL STATEMENT**

**Dated: August 4, 2025**

**NEW ISSUE: BOOK-ENTRY-ONLY**

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.*

**\$23,140,000**  
**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**(A political subdivision of the State of Texas located in Rusk County, Texas)**  
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025**

**Dated Date: August 1, 2025**

**Due: February 15, as shown on the inside cover page**

The West Rusk County Consolidated Independent School District Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 3, 2025 and the order (the "Order") authorizing the issuance of the Bonds adopted on August 4, 2025 by the Board of Trustees (the "Board") of the West Rusk County Consolidated Independent School District (the "District"). The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS - Permanent School Fund Guarantee" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date specified above and will be payable initially on August 28, 2025 and semiannually on February 15 and August 15 of each year thereafter until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company New York, New York ("DTC"). Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Bonds will be used for the purposes of (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities, with priority given to new elementary school, to include a gym and music room, and (ii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").

The Bonds maturing on or after February 15, 2036 are subject to redemption at the option of the District in whole or in part on February 15, 2035 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. In addition, the Term Bonds (hereinafter defined) are subject to mandatory sinking fund redemption as described herein. (See "THE BONDS - Optional Redemption" and "THE BONDS - Mandatory Sinking Fund Redemption").

**MATURITY SCHEDULE**

(On Inside Cover)

*The Bonds are offered for delivery when, as and if issued, and received by the initial purchaser at a competitive sale (the "Purchaser" or the "Initial Purchaser") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about August 26, 2025.*

**\$23,140,000**  
**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**(A political subdivision of the State of Texas located in Rusk County, Texas)**  
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025**

**MATURITY SCHEDULE**  
Base CUSIP No.: 955584<sup>(1)</sup>

**\$13,275,000 Serial Bonds**

| <b>Maturity<br/>Date<br/>2/15</b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Initial<br/>Yield</b> | <b>CUSIP No.<br/>Suffix<sup>(1)</sup></b> |
|-----------------------------------|-----------------------------|--------------------------|--------------------------|-------------------------------------------|
| 2026                              | \$510,000                   | 5.00%                    | 2.57%                    | DL8                                       |
| 2027                              | 250,000                     | 5.00                     | 2.57                     | DM6                                       |
| 2028                              | 265,000                     | 5.00                     | 2.58                     | DN4                                       |
| 2029                              | 275,000                     | 5.00                     | 2.58                     | DP9                                       |
| 2030                              | 290,000                     | 5.00                     | 2.71                     | DQ7                                       |
| 2031                              | 210,000                     | 5.00                     | 2.86                     | DR5                                       |
| 2032                              | 220,000                     | 5.00                     | 2.99                     | DS3                                       |
| 2033                              | 235,000                     | 5.00                     | 3.15                     | DT1                                       |
| 2034                              | 245,000                     | 5.00                     | 3.26                     | DU8                                       |
| 2035                              | 255,000                     | 5.00                     | 3.48                     | DV6                                       |
| 2036                              | 270,000                     | 5.00                     | 3.67 <sup>(2)</sup>      | DW4                                       |
| 2037                              | 285,000                     | 5.00                     | 3.84 <sup>(2)</sup>      | DX2                                       |
| 2038                              | 295,000                     | 5.00                     | 3.97 <sup>(2)</sup>      | DY0                                       |
| 2039                              | 310,000                     | 5.00                     | 4.10 <sup>(2)</sup>      | DZ7                                       |
| 2040                              | 325,000                     | 5.00                     | 4.21 <sup>(2)</sup>      | EA1                                       |
| 2041                              | 345,000                     | 5.00                     | 4.31 <sup>(2)</sup>      | EB9                                       |
| 2042                              | 360,000                     | 5.00                     | 4.43 <sup>(2)</sup>      | EC7                                       |
| 2043                              | 1,020,000                   | 5.00                     | 4.54 <sup>(2)</sup>      | ED5                                       |
| 2044                              | 1,070,000                   | 5.00                     | 4.63 <sup>(2)</sup>      | EE3                                       |
| 2045                              | 1,125,000                   | 5.00                     | 4.70 <sup>(2)</sup>      | EF0                                       |
| 2046                              | 1,185,000                   | 5.00                     | 4.76 <sup>(2)</sup>      | EG8                                       |
| 2047                              | 1,245,000                   | 5.00                     | 4.82 <sup>(2)</sup>      | EH6                                       |
| 2048                              | 1,310,000                   | 5.00                     | 4.87 <sup>(2)</sup>      | EJ2                                       |
| 2049                              | 1,375,000                   | 5.00                     | 4.90 <sup>(2)</sup>      | EK9                                       |

(Interest to accrue from the Dated Date)

**\$9,865,000 Term Bonds**

\$9,865,000    5.00%    Term Bond due February 15, 2055 – Price \$100.372 (Yield 4.95%) CUSIP Suffix No. ER4 <sup>(1)</sup> <sup>(2)</sup>

(Interest to accrue from the Dated Date)

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*(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2035, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.*

# WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## BOARD OF TRUSTEES

| <u>Name</u>                   | <u>Date<br/>Initially<br/>Elected</u> | <u>Current<br/>Term<br/>Expires<br/>(Nov)</u> | <u>Occupation</u>   |
|-------------------------------|---------------------------------------|-----------------------------------------------|---------------------|
| Sandra Smith, President       | 1995                                  | 2027                                          | Business Management |
| Will Sudweeks, Vice President | 2007                                  | 2025                                          | Auto Salesman       |
| Iris Hammontree, Secretary    | 2013                                  | 2025                                          | Business Management |
| Robert Anderson, Member       | 2020                                  | 2026                                          | Oilfield Operations |
| Matt Eastwood, Member         | 2025                                  | 2027                                          | Oilfield Operations |
| Chris Pratt, Member           | 2025                                  | 2027                                          | Delivery Driver     |
| Lorenzo Tavaréz, Member       | 2024                                  | 2026                                          | Oilfield Operations |

## APPOINTED OFFICIALS

| <u>Name</u>      | <u>Position</u>          | <u>Length of<br/>Education Service</u> | <u>Length of<br/>Service<br/>with District</u> |
|------------------|--------------------------|----------------------------------------|------------------------------------------------|
| Lawrence Coleman | Superintendent           | 31 Years                               | 14 Years                                       |
| Leah Bobbitt     | Assistant Superintendent | 27 Years                               | 27 Years                                       |
| Mindee Mata      | Business Manager         | 8 Years                                | 8 Years                                        |

## CONSULTANTS AND ADVISORS

|                                                       |                              |
|-------------------------------------------------------|------------------------------|
| McCall, Parkhurst & Horton L.L.P., San Antonio, Texas | Bond Counsel                 |
| SAMCO Capital Markets, Inc., Plano, Texas             | Financial Advisor            |
| Mays & Associates, Baytown, Texas                     | Certified Public Accountants |

For additional information, contact:

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Superintendent  
West Rusk County Consolidated ISD  
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New London, Texas 75682  
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5800 Granite Parkway, Suite 210  
Plano, Texas 75024  
(214) 765-1470  
(214) 279-8683 (Fax)

## USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page 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 District or the Financial Advisor. 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 "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency and the District, respectively, 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 THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE 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.

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY ("TEA") DESCRIBED UNDER "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", AS SUCH INFORMATION WAS PROVIDED BY DTC AND TEA, RESPECTIVELY.

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

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

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## SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data 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 page from this Official Statement or to otherwise use it without this entire Official Statement.

|                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>The District</b>                    | The West Rusk County Consolidated Independent School District (the "District") is a political subdivision of the State of Texas located in Rusk County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.                                                                                                                                                                                                                |
| <b>The Bonds</b>                       | The Bonds are being issued in the principal amount of \$23,140,000 pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 3, 2025, and an order (the "Order") authorizing the issuance of the Bonds adopted by the Board on August 4, 2025. Proceeds from the sale of the Bonds will be used for purposes of (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities, with priority given to new elementary school, to include a gym and music room, and (ii) to pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose"). |
| <b>Paying Agent/Registrar</b>          | The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM" herein).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Security</b>                        | The Bonds will constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").                                                                                                                                                                               |
| <b>Redemption</b>                      | The Bonds maturing on or after February 15, 2036 are subject to redemption at the option of the District in whole or in part on February 15, 2035 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. In addition, the Term Bonds (hereinafter defined) are subject to mandatory sinking fund redemption as described herein. (See "THE BONDS - Optional Redemption" and "THE BONDS – Mandatory Sinking Fund Redemption").                                                                                                                                                                                                                                                                   |
| <b>Permanent School Fund Guarantee</b> | The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program (defined herein), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")                                                                                                                                                                                                                                                                                                                                     |
| <b>Rating</b>                          | The Bonds are rated "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program (as defined herein) of the Texas Education Agency. The District's unenhanced, underlying rating, including the Bonds, is "A" from S&P. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program" and "RATING" herein.)                                                                                                                                                                                                                                                                                                                        |
| <b>Tax Matters</b>                     | In the opinion of Bond Counsel for the District, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. (See "TAX MATTERS" and "Appendix C – Form of Legal Opinion of Bond Counsel.")                                                                                                                                                                                                                                                                                                                       |
| <b>Payment Record</b>                  | The District has never defaulted on the payment of its bonded indebtedness.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Legal Opinion</b>                   | Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Delivery</b>                        | When issued, anticipated to be on or about August 26, 2025 (the "Closing Date").                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

## INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been prepared by the West Rusk County Consolidated Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Rusk County, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") identified on the inside cover page hereof.

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.

There follows in this Official Statement descriptions of the Bonds and the Order (as defined below) and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the West Rusk County Consolidated Independent School District, 10705 S. Main Street, New London, TX 75682 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Bonds will be submitted by the purchaser of the Bonds (the "Purchaser" or "Initial Purchaser") to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

## THE BONDS

### Authorization and Purpose

The Bonds are being issued in the principal amount of \$23,140,000 pursuant to the Constitution and general laws of the State, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 3, 2025 (the "Election") and an order (the "Order") authorizing the issuance of the Bonds adopted by the Board of Trustees (the "Board") on August 4, 2025. Proceeds from the sale of the Bonds will be used for purposes of (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities, with priority given to new elementary school, to include a gym and music room, and (ii) paying the costs of issuing the Bonds.

### General Description

The Bonds are dated August 1, 2025 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months and is payable initially on August 28, 2025, and semiannually on each February 15 and August 15 thereafter until stated maturity or prior redemption.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in the denominations of \$5,000 of principal amount or any integral multiple thereof within a maturity.

Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's registration books at the close of business on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Bonds will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company New York, New York ("DTC"), payments of principal of and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

### Optional Redemption

The Bonds maturing on or after, February 15, 2036 are subject to redemption, at the option of the District, in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, on February 15, 2035 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

### Mandatory Sinking Fund Redemption

In addition to the optional redemption provision described above, the Bonds maturing on February 15, 2055 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to their stated maturity, and will be redeemed by the District, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on the dates and in the principal amounts shown in the following schedule:

| Term Bonds        |             |
|-------------------|-------------|
| February 15, 2055 |             |
| Date              |             |
| (2/15)            | Amount      |
| 2050              | \$1,445,000 |
| 2051              | 1,520,000   |
| 2052              | 1,600,000   |
| 2053              | 1,680,000   |
| 2054              | 1,765,000   |
| 2055*             | 1,855,000   |

\*Stated Maturity

Approximately forty-five (45) days prior to each mandatory redemption date for any Term Bond, the Paying Agent/Registrar shall randomly select by lot or other customary method the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Bond Order). Any Term Bonds not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of such Stated Maturity which, at least forty-five (45) days prior to the mandatory redemption date (i) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, thereof, and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (iii) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

#### **Notice of Redemption and DTC Notices**

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 registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE AND THE SATISFACTION OF ANY OTHER CONDITION SPECIFIED IN THE NOTICE, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

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

#### **Security**

The Bonds are direct and voted obligations of the District and are payable as to both principal and interest from an ad valorem tax annually levied, without legal limit as to rate or amount, on all taxable property within the District. The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

#### **Permanent School Fund Guarantee**

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the State for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed under the heading "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of a payment default by the District, 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 Guarantee. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "REGISTERED OWNERS' REMEDIES" herein.

#### **Legality**

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel").

#### **Payment Record**

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

#### **Amendments**

In the Order, the District has reserved the right to amend the Order without the consent of any holder for the purpose of amending or supplementing the Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Order that do not materially adversely affect the interests of the holders, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Order further provides that the majority of owners of the Bonds shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in principal amount of the then outstanding Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or interest on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

## Defeasance

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

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

Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

## Sources and Uses of Funds

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

### Sources

|                               |                         |
|-------------------------------|-------------------------|
| Par Amount of Bonds           | \$ 23,140,000.00        |
| Accrued Interest              | 80,347.22               |
| Reoffering Premium            | 562,310.05              |
| <b>Total Sources of Funds</b> | <b>\$ 23,782,657.27</b> |

### Uses

|                                      |                         |
|--------------------------------------|-------------------------|
| Deposit to Construction Fund         | \$ 23,405,000.00        |
| Costs of Issuance                    | 174,586.55              |
| Purchaser's Discount                 | 116,295.72              |
| Deposit to Interest and Sinking Fund | 86,775.00               |
| <b>Total Uses of Funds</b>           | <b>\$ 23,782,657.27</b> |

## REGISTERED OWNERS' REMEDIES

The Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. 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. 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 E - 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 Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion.

#### **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, the Financial Advisor and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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 confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

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

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

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

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

All 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 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, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the

Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Bond certificates will be printed and delivered to bond holders.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, nor the Purchaser take any responsibility for the accuracy thereof.

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

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect 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 bond certificates 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 "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration" below.

### **REGISTRATION, TRANSFER AND EXCHANGE**

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

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Order, the District covenants to maintain and provide a Paying Agent/Registrar until the Bonds are duly paid.

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

Provision is made in the Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States or any state or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District has agreed 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.

#### **Initial Registration**

Definitive Bonds will be initially registered and delivered only to CEDE & CO., the nominee of DTC pursuant to the Book-Entry-Only System described herein.

#### **Future Registration**

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the 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 corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

#### **Record Date For Interest Payment**

The record date ("Record Date") for determining the person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the next preceding month; provided, however, that the Record Date for the initial interest payment date is the Closing 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 (the "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 registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

#### **Limitation on Transfer of Bonds**

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

#### **Replacement Bonds**

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation

of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

### **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 E – 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 E is incorporated herein and made a part hereof for all purposes.

### **STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS**

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

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

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

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

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

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

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

### **CURRENT PUBLIC SCHOOL FINANCE SYSTEM**

#### **Overview**

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

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

#### **2025 Legislative Sessions**

The regular session of the 89th Texas Legislature (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 89<sup>th</sup> Regular Session, are collectively referred to herein as the "2025 Legislative Sessions").

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Contingent on voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000. Additionally, both houses of the Legislature passed and the Governor signed legislation that would authorize roughly \$8.5 billion in funding for public schools and would provide districts with a \$55 per-student increase to their base funding, as well as provide districts with additional funding for teacher and staff salaries, student preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding.

The Governor called for a special session on June 23, 2025, which began on July 21, 2025, and may last no longer than 30 days (the "First Special Session"). The Governor identified eighteen (18) agenda items that will be considered in the First Special Session. Among the items being considered is "legislation to eliminate the STAAR test and replace it with effective tools to assess student progress and insure school district accountability" and "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." The District is unable to predict the ultimate scope of the substance of such legislation or the effect, if any, it will have on the District's finances or operations. 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.

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

### **2023 Regular and Special Legislative Sessions**

The regular session of the 88th Texas Legislature began on January 10, 2023 and adjourned on May 29, 2023. The Legislature meets in regular session in odd numbered years for 140 days. During the 88th 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 enacted by the Legislature fully-funded the Foundation School Program for the 2023-2024 State fiscal biennium and increased the state guaranteed yield on the first \$0.08 cents of tax effort beyond a school district's Maximum Compressed Tax Rate (as defined herein) to \$126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from \$98.56 in 2023) and \$129.52 per penny of tax effort per student in WADA in 2025. See "– State Funding for School Districts – Tier Two." The Legislature also provided for an increase in funding for the school safety allotment to \$10.00 (from \$9.72 in the prior year) per ADA (as defined herein) and \$15,000 per campus.

During the second called special session, legislation was passed, and at an election held in the State on November 7, 2023, voters approved a State constitutional amendment that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately \$0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district general residential homestead exemption from ad valorem taxation from \$40,000 to \$100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption; (iii) adjusted the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in exemption amounts; (iv) prohibited school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) established a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent (school districts are not held harmless for any negative revenue impacts associated with such limits); (vi) excepted certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expanded the size of the governing body of an 15 appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the Legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. This legislation reduces the amount of property taxes paid by homeowners and businesses and increases the State's share of the cost of funding public education.

### **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 "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

#### **State Compression Percentage**

The State Compression Percentage is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage 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 State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2026, the State Compression Percentage is set at 63.22%.

#### **Maximum Compressed Tax Rate**

The Maximum Compressed Tax Rate (the "MCR") is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district's current year SCP multiplied by \$1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if

the increase in property value is less than 2.5%, then the MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2025-2026 school year, the Legislature reduced the maximum MCR, establishing \$0.6322 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. Subject to voter approval at a Statewide election to be held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution would increase (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000. If adopted, the proposed constitutional amendment takes effect for the tax year beginning January 1, 2025.

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

### ***Tier One Tax Rate***

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

### ***Enrichment Tax Rate***

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR. 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 "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 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 actual M&O revenues generated by the school district's respective M&O tax rates.

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

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2024-2025 State fiscal biennium, the State Legislature appropriated funds in the amount of \$1,072,511,740 for the EDA, IFA, and NIFA.

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

### ***Tier One***

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

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

districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by the district's Basic Allotment, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

The fast growth allotment weights change to 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$320 million for the 2024-2025 school year.

### ***Tier Two***

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

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

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

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

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

### ***Tax Rate and Funding Equity***

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

For the 2026-2027 school year, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the district under state law providing for state aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling as such state law existed on January 1, 2025, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

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

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture", which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the

benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "Options for Local Revenue Levels in Excess of Entitlement". Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Recapture is measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the 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.

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.

#### **Possible Effects of Wealth Transfer Provisions on the District's Financial Condition**

For the 2025-2026 school year, the District was not designated as an "excess local revenue" Chapter 49 school district by 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 revenues less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

#### **AD VALOREM TAX PROCEDURES**

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

#### **Valuation of Taxable Property**

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

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

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 (collectively, the "Appraisal Cap"). 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. For the 2025 tax year, the maximum property value was increased to \$5,160,000.

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 school district taxes imposed for general elementary and secondary public school purposes, (1) a \$100,000 exemption of the appraised value of all homesteads, (2) a \$10,000 exemption of the appraised value of the residence homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Regular and Special Legislative Sessions" herein for a discussion of a potential increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

### **Local Option Homestead Exemptions**

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption (described in (1) above) that was granted in tax year 2022 through December 31, 2027. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

### **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. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

### **Personal Property**

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the State legislature and signed by the Governor during the Legislature (as defined herein) would provide a person with an exemption from taxation by a taxing unit of \$125,000 of the appraised value of 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 (or, if the person leases such property, regardless of where the property is located in the taxing unit).

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

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without 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. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

### **Other Exempt Property**

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

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

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent

based upon the damage assessment rating assigned by the chief appraiser. For tax years beginning on or after January 1, 2022, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Legislature amended Section 11.35, Tax Code to clarify that “damage” for purposes of the statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

### **Tax Increment Reinvestment Zones**

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

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

### **Tax Limitation Agreements**

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended) allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could 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 87<sup>th</sup> Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

During the regular session of the 88th Texas Legislature, House Bill 5 (“HB 5”) was enacted into law. HB 5 is intended as a replacement of former Chapter 313, Texas Tax Code (“Chapter 313”), but it contains significantly different provisions than the prior program under Chapter 313. The effective date of HB 5 was January 1, 2024. Under HB 5, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. HB 5 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 HB 5. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as non-renewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements. The District is still in the process of reviewing HB 5 and cannot make any representations as to what impact, if any, HB 5 will have on its finances or operations. For a discussion of how the various exemptions described above are applied by the District, see “THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT” herein.

### **Tax Abatement Agreements**

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

For a discussion of how the various exemptions described above are applied by the District, see “ THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT” herein.

### **District and Taxpayer Remedies**

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes

delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

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

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

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

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

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

## **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 June 12, 1965 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The maximum maintenance tax rate per \$100 of taxable value that may be adopted by an independent school district is the sum of \$0.17 and the school district's MCR. The District's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is \$0.93.

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").

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. The Bonds are issued as "new money bonds" and are subject to the \$0.50 threshold tax rate test. In connection with prior bond issues, the District has not used State financial assistance and has not used projected property values 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), 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.

### **THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT**

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in the Rusk County (the "County"). The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the County.

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

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

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

The District's taxes are collected by the Rusk County Appraisal District.

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

The District does not participate in a tax increment financing zone. The District has not granted any tax abatements.

The District does not grant a portion of the additional local option exemption of up to 20% of the market value of residence homesteads.

The District has not granted the freeport exemption. The District has taken action to tax goods-in-transit.

### **EMPLOYEES' RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS**

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the Plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For fiscal year ended August 31, 2024, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. For a discussion of the Plan, see "Note H. – DEFINED BENEFIT PENSION PLAN" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

In addition to its participation in TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see "Note I. – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

During the year ended August 31, 2024, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District contributed \$275 per month per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "Note K. – HEALTH CARE" of the Financial Statements

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

## **RATING**

The Bonds are rated "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program (as defined herein) of the Texas Education Agency. The District's unenhanced, underlying rating, including the Bonds, is "A" from S&P. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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

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

## **LEGAL MATTERS**

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C.

Bond Counsel represents the Financial Advisor and purchasers of school district bonds from time to time in matters unrelated to the issuance of the Bonds, but Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order. The District intends to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from the proceeds of the Bonds.

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.

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C – Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, (b) covenants of the District with respect to arbitrage, the application of proceeds to be received from the issuance and sale of the Bonds and certain other matters, and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income

retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service (the "IRS") by the District with respect to the Bonds or the property financed with proceeds of the Bonds. No assurances can be given as to whether the IRS will commence an audit of the Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an IRS audit is commenced, under current procedures the IRS is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

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

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

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

## **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

## **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

## **Future and Proposed Legislation**

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

## **INVESTMENT POLICIES**

### **Investments**

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

### **Legal Investments**

Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the PFIA; and (17) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the District may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance or resolution. The District has not contracted with, and has no present intention of contracting with, any such investment management firm or the Texas Securities Board to provide such services.

### **Investment Policies**

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

### **Additional Provisions**

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

### **Current Investments**

As of April 1, 2025, the District had approximately \$535,054.88 (unaudited) invested in TexStar and \$509,939 (unaudited) invested in Lone Star Investment Pool (both of which are government investment pools that generally have the characteristics of a money-market mutual fund). The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the 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.

### **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

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

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

## **CYBERSECURITY RISK MANAGEMENT**

The District's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the District continually assesses and monitors its cybersecurity risks, the District may be subject to cyber-attacks from time to time. In response to such assessments and monitoring, the District takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the District will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the District's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the District's operations and/or financial condition.

## **FINANCIAL ADVISOR**

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

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

## **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

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

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

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). For a description of the continuing disclosure obligations of the TEA, see "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Markets Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

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

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

The District's current fiscal year end is August 31. Accordingly, the Annual Operating Report must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **Notice of Certain Events**

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrant or the change of name of a paying agent/registrant, if material; and (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 others similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB. Neither the Bonds nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement. In the Order, the District adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings.

For these purposes, (a) an event described in clause (12) of 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. For the purposes of the above describe event notices (15) and (16), 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) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

### **Availability of Information**

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB through EMMA at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of 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 has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule 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 in the primary offering of the Bonds. If the District amends its agreement, it has agreed to include with the financial information and operating data next 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 operating data so provided.

### **Compliance with Prior Undertakings**

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

### **LITIGATION**

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

### **FORWARD-LOOKING STATEMENTS**

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the

District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

#### **WINNING BIDDER**

After requesting competitive bids for the Bonds, the District accepted the bid of Piper Sandler & Co. (the "Purchaser" or the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the page ii of this Official Statement at a price of par, plus a reoffering premium of \$562,310.05, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The initial reoffering yields shown on page ii hereof will produce compensation to the Purchaser in the amount of \$116,295.72. The District can give no assurance that any trading market will be developed for the District after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

#### **CERTIFICATION OF THE OFFICIAL STATEMENT AND NO LITIGATION**

At the time of payment for and delivery of the Initial Bond, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their 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, for the Bonds, 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 an 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; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District, since August 31, 2024, the date of the last financial statements of the District appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

#### **CONCLUDING STATEMENT**

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

The Order authorized the issuance of the Bonds and approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Purchaser. The Board has approved the Official Statement for distribution in accordance with the provisions of the Rule.

/s/ Sandra Smith

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President, Board of Trustees

ATTEST:

/s/ Iris Hammontree

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Secretary, Board of Trustees

**APPENDIX A**

**FINANCIAL INFORMATION OF THE DISTRICT**

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# WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## Financial Information

### ASSESSED VALUATION <sup>(1)</sup>

|                                               |    |             |             |
|-----------------------------------------------|----|-------------|-------------|
| 2025/26 Total Valuation.....                  |    | \$          | 877,785,153 |
| Less Exemptions & Deductions <sup>(2)</sup> : |    |             |             |
| State Homestead Exemption                     | \$ | 140,429,920 |             |
| State Over-65 Exemption                       |    | 12,831,190  |             |
| Disabled Homestead Exemption Loss             |    | 3,760,520   |             |
| Local Option % Homestead Exemption            |    | 21,971,530  |             |
| Veterans Exemption Loss                       |    | 243,450     |             |
| Veterans Surviving Spouse Exemption Loss      |    | 45,660      |             |
| Pollution Control Exemption Loss              |    | 23,030      |             |
| Solar/Wind Exemption Loss                     |    | 31,510      |             |
| Prorations & Other Partial Exemptions         |    | 372,290     |             |
| Productivity Loss                             |    | 250,745,490 |             |
| Homestead Cap Loss                            |    | 11,324,880  |             |
| Non-Homestead (23.231) Cap Loss               |    | 8,964,199   |             |
|                                               | \$ | 450,743,669 |             |
| 2025/26 Certified Net Taxable Valuation ..... |    | \$          | 427,041,484 |

(1) Source: Certified values from the Rusk County Appraisal District as of July 21, 2025. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" in this Official Statement for a discussion of a potential increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons 65 years of age or older and the disabled from \$10,000 to \$60,000.

(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled \$16,295,459 in 2024/25.

### VOTED GENERAL OBLIGATION DEBT

|                                                                              |    |             |
|------------------------------------------------------------------------------|----|-------------|
| Unlimited Tax Bonds Outstanding <sup>(1)</sup>                               | \$ | 10,450,000  |
| Plus: The Bonds                                                              |    | 23,140,000  |
| Total Unlimited Tax Bonds <sup>(1)</sup>                                     |    | 33,590,000  |
| Less: Interest & Sinking Fund Balance (As of August 31, 2024) <sup>(2)</sup> |    | (1,198,123) |
| Net General Obligation Debt                                                  | \$ | 32,391,877  |
| Ratio of Net G.O. Debt to Net Taxable Valuation <sup>(3)</sup>               |    | 7.59%       |
| 2025 Population Estimate <sup>(4)</sup>                                      |    | 6,013       |
| Per Capita Net Taxable Valuation                                             |    | \$71,020    |
| Per Capita Net G.O. Debt                                                     |    | \$5,387     |

(1) Reflects the February 15, 2025 early redemption of the Series 2013 Bonds in the total amount of \$345,000 that was approved by the Board on December 16, 2024.

(2) Source: West Rusk County CISD Audited Financial Statements.

(3) The ratio of Net G.O. Debt to Net Taxable Valuation above, does not include the Maintenance Tax Notes which are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District. See "OTHER OBLIGATIONS" on page A-5 herein. "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2024" in Appendix D for more information relative to the District's obligations.

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

### PROPERTY TAX RATES AND COLLECTIONS

| Fiscal Year | Net Taxable                   |                          | % Collections <sup>(6)</sup> |                      |
|-------------|-------------------------------|--------------------------|------------------------------|----------------------|
|             | Valuation                     | Tax Rate                 | Current <sup>(7)</sup>       | Total <sup>(7)</sup> |
| 2006/07     | \$ 355,908,300 <sup>(1)</sup> | \$ 1.5891 <sup>(8)</sup> | 95.05%                       | 97.04%               |
| 2007/08     | 406,591,270 <sup>(1)</sup>    | 1.1533 <sup>(8)</sup>    | 97.15%                       | 99.76%               |
| 2008/09     | 492,930,380 <sup>(1)</sup>    | 1.1330                   | 96.83%                       | 100.96%              |
| 2009/10     | 460,978,430 <sup>(1)</sup>    | 1.1282                   | 96.36%                       | 98.74%               |
| 2010/11     | 462,164,560 <sup>(1)</sup>    | 1.1200                   | 97.14%                       | 99.72%               |
| 2011/12     | 431,389,470 <sup>(1)</sup>    | 1.1200                   | 96.39%                       | 99.58%               |
| 2012/13     | 491,135,604 <sup>(1)</sup>    | 1.3600                   | 97.37%                       | 99.56%               |
| 2013/14     | 510,539,429 <sup>(1)</sup>    | 1.3600                   | 97.45%                       | 99.79%               |
| 2014/15     | 540,436,860 <sup>(1)</sup>    | 1.3600                   | 97.57%                       | 99.30%               |
| 2015/16     | 476,571,839 <sup>(1)(2)</sup> | 1.3600                   | 96.86%                       | 98.93%               |
| 2016/17     | 350,119,459 <sup>(1)(2)</sup> | 1.3600                   | 96.01%                       | 98.79%               |
| 2017/18     | 346,220,560 <sup>(1)(2)</sup> | 1.3600                   | 96.62%                       | 100.30%              |
| 2018/19     | 359,527,400 <sup>(1)(2)</sup> | 1.3600                   | 96.99%                       | 101.31%              |
| 2019/20     | 375,115,049 <sup>(1)(2)</sup> | 1.2900 <sup>(9)</sup>    | 91.02%                       | 95.70%               |
| 2020/21     | 324,611,935 <sup>(1)(2)</sup> | 1.2764                   | 96.56%                       | 108.63%              |
| 2021/22     | 329,433,928 <sup>(1)(2)</sup> | 1.2834                   | 96.07%                       | 99.30%               |
| 2022/23     | 416,540,319 <sup>(1)(3)</sup> | 1.1746                   | 96.44%                       | 99.22%               |
| 2023/24     | 482,735,561 <sup>(1)(4)</sup> | 0.9892                   | 96.20%                       | 100.37%              |
| 2024/25     | 430,340,736 <sup>(1)(4)</sup> | 0.9892                   | (In Process of Collections)  |                      |
| 2025/26     | 427,041,484 <sup>(4)(5)</sup> |                          |                              |                      |

(1) Source: Comptroller of Public Accounts - Property Tax Division. See the Assessed Valuation section in this Appendix for additional information.

(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.

(3) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.

(4) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from \$40,000 to \$100,000.

(5) Source: Certified values from the Rusk County Appraisal District as of July 21, 2025.

(6) Source: West Rusk County CISD Audited Financial Statements.

(7) Excludes penalties and interest.

(8) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

(9) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2020/21 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

## TAX RATE DISTRIBUTION

|                                         | 2020/21  | 2021/22  | 2022/23  | 2023/24  | 2024/25  |
|-----------------------------------------|----------|----------|----------|----------|----------|
| Maintenance & Operations <sup>(1)</sup> | \$0.9564 | \$0.9634 | \$0.8546 | \$0.6692 | \$0.6992 |
| Debt Service                            | \$0.3200 | \$0.3200 | \$0.3200 | \$0.3200 | \$0.2900 |
| Total Tax Rate                          | \$1.2764 | \$1.2834 | \$1.1746 | \$0.9892 | \$0.9892 |

(1) The decline in the District's Maintenance & Operations Tax from the 2018/19 fiscal year to the 2024/25 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

## VALUATION AND FUNDED DEBT HISTORY

| Fiscal Year | Net Taxable Valuation      | Bond Debt Outstanding <sup>(1)</sup> | Ratio Debt to A.V. <sup>(2)</sup> |
|-------------|----------------------------|--------------------------------------|-----------------------------------|
| 2006/07     | \$ 355,908,300             | \$ 6,215,000                         | 1.75%                             |
| 2007/08     | 406,591,270                | 6,060,000                            | 1.49%                             |
| 2008/09     | 492,930,380                | 5,900,000                            | 1.20%                             |
| 2009/10     | 460,978,430                | 5,730,000                            | 1.24%                             |
| 2010/11     | 462,164,560                | 5,550,000                            | 1.20%                             |
| 2011/12     | 431,389,470                | 20,365,000                           | 4.72%                             |
| 2012/13     | 491,135,604                | 20,060,000                           | 4.08%                             |
| 2013/14     | 510,539,429                | 19,735,000                           | 3.87%                             |
| 2014/15     | 540,436,860                | 19,470,000                           | 3.60%                             |
| 2015/16     | 476,571,839                | 19,405,000                           | 4.07%                             |
| 2016/17     | 350,119,459                | 18,920,000                           | 5.40%                             |
| 2017/18     | 346,220,560                | 18,425,000                           | 5.32%                             |
| 2018/19     | 359,527,400                | 17,925,000                           | 4.99%                             |
| 2019/20     | 375,115,049                | 17,410,000                           | 4.64%                             |
| 2020/21     | 324,611,935                | 15,075,000                           | 4.64%                             |
| 2021/22     | 329,433,928                | 14,420,000                           | 4.38%                             |
| 2022/23     | 416,540,319                | 12,235,000                           | 2.94%                             |
| 2023/24     | 482,735,561                | 11,530,000                           | 2.39%                             |
| 2024/25     | 430,340,736                | 33,590,000 <sup>(4)</sup>            | 7.81%                             |
| 2025/26     | 427,041,484 <sup>(3)</sup> | 32,665,000 <sup>(4)</sup>            | 7.65%                             |

(1) At fiscal year end. Reflects the February 15, 2025 early redemption of the Series 2013 Bonds in the total amount of \$345,000 that was approved by the Board on December 16, 2024.

(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement, "DEBT SERVICE REQUIREMENTS" and "OTHER OBLIGATIONS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2024" in Appendix D for more information.

(3) Source: Certified values from the Rusk County Appraisal District as of July 21, 2025. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" in this Official Statement for a discussion of a potential increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons 65 years of age or older and the disabled from \$10,000 to \$60,000.

(4) Includes the Bonds.

## ESTIMATED OVERLAPPING DEBT STATEMENT

| Taxing Body                                                              | Amount | Percent Overlapping | Amount Overlapping |
|--------------------------------------------------------------------------|--------|---------------------|--------------------|
| Rusk County                                                              | \$ -   | 10.10%              | \$ -               |
| Total Overlapping Debt <sup>(1)</sup>                                    |        |                     | \$ -               |
| West Rusk County Consolidated Independent School District <sup>(2)</sup> |        |                     | 32,391,877         |
| Total Direct & Overlapping Debt <sup>(1) (2)</sup>                       |        |                     | \$ 32,391,877      |
| Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation          |        | 7.59%               |                    |
| Per Capita Direct & Overlapping Debt                                     |        | \$5,387             |                    |

(1) Equals gross-debt less self-supporting debt.

(2) Includes the Bonds.

Source: Municipal Advisory Council of Texas. The District has not independently verified the accuracy or completeness of such information (except for the amounts relating to the District), and no person should rely upon such information as being accurate or complete.

## PRINCIPAL TAXPAYERS

### 2025/26 Top Ten Taxpayers <sup>(1)</sup>

| Name of Taxpayer                | Type of Business         | Taxable Value         | % of Net<br>Valuation |
|---------------------------------|--------------------------|-----------------------|-----------------------|
| Sabine Oil & Gas Corp. (WI)     | Oil & Gas                | \$ 43,863,930         | 10.27%                |
| Midcoast Pipeline LP            | Pipeline                 | 28,219,080            | 6.61%                 |
| Eastex Telephone Co-Op          | Telephone Utility        | 19,381,800            | 4.54%                 |
| RFE Operating LLC               | Oil & Gas                | 18,603,040            | 4.36%                 |
| Trinity Asphalt Ltd.            | Industrial Manufacturing | 14,991,430            | 3.51%                 |
| Basa Resources Inc.             | Oil & Gas                | 14,485,590            | 3.39%                 |
| Southwestern Electric Power Co. | Electric Utility         | 12,319,610            | 2.88%                 |
| Atmos Energy/Mid-Tex Pipeline   | Pipeline                 | 10,753,510            | 2.52%                 |
| Midcoast ETX LP - G&P           | Oil & Gas                | 8,568,420             | 2.01%                 |
| Sabine Oil & Gas Corp.          | Oil & Gas                | 6,626,240             | 1.55%                 |
|                                 |                          | <u>\$ 177,812,650</u> | <u>41.64%</u>         |

### 2024/25 Top Ten Taxpayers <sup>(2)</sup>

| Name of Taxpayer                | Type of Business         | Taxable Value         | % of Net<br>Valuation |
|---------------------------------|--------------------------|-----------------------|-----------------------|
| Sabine Oil & Gas Corp.          | Oil & Gas                | \$ 31,136,292         | 7.24%                 |
| Midcoast Pipeline LP            | Pipeline                 | 21,749,060            | 5.05%                 |
| Atmos Energy/Mid-Tex PL (Inv)   | Inventory                | 18,312,960            | 4.26%                 |
| Eastex Telephone Co-Op          | Telephone Utility        | 18,056,760            | 4.20%                 |
| Basa Resources Inc.             | Oil & Gas                | 17,366,412            | 4.04%                 |
| Trinity Asphalt Ltd.            | Industrial Manufacturing | 11,768,470            | 2.73%                 |
| Southwestern Electric Power Co. | Electric Utility         | 11,591,830            | 2.69%                 |
| Atmos Energy/Mid-Tex Pipeline   | Pipeline                 | 9,376,640             | 2.18%                 |
| Midcoast ETX LP - G&P           | Oil & Gas                | 8,574,550             | 1.99%                 |
| TGNR East Texas LLC             | Oil & Gas                | 7,486,466             | 1.74%                 |
|                                 |                          | <u>\$ 155,419,440</u> | <u>36.12%</u>         |

### 2023/24 Top Ten Taxpayers <sup>(2)</sup>

| Name of Taxpayer                    | Type of Business         | Taxable Value         | % of Net<br>Valuation |
|-------------------------------------|--------------------------|-----------------------|-----------------------|
| Sabine Oil & Gas Corp.              | Oil & Gas                | \$ 59,494,590         | 12.32%                |
| Atmos Energy/Mid-Tex PL (Inv)       | Inventory                | 26,659,650            | 5.52%                 |
| Midcoast Pipeline LP                | Pipeline                 | 21,749,060            | 4.51%                 |
| Basa Resources Inc.                 | Oil & Gas                | 19,619,820            | 4.06%                 |
| TGNR East Texas LLC                 | Oil & Gas                | 17,550,070            | 3.64%                 |
| Trinity Asphalt Ltd.                | Industrial Manufacturing | 13,303,460            | 2.76%                 |
| AEP Southwestern Electric Power Co. | Electric Utility         | 11,930,090            | 2.47%                 |
| Eastex Telephone Co-Op              | Telephone Utility        | 11,664,520            | 2.42%                 |
| Atmos Energy/Mid-Tex Pipeline       | Pipeline                 | 9,595,290             | 1.99%                 |
| Midcoast ETX LP - G&P               | Oil & Gas                | 8,791,740             | 1.82%                 |
|                                     |                          | <u>\$ 200,358,290</u> | <u>41.50%</u>         |

(1) Source: Rusk County Appraisal District.

(2) Source: Comptroller of Public Accounts - Property Tax Division.

Note: As shown in the tables above, the top ten taxpayers in the District account for in excess of 41% of the District's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the District, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "REGISTERED OWNERS' REMEDIES" and "AD VALOREM TAX PROCEDURES – District's Rights in the Event of Tax Delinquencies" in this Official Statement.

**CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY**

| <b>Category</b>                            | <b>2025/26 <sup>(1)</sup></b> | <b>% of<br/>Total</b> | <b>2024/25 <sup>(2)</sup></b> | <b>% of<br/>Total</b> | <b>2023/24 <sup>(2)</sup></b> | <b>% of<br/>Total</b> |
|--------------------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| Real, Residential, Single-Family           | \$ 203,779,560                | 23.22%                | \$ 208,842,700                | 24.00%                | \$ 183,866,320                | 21.39%                |
| Real, Residential, Multi-Family            | 6,910,420                     | 0.79%                 | 6,053,782                     | 0.70%                 | 5,296,657                     | 0.62%                 |
| Real, Vacant Lots/Tracts                   | 10,324,570                    | 1.18%                 | 10,219,600                    | 1.17%                 | 9,299,040                     | 1.08%                 |
| Real, Qualified Land & Improvements        | 274,972,877                   | 31.33%                | 272,129,022                   | 31.28%                | 233,645,172                   | 27.18%                |
| Real, Non-Qualified Land & Improvements    | 81,094,852                    | 9.24%                 | 84,509,751                    | 9.71%                 | 77,252,300                    | 8.99%                 |
| Real, Commercial & Industrial              | 16,927,096                    | 1.93%                 | 15,554,347                    | 1.79%                 | 12,727,143                    | 1.48%                 |
| Oil & Gas                                  | 141,473,888                   | 16.12%                | 125,205,230                   | 14.39%                | 179,940,360                   | 20.93%                |
| Utilities                                  | 76,325,530                    | 8.70%                 | 72,640,050                    | 8.35%                 | 73,202,560                    | 8.52%                 |
| Tangible Personal, Commercial & Industrial | 54,408,340                    | 6.20%                 | 61,499,190                    | 7.07%                 | 71,494,340                    | 8.32%                 |
| Tangible Personal, Mobile Homes & Other    | 11,563,690                    | 1.32%                 | 13,360,100                    | 1.54%                 | 12,860,800                    | 1.50%                 |
| Tangible Personal, Special Inventory       | 4,330                         | 0.00%                 | 620                           | 0.00%                 | 2,740                         | 0.00%                 |
| <b>Total Appraised Value</b>               | <b>\$ 877,785,153</b>         | <b>100.00%</b>        | <b>\$ 870,014,392</b>         | <b>100.00%</b>        | <b>\$ 859,587,432</b>         | <b>100.00%</b>        |
| <b>Less:</b>                               |                               |                       |                               |                       |                               |                       |
| Homestead Cap Adjustment                   | \$ 11,324,880                 |                       | \$ 30,447,640                 |                       | \$ 27,380,210                 |                       |
| Non-Homestead (23.231) Cap Adjustment      | 8,964,199                     |                       | 10,549,538                    |                       | -                             |                       |
| Productivity Loss                          | 250,745,490                   |                       | 256,518,078                   |                       | 221,654,791                   |                       |
| Exemptions                                 | 179,709,100 <sup>(3)</sup>    |                       | 142,158,400 <sup>(3)</sup>    |                       | 127,816,870 <sup>(3)</sup>    |                       |
| Total Exemptions/Deductions <sup>(6)</sup> | <u>\$ 450,743,669</u>         |                       | <u>\$ 439,673,656</u>         |                       | <u>\$ 376,851,871</u>         |                       |
| <b>Net Taxable Assessed Valuation</b>      | <b><u>\$ 427,041,484</u></b>  |                       | <b><u>\$ 430,340,736</u></b>  |                       | <b><u>\$ 482,735,561</u></b>  |                       |

| <b>Category</b>                            | <b>2022/23 <sup>(2)</sup></b> | <b>% of<br/>Total</b> | <b>2021/22 <sup>(2)</sup></b> | <b>% of<br/>Total</b> | <b>2020/21 <sup>(2)</sup></b> | <b>% of<br/>Total</b> |
|--------------------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| Real, Residential, Single-Family           | \$ 146,707,360                | 21.29%                | \$ 123,840,110                | 22.55%                | \$ 117,209,470                | 22.43%                |
| Real, Residential, Multi-Family            | 5,536,253                     | 0.80%                 | 3,937,411                     | 0.72%                 | 3,652,620                     | 0.70%                 |
| Real, Vacant Lots/Tracts                   | 6,429,390                     | 0.93%                 | 4,578,510                     | 0.83%                 | 4,523,010                     | 0.87%                 |
| Real, Qualified Land & Improvements        | 189,319,883                   | 27.47%                | 165,708,530                   | 30.17%                | 143,808,325                   | 27.52%                |
| Real, Non-Qualified Land & Improvements    | 64,155,800                    | 9.31%                 | 50,235,750                    | 9.15%                 | 46,602,920                    | 8.92%                 |
| Real, Commercial & Industrial              | 11,598,776                    | 1.68%                 | 9,917,481                     | 1.81%                 | 9,036,730                     | 1.73%                 |
| Oil & Gas                                  | 141,080,540                   | 20.47%                | 78,986,620                    | 14.38%                | 90,979,820                    | 17.41%                |
| Utilities                                  | 64,230,050                    | 9.32%                 | 46,754,730                    | 8.51%                 | 49,689,220                    | 9.51%                 |
| Tangible Personal, Commercial & Industrial | 53,176,710                    | 7.72%                 | 59,028,880                    | 10.75%                | 51,227,421                    | 9.80%                 |
| Tangible Personal, Mobile Homes & Other    | 6,823,160                     | 0.99%                 | 6,285,890                     | 1.14%                 | 5,804,430                     | 1.11%                 |
| Tangible Personal, Special Inventory       | 17,440                        | 0.00%                 | 15,810                        | 0.00%                 | 13,200                        | 0.00%                 |
| <b>Total Appraised Value</b>               | <b>\$ 689,075,362</b>         | <b>100.00%</b>        | <b>\$ 549,289,722</b>         | <b>100.00%</b>        | <b>\$ 522,547,166</b>         | <b>100.00%</b>        |
| <b>Less:</b>                               |                               |                       |                               |                       |                               |                       |
| Homestead Cap Adjustment                   | \$ 13,176,300                 |                       | \$ 1,984,710                  |                       | \$ 1,990,000                  |                       |
| Non-Homestead (23.231) Cap Adjustment      | -                             |                       | -                             |                       | -                             |                       |
| Productivity Loss                          | 176,687,993                   |                       | 153,541,070                   |                       | 133,529,667                   |                       |
| Exemptions                                 | 82,670,750 <sup>(4)</sup>     |                       | 64,330,014 <sup>(5)</sup>     |                       | 62,415,564 <sup>(5)</sup>     |                       |
| Total Exemptions/Deductions <sup>(6)</sup> | <u>\$ 272,535,043</u>         |                       | <u>\$ 219,855,794</u>         |                       | <u>\$ 197,935,231</u>         |                       |
| <b>Net Taxable Assessed Valuation</b>      | <b><u>\$ 416,540,319</u></b>  |                       | <b><u>\$ 329,433,928</u></b>  |                       | <b><u>\$ 324,611,935</u></b>  |                       |

(1) Source: Certified values from the Rusk County Appraisal District as of July 21, 2025. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" in this Official Statement for a discussion of a potential increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons 65 years of age or older and the disabled from \$10,000 to \$60,000.

(2) Source: Comptroller of Public Accounts - Property Tax Division.

(3) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from \$40,000 to \$100,000.

(4) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.

(5) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.

(6) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

**PRINCIPAL REPAYMENT SCHEDULE**

| Fiscal Year<br>Ending 8/31 | Outstanding<br>Bonds <sup>(1)</sup> | Plus:                   | Total <sup>(1)</sup>    | Bonds                                | Percent of<br>Principal<br>Retired |
|----------------------------|-------------------------------------|-------------------------|-------------------------|--------------------------------------|------------------------------------|
|                            |                                     | The<br>Bonds            |                         | Unpaid<br>At Year End <sup>(1)</sup> |                                    |
| 2025                       | \$ 1,080,000.00                     | \$ -                    | \$ 1,080,000.00         | \$ 33,590,000.00                     | 3.12%                              |
| 2026                       | 415,000.00                          | 510,000.00              | 925,000.00              | 32,665,000.00                        | 5.78%                              |
| 2027                       | 415,000.00                          | 250,000.00              | 665,000.00              | 32,000,000.00                        | 7.70%                              |
| 2028                       | 430,000.00                          | 265,000.00              | 695,000.00              | 31,305,000.00                        | 9.71%                              |
| 2029                       | 455,000.00                          | 275,000.00              | 730,000.00              | 30,575,000.00                        | 11.81%                             |
| 2030                       | 475,000.00                          | 290,000.00              | 765,000.00              | 29,810,000.00                        | 14.02%                             |
| 2031                       | 595,000.00                          | 210,000.00              | 805,000.00              | 29,005,000.00                        | 16.34%                             |
| 2032                       | 625,000.00                          | 220,000.00              | 845,000.00              | 28,160,000.00                        | 18.78%                             |
| 2033                       | 640,000.00                          | 235,000.00              | 875,000.00              | 27,285,000.00                        | 21.30%                             |
| 2034                       | 655,000.00                          | 245,000.00              | 900,000.00              | 26,385,000.00                        | 23.90%                             |
| 2035                       | 670,000.00                          | 255,000.00              | 925,000.00              | 25,460,000.00                        | 26.56%                             |
| 2036                       | 680,000.00                          | 270,000.00              | 950,000.00              | 24,510,000.00                        | 29.30%                             |
| 2037                       | 695,000.00                          | 285,000.00              | 980,000.00              | 23,530,000.00                        | 32.13%                             |
| 2038                       | 710,000.00                          | 295,000.00              | 1,005,000.00            | 22,525,000.00                        | 35.03%                             |
| 2039                       | 725,000.00                          | 310,000.00              | 1,035,000.00            | 21,490,000.00                        | 38.02%                             |
| 2040                       | 740,000.00                          | 325,000.00              | 1,065,000.00            | 20,425,000.00                        | 41.09%                             |
| 2041                       | 755,000.00                          | 345,000.00              | 1,100,000.00            | 19,325,000.00                        | 44.26%                             |
| 2042                       | 770,000.00                          | 360,000.00              | 1,130,000.00            | 18,195,000.00                        | 47.52%                             |
| 2043                       | -                                   | 1,020,000.00            | 1,020,000.00            | 17,175,000.00                        | 50.46%                             |
| 2044                       | -                                   | 1,070,000.00            | 1,070,000.00            | 16,105,000.00                        | 53.55%                             |
| 2045                       | -                                   | 1,125,000.00            | 1,125,000.00            | 14,980,000.00                        | 56.79%                             |
| 2046                       | -                                   | 1,185,000.00            | 1,185,000.00            | 13,795,000.00                        | 60.21%                             |
| 2047                       | -                                   | 1,245,000.00            | 1,245,000.00            | 12,550,000.00                        | 63.80%                             |
| 2048                       | -                                   | 1,310,000.00            | 1,310,000.00            | 11,240,000.00                        | 67.58%                             |
| 2049                       | -                                   | 1,375,000.00            | 1,375,000.00            | 9,865,000.00                         | 71.55%                             |
| 2050                       | -                                   | 1,445,000.00            | 1,445,000.00            | 8,420,000.00                         | 75.71%                             |
| 2051                       | -                                   | 1,520,000.00            | 1,520,000.00            | 6,900,000.00                         | 80.10%                             |
| 2052                       | -                                   | 1,600,000.00            | 1,600,000.00            | 5,300,000.00                         | 84.71%                             |
| 2053                       | -                                   | 1,680,000.00            | 1,680,000.00            | 3,620,000.00                         | 89.56%                             |
| 2054                       | -                                   | 1,765,000.00            | 1,765,000.00            | 1,855,000.00                         | 94.65%                             |
| 2055                       | -                                   | 1,855,000.00            | 1,855,000.00            | -                                    | 100.00%                            |
| Total                      | <u>\$ 11,530,000.00</u>             | <u>\$ 23,140,000.00</u> | <u>\$ 34,670,000.00</u> |                                      |                                    |

(1) Reflects the February 15, 2025 early redemption of the Series 2013 Bonds in the total amount of \$345,000 that was approved by the Board on December 16, 2024.

**OTHER OBLIGATIONS <sup>(1)</sup>**

| Fiscal Year<br>Ending 8/31 | Maintenance Tax Notes, Series 2015 |                  |                     | Notes                 | Percent of<br>Principal<br>Retired |
|----------------------------|------------------------------------|------------------|---------------------|-----------------------|------------------------------------|
|                            | Principal                          | Interest         | Total               | Unpaid<br>At Year End |                                    |
| 2025                       | \$ 38,000.00                       | \$ 832.20        | \$ 38,832.20        | \$ -                  | 100.00%                            |
|                            | <u>\$ 38,000.00</u>                | <u>\$ 832.20</u> | <u>\$ 38,832.20</u> |                       |                                    |

(1) General Fund Obligations are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District. See "NOTES TO THE FINANCIAL STATEMENTS" from the "Audited Financial Report Fiscal Year Ended August 31, 2024" in Appendix D for more information relative to the District's outstanding obligations.

## DEBT SERVICE REQUIREMENTS

| Fiscal Year<br>Ending 8/31 | Outstanding<br>Debt Service <sup>(1)</sup> | Plus:<br>The Bonds <sup>(2)</sup> |                         |                         | Combined<br>Total <sup>(1) (2) (3)</sup> |
|----------------------------|--------------------------------------------|-----------------------------------|-------------------------|-------------------------|------------------------------------------|
|                            |                                            | Principal                         | Interest                | Total                   |                                          |
| 2025                       | \$ 1,380,350.00                            | \$ -                              | \$ 86,775.00            | \$ 86,775.00            | \$ 1,467,125.00                          |
| 2026                       | 691,000.00                                 | 510,000.00                        | 1,102,469.44            | 1,612,469.44            | 2,303,469.44                             |
| 2027                       | 682,700.00                                 | 250,000.00                        | 1,125,250.00            | 1,375,250.00            | 2,057,950.00                             |
| 2028                       | 682,800.00                                 | 265,000.00                        | 1,112,375.00            | 1,377,375.00            | 2,060,175.00                             |
| 2029                       | 685,675.00                                 | 275,000.00                        | 1,098,875.00            | 1,373,875.00            | 2,059,550.00                             |
| 2030                       | 682,425.00                                 | 290,000.00                        | 1,084,750.00            | 1,374,750.00            | 2,057,175.00                             |
| 2031                       | 775,675.00                                 | 210,000.00                        | 1,072,250.00            | 1,282,250.00            | 2,057,925.00                             |
| 2032                       | 778,300.00                                 | 220,000.00                        | 1,061,500.00            | 1,281,500.00            | 2,059,800.00                             |
| 2033                       | 774,400.00                                 | 235,000.00                        | 1,050,125.00            | 1,285,125.00            | 2,059,525.00                             |
| 2034                       | 776,450.00                                 | 245,000.00                        | 1,038,125.00            | 1,283,125.00            | 2,059,575.00                             |
| 2035                       | 778,200.00                                 | 255,000.00                        | 1,025,625.00            | 1,280,625.00            | 2,058,825.00                             |
| 2036                       | 774,700.00                                 | 270,000.00                        | 1,012,500.00            | 1,282,500.00            | 2,057,200.00                             |
| 2037                       | 775,950.00                                 | 285,000.00                        | 998,625.00              | 1,283,625.00            | 2,059,575.00                             |
| 2038                       | 776,900.00                                 | 295,000.00                        | 984,125.00              | 1,279,125.00            | 2,056,025.00                             |
| 2039                       | 777,550.00                                 | 310,000.00                        | 969,000.00              | 1,279,000.00            | 2,056,550.00                             |
| 2040                       | 777,900.00                                 | 325,000.00                        | 953,125.00              | 1,278,125.00            | 2,056,025.00                             |
| 2041                       | 777,950.00                                 | 345,000.00                        | 936,375.00              | 1,281,375.00            | 2,059,325.00                             |
| 2042                       | 777,700.00                                 | 360,000.00                        | 918,750.00              | 1,278,750.00            | 2,056,450.00                             |
| 2043                       | -                                          | 1,020,000.00                      | 884,250.00              | 1,904,250.00            | 1,904,250.00                             |
| 2044                       | -                                          | 1,070,000.00                      | 832,000.00              | 1,902,000.00            | 1,902,000.00                             |
| 2045                       | -                                          | 1,125,000.00                      | 777,125.00              | 1,902,125.00            | 1,902,125.00                             |
| 2046                       | -                                          | 1,185,000.00                      | 719,375.00              | 1,904,375.00            | 1,904,375.00                             |
| 2047                       | -                                          | 1,245,000.00                      | 658,625.00              | 1,903,625.00            | 1,903,625.00                             |
| 2048                       | -                                          | 1,310,000.00                      | 594,750.00              | 1,904,750.00            | 1,904,750.00                             |
| 2049                       | -                                          | 1,375,000.00                      | 527,625.00              | 1,902,625.00            | 1,902,625.00                             |
| 2050                       | -                                          | 1,445,000.00                      | 457,125.00              | 1,902,125.00            | 1,902,125.00                             |
| 2051                       | -                                          | 1,520,000.00                      | 383,000.00              | 1,903,000.00            | 1,903,000.00                             |
| 2052                       | -                                          | 1,600,000.00                      | 305,000.00              | 1,905,000.00            | 1,905,000.00                             |
| 2053                       | -                                          | 1,680,000.00                      | 223,000.00              | 1,903,000.00            | 1,903,000.00                             |
| 2054                       | -                                          | 1,765,000.00                      | 136,875.00              | 1,901,875.00            | 1,901,875.00                             |
| 2055                       | -                                          | 1,855,000.00                      | 46,375.00               | 1,901,375.00            | 1,901,375.00                             |
|                            | <u>\$ 14,126,625.00</u>                    | <u>\$ 23,140,000.00</u>           | <u>\$ 24,175,744.44</u> | <u>\$ 47,315,744.44</u> | <u>\$ 61,442,369.44</u>                  |

(1) Reflects the February 15, 2025 early redemption of the Series 2013 Bonds in the total amount of \$345,000 that was approved by the Board on December 16, 2024.

(2) Includes accrued interest in the amount of \$80,347.22.

(3) Based on it's wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2024/25. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

## TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

|                                                                                                                   |                     |
|-------------------------------------------------------------------------------------------------------------------|---------------------|
| Projected Maximum Debt Service Requirement <sup>(1)</sup>                                                         | \$ 2,303,469.44     |
| Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption in 2024/25 <sup>(2)</sup> | 175,000.00          |
| Projected Net Debt Service Requirement                                                                            | \$ 2,128,469.44     |
| <br>\$0.50859 Tax Rate @ 98% Collections Produces <sup>(3)</sup>                                                  | <br>\$ 2,128,469.44 |
| <br>2025/26 Certified Net Taxable Valuation <sup>(4)</sup>                                                        | <br>\$ 427,041,484  |

(1) Includes the Bonds.

(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2023/24, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16, 2022/23 and 2023/24.

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

(4) Source: Certified values from the Rusk County Appraisal District as of July 21, 2025. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" in this Official Statement for a discussion of a potential increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons 65 years of age or older and the disabled from \$10,000 to \$60,000.

## AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will not have any authorized but unissued ad valorem tax bonds from the May 3, 2025 election, or any other bond election. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

**COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES <sup>(1)</sup>**

|                                                        | Fiscal Year Ended August 31 |                      |                      |                      |                      |
|--------------------------------------------------------|-----------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                        | 2020                        | 2021                 | 2022                 | 2023                 | 2024                 |
| <b>Beginning Fund Balance</b>                          | <b>\$ 1,499,636</b>         | <b>\$ 1,725,848</b>  | <b>\$ 1,917,279</b>  | <b>\$ 2,219,947</b>  | <b>\$ 2,680,514</b>  |
| <b>Revenues:</b>                                       |                             |                      |                      |                      |                      |
| Local and Intermediate Sources                         | \$ 3,609,972                | \$ 3,411,272         | \$ 3,335,164         | \$ 4,160,686         | \$ 3,468,222         |
| State Sources                                          | 7,978,297                   | 7,883,762            | 8,567,853            | 8,302,189            | 9,229,193            |
| Federal Sources & Other                                | 113,544                     | 105,962              | 220,840              | 288,122              | 120,675              |
| <b>Total Revenues</b>                                  | <b>\$ 11,701,813</b>        | <b>\$ 11,400,996</b> | <b>\$ 12,123,857</b> | <b>\$ 12,750,997</b> | <b>\$ 12,818,090</b> |
| <b>Expenditures:</b>                                   |                             |                      |                      |                      |                      |
| Instruction                                            | \$ 6,250,284                | \$ 5,989,875         | \$ 5,847,708         | \$ 6,285,450         | \$ 6,783,726         |
| Instructional Resources & Media Services               | 104,185                     | 102,249              | 99,490               | 84,012               | 84,826               |
| Curriculum & Instructional Staff Development           | 5,696                       | 3,948                | 1,799                | 5,296                | 5,752                |
| School Leadership                                      | 1,069,690                   | 1,103,511            | 1,132,758            | 1,132,970            | 1,394,624            |
| Guidance, Counseling & Evaluation Services             | 197,674                     | 58,656               | 3,081                | 3,004                | 259,219              |
| Health Services                                        | 100,926                     | 110,359              | 95,251               | 99,875               | 106,681              |
| Student (Pupil) Transportation                         | 486,456                     | 497,166              | 582,891              | 817,182              | 625,641              |
| Cocurricular/Extracurricular Activities                | 618,485                     | 676,870              | 749,418              | 1,029,663            | 945,091              |
| General Administration                                 | 664,630                     | 671,715              | 680,980              | 766,652              | 777,328              |
| Plant Maintenance and Operations                       | 1,559,635                   | 1,606,838            | 1,358,692            | 1,694,934            | 1,761,894            |
| Security and Monitoring Services                       | 74,358                      | 30,850               | 92,469               | 94,797               | 103,082              |
| Data Processing Services                               | 106,183                     | 145,395              | 120,436              | 139,716              | 146,784              |
| Debt Service - Principal on Long Term Debt             | 132,452                     | 118,401              | 122,163              | 36,000               | 37,000               |
| Debt Service - Interest on Long Term Debt              | 14,405                      | 9,581                | 6,047                | 2,402                | 1,638                |
| Capital Outlay - Facilities Acquisition & Construction | -                           | -                    | 842,085              | -                    | -                    |
| Other Intergovernmental Charges                        | 90,542                      | 84,151               | 85,921               | 98,477               | 104,747              |
| <b>Total Expenditures</b>                              | <b>\$ 11,475,601</b>        | <b>\$ 11,209,565</b> | <b>\$ 11,821,189</b> | <b>\$ 12,290,430</b> | <b>\$ 13,138,033</b> |
| Excess (Deficiency) of                                 |                             |                      |                      |                      |                      |
| Revenues and Other Sources                             |                             |                      |                      |                      |                      |
| over Expenditures and Other Uses                       | \$ 226,212                  | \$ 191,431           | \$ 302,668           | \$ 460,567           | \$ (319,943)         |
| <b>Ending Fund Balance <sup>(2)</sup></b>              | <b>\$ 1,725,848</b>         | <b>\$ 1,917,279</b>  | <b>\$ 2,219,947</b>  | <b>\$ 2,680,514</b>  | <b>\$ 2,360,571</b>  |

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS" in Appendix D hereto for a discussion of the 2024/25 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in this Official Statement.

(2) The anticipated, unaudited general fund balance as of August 31, 2025 is approximately \$2,100,000.

**CHANGE IN NET POSITION <sup>(1)</sup>**

|                                            | Fiscal Year Ended August 31 |                      |                      |                      |                      |
|--------------------------------------------|-----------------------------|----------------------|----------------------|----------------------|----------------------|
|                                            | 2020                        | 2021                 | 2022                 | 2023                 | 2024                 |
| <b>Revenues:</b>                           |                             |                      |                      |                      |                      |
| <b>Program Revenues:</b>                   |                             |                      |                      |                      |                      |
| Charges for Services                       | \$ 43,295                   | \$ 68,707            | \$ 89,013            | \$ 75,331            | \$ 101,998           |
| Operating Grants and Contributions         | 2,305,521                   | 2,815,389            | 3,113,322            | 2,967,411            | 2,376,593            |
| <b>General Revenues:</b>                   |                             |                      |                      |                      |                      |
| Property Taxes Levied for General Purposes | 3,564,165                   | 2,991,645            | 3,145,273            | 3,827,156            | 3,174,401            |
| Property Taxes Levied for Debt Service     | 1,192,691                   | 1,012,292            | 1,064,545            | 1,432,149            | 1,520,894            |
| State Aid - Formula Grants                 | -                           | 7,305,286            | 7,987,684            | 7,697,565            | 8,574,854            |
| Grants and Contributions not Restricted    | 7,516,530                   | 82,007               | 222,492              | 248,393              | 84,336               |
| Investment Earnings                        | 35,060                      | 11,543               | 15,988               | 124,081              | 137,060              |
| Miscellaneous                              | 194,702                     | 157,168              | 137,085              | 301,416              | 60,981               |
| <b>Total Revenue</b>                       | <u>\$ 14,851,964</u>        | <u>\$ 14,444,037</u> | <u>\$ 15,775,402</u> | <u>\$ 16,673,502</u> | <u>\$ 16,031,117</u> |
| <b>Expenses:</b>                           |                             |                      |                      |                      |                      |
| Instruction                                | \$ 7,390,091                | \$ 7,368,441         | \$ 6,915,547         | \$ 7,590,442         | \$ 7,813,610         |
| Instruction Resources & Media Services     | 114,435                     | 116,972              | 103,949              | 96,611               | 89,685               |
| Curriculum & Staff Development             | 5,885                       | 4,182                | 1,910                | 5,618                | 6,110                |
| Instructional Leadership                   | 31,572                      | 34,806               | 27,640               | 26,029               | -                    |
| School Leadership                          | 1,199,227                   | 1,226,204            | 1,107,375            | 1,195,292            | 1,483,676            |
| Guidance, Counseling & Evaluation Services | 220,155                     | 224,030              | 248,516              | 262,940              | 276,036              |
| Health Services                            | 110,433                     | 123,093              | (566,181)            | 106,748              | 113,756              |
| Student Transportation                     | 535,724                     | 493,315              | 1,260,226            | 633,674              | 665,027              |
| Food Service                               | 830,083                     | 824,113              | 893,577              | 1,041,976            | 1,072,971            |
| Cocurricular/Extracurricular Activities    | 667,972                     | 731,898              | 766,116              | 955,548              | 943,129              |
| General Administration                     | 726,016                     | 735,384              | 689,451              | 809,891              | 777,410              |
| Plant Maintenance & Operations             | 1,614,094                   | 1,600,571            | 1,502,614            | 1,843,926            | 1,860,447            |
| Security and Monitoring Services           | 83,043                      | 32,680               | 90,191               | 98,976               | 109,933              |
| Data Processing Services                   | 117,602                     | 131,950              | 128,369              | 146,628              | 156,355              |
| Interest on Long-term Debt                 | 616,350                     | 616,862              | 384,789              | 331,137              | 283,264              |
| Bond Issuance Costs and Fees               | 3,500                       | -                    | 871                  | 11,300               | 4,500                |
| Other Intergovernmental Charges            | 90,542                      | 84,151               | 85,921               | 98,477               | 104,747              |
| <b>Total Expenditures</b>                  | <u>\$ 14,356,724</u>        | <u>\$ 14,348,652</u> | <u>\$ 13,640,881</u> | <u>\$ 15,255,213</u> | <u>\$ 15,760,656</u> |
| <b>Change in Net Position</b>              | \$ 495,240                  | \$ 95,385            | \$ 2,134,521         | \$ 1,418,289         | \$ 270,461           |
| <b>Beginning Net Position</b>              | \$ 1,540,418                | \$ 2,035,658         | \$ 2,131,043         | \$ 4,265,564         | \$ 5,683,853         |
| <b>Ending Net Position</b>                 | <u>\$ 2,035,658</u>         | <u>\$ 2,131,043</u>  | <u>\$ 4,265,564</u>  | <u>\$ 5,683,853</u>  | <u>\$ 5,954,314</u>  |

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted in the 2002 fiscal year.

## **APPENDIX B**

### **GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY**

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# WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## General and Economic Information

West Rusk County Consolidated Independent School District (the "District") is located in northeast Texas and contains the City of New London and is located 25 miles south of Longview on State Highway 323. The District's current estimated population is 6,013.

Rusk County (the "County") is an east Texas county traversed by four U.S. Highways and seven State Highways. The county is part of the East Texas Oil Field and has produced over 1.8 billion barrel of oil since 1930.

Source: Texas Municipal Report for West Rusk County Consolidated ISD and Rusk County.

## Enrollment Statistics

| <u>Year Ending 8/31</u> | <u>Enrollment</u> |
|-------------------------|-------------------|
| 2012                    | 1,003             |
| 2013                    | 1,013             |
| 2014                    | 1,060             |
| 2015                    | 1,073             |
| 2016                    | 1,029             |
| 2017                    | 1,011             |
| 2018                    | 1,076             |
| 2019                    | 1,103             |
| 2020                    | 1,048             |
| 2021                    | 1,020             |
| 2022                    | 1,043             |
| 2023                    | 1,024             |
| 2024                    | 1,008             |
| 2025                    | 1,014             |

## District Staff

|                                                 |           |
|-------------------------------------------------|-----------|
| Teachers                                        | 79        |
| Teachers' Aides & Secretaries                   | 37        |
| Auxiliary Personnel                             | 36        |
| Administrators                                  | 12        |
| Other (Counselors/Technology/Other Specialists) | <u>17</u> |
| Total                                           | 181       |

## Facilities

| <u>Campus</u>       | <u>Grades</u> | <u>Current Enrollment</u> | <u>Capacity</u> | <u>Year Built</u> | <u>Year of Addition/<br/>Renovation</u> |
|---------------------|---------------|---------------------------|-----------------|-------------------|-----------------------------------------|
| Elementary School   | PK-2          | 222                       | 400             | 1935              |                                         |
| Intermediate School | 3-5           | 217                       | 300             | 2001              |                                         |
| Junior High School  | 6-8           | 228                       | 320             | 1938              |                                         |
| High School         | 9-12          | 347                       | 500             | 1938              | 2012 (6 <sup>th</sup> Grade)            |

## Principal Employers within the District

| <u>Name of Company</u>      | <u>Type of Business</u>      | <u>Number of Employees</u> |
|-----------------------------|------------------------------|----------------------------|
| West Rusk CISD              | Public Education             | 181                        |
| East Texas Oilfield Service | Oil & Gas                    | 48                         |
| Basic Oilfield Service      | Oil & Gas                    | 32                         |
| RCT Reliable Contractors    | Foundation Work/Construction | 21                         |

## Unemployment Rates

|                | <u>June<br/>2023</u> | <u>June<br/>2024</u> | <u>June<br/>2025</u> |
|----------------|----------------------|----------------------|----------------------|
| Rusk County    | 4.6%                 | 4.9%                 | 4.2%                 |
| State of Texas | 4.1%                 | 4.5%                 | 4.1%                 |

Source: Texas Workforce Commission.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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August 26, 2025

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025  
DATED AS OF AUGUST 1, 2025  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$23,140,000**

**AS BOND COUNSEL FOR THE WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT** (the *District*) in connection with the issuance of the bonds described above (the *Bonds*), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and are payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the order authorizing the issuance of the Bonds (the *Order*), (ii) one of the executed Bonds (*Bond No. T-1*), and (iii) the District's Federal Tax Certificate of even date herewith.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the District in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally; that the District has the legal authority to issue the Bonds and to repay the Bonds; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged for such payment, without limit as to rate or amount.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the *Code*). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the Federal Tax Certificate of the District and covenants set forth in the order adopted by the District to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service

600 Congress Avenue  
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Austin, Texas 78701  
T 512.478.3805  
F 512.472.0871

717 North Harwood  
Suite 900  
Dallas, Texas 75201  
T 214.754.9200  
F 214.754.9250

8 Greenway Plaza  
Suite 1025  
Houston, Texas 77046  
T 713.980.0500  
F 713.980.0510

112 East Pecan Street  
Suite 1310  
San Antonio, Texas 78205  
T 210.225.2800  
F 210.225.2984

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on the Bonds, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the *Service*); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and general laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation



of taxable property within, the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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**APPENDIX D**

**AUDITED FINANCIAL REPORT  
FISCAL YEAR ENDED AUGUST 31, 2024**

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# **WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**



ANNUAL FINANCIAL & COMPLIANCE REPORT  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

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# WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL & COMPLIANCE REPORT

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## CERTIFICATE OF BOARD

West Rusk County Consolidated  
Independent School District

Name of School District

Rusk

County

201-914

County-District

We, the undersigned, certify that the attached annual financial & compliance reports of the above named school district were reviewed and   X   approved        disapproved for the year ended August 31, 2024, at a meeting of the Board of Trustees of such school district on the 16th day of December, 2024.



Signature of Board Secretary



Signature of Board President

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## **FINANCIAL SECTION**

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# MAYS & ASSOCIATES<sup>PLLC</sup>

## CERTIFIED PUBLIC ACCOUNTANTS

### **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
New London, Texas

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

##### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Rusk County Consolidated 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, and the aggregate remaining fund information of the District, as of August 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

##### ***Auditors' 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* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TRS pension and OPEB schedules on pages 9-15 and 59-67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying compliance schedules required by the Texas Education Agency and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules required by the Texas Education Agency and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic, financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

  
Mays & Associates, PLLC

Baytown, Texas  
December 16, 2024

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**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2024**

As management of the West Rusk County Consolidated Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2024. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total assets and deferred outflows exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,954,314 (*net position*).
- The District's governmental funds reported combined ending fund balances of \$3,787,445, an increase of \$226,148 in comparison with the prior year.
- The unassigned fund balance for the general fund was \$2,360,571 or 18% of total general fund expenditures.
- The District's bonded debt decreased by \$705,000 as a result of regularly scheduled debt payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – Management's Discussion and Analysis, the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1) are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining Governmental Fund Financial Statements, Proprietary Fund Statements and Fiduciary Fund Financial Statements focus on individual parts of the government and they report the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general government services were funded in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about activities the government operates like businesses, such as the District's internal service fund. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include Notes to the Financial Statements that explain in narrative form some of the information in the financial statements and also provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash was received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position represents the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base and changes in student enrollment.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2024**

The government-wide financial statements of the District reflect the governmental activities which are principally supported by taxes and intergovernmental revenues. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration.

**Fund Financial Statements**

The fund financial statements (Exhibits C-1 through E-2) provide more detailed information about the District's most significant funds, but not the District as a whole. A fund is a group of accounts that the District uses to record specific sources of revenue and to track expenditures used for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

1. *Governmental Funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide Exhibits C-1R and C-3 to explain the differences between them.
2. *Proprietary Funds* – Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. Proprietary funds, like government-wide statements, provide both long- and short-term financial information. The District reports one type of proprietary fund, the Internal Service Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses an internal service fund to charge the costs of the District's workers' compensation coverage.
3. *Fiduciary Funds* – The District is the fiduciary for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate statements (Exhibit E-1 & E-2). We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**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.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information compares the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds with legally adopted budgets; therefore, only the general fund budget is presented as required supplementary information.

In addition, information related to the District's proportionate share of its net pension liability, net OPEB liability, and contributions to the Teacher Retirement System of Texas is also presented.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2024**

**Other Information**

The other supplementary information is presented immediately following the required supplementary information and includes schedules required by the Texas Education Agency.

**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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources \$5,954,314 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and construction in progress), less any outstanding related debt used to acquire those assets. 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.

| <b>COMPARATIVE SCHEDULE OF NET POSITION</b> |                                |                     |                   |
|---------------------------------------------|--------------------------------|---------------------|-------------------|
|                                             | <u>Governmental Activities</u> |                     | <u>Change</u>     |
|                                             | <u>2024</u>                    | <u>2023</u>         | <u>2024-2023</u>  |
| Current and other assets                    | \$ 5,003,287                   | \$ 4,778,725        | \$ 224,562        |
| Capital assets and non current assets       | <u>19,059,016</u>              | <u>19,753,804</u>   | <u>(694,788)</u>  |
| Total assets                                | <u>24,062,303</u>              | <u>24,532,529</u>   | <u>(470,226)</u>  |
| Total deferred outflows of resources        | <u>2,384,755</u>               | <u>2,626,000</u>    | <u>(241,245)</u>  |
| Other liabilities                           | 1,408,374                      | 1,410,356           | (1,982)           |
| Long-term liabilities                       | <u>16,329,600</u>              | <u>16,858,343</u>   | <u>(528,743)</u>  |
| Total liabilities                           | <u>17,737,974</u>              | <u>18,268,699</u>   | <u>(530,725)</u>  |
| Total deferred inflows of resources         | <u>2,754,770</u>               | <u>3,205,977</u>    | <u>(451,207)</u>  |
| Net position:                               |                                |                     |                   |
| Net investment in capital assets            | 6,713,830                      | 6,615,409           | 98,421            |
| Restricted                                  | 1,552,839                      | 998,065             | 554,774           |
| Unrestricted                                | <u>(2,312,355)</u>             | <u>(1,929,621)</u>  | <u>(382,734)</u>  |
| Total net position                          | <u>\$ 5,954,314</u>            | <u>\$ 5,683,853</u> | <u>\$ 270,461</u> |

Unrestricted net position, which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, amounts to (\$2,312,355) at August 31, 2024. Negative unrestricted net position increased over the prior year due to reallocation of restricted net position for debt service as overall revenues exceeded expenses for the year. The District's unrestricted net position includes the reporting of the District's proportionate share of the net pension and OPEB liabilities. The District's liability is reported in governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the pension and TRS-Care plans are funded on a pay-as-you-go basis. The

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Additionally, net position is restricted for the following purposes:

|                            | Governmental Activities |                   |
|----------------------------|-------------------------|-------------------|
|                            | 2024                    | 2023              |
| Federal and state programs | \$ 228,751              | \$ 307,255        |
| Debt Services              | 1,324,088               | 690,810           |
|                            | <u>\$ 1,552,839.00</u>  | <u>\$ 998,065</u> |

| COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION |                         |             |                     |             |                   |
|-------------------------------------------------|-------------------------|-------------|---------------------|-------------|-------------------|
|                                                 | Governmental Activities |             |                     |             | Change            |
|                                                 | 2024                    | %           | 2023                | %           | 2024-2023         |
| <b>Revenues</b>                                 |                         |             |                     |             |                   |
| <b>Program revenues:</b>                        |                         |             |                     |             |                   |
| Charges for services                            | \$ 101,998              | 1%          | \$ 75,331           | 0%          | \$ 26,667         |
| Operating grants & contributions                | 2,376,593               | 15%         | 2,967,411           | 18%         | (590,818)         |
| <b>General revenues:</b>                        |                         |             |                     |             |                   |
| Property taxes                                  | 4,695,295               | 29%         | 5,259,305           | 32%         | (564,010)         |
| State aid - formula grants                      | 8,574,854               | 53%         | 7,697,565           | 46%         | 877,289           |
| Grants and contributions not restricted         | 84,336                  | 1%          | 248,393             | 1%          | (164,057)         |
| Investment earnings                             | 137,060                 | 1%          | 124,081             | 1%          | 12,979            |
| Other                                           | 60,981                  | 0%          | 301,416             | 2%          | (240,435)         |
| <b>Total revenues</b>                           | <u>16,031,117</u>       | <u>100%</u> | <u>16,673,502</u>   | <u>100%</u> | <u>(642,385)</u>  |
| <b>Expenses:</b>                                |                         |             |                     |             |                   |
| Instruction and related services                | 7,909,405               | 50%         | 7,692,671           | 50%         | 216,734           |
| Instructional and school leadership             | 1,483,676               | 9%          | 1,221,321           | 8%          | 262,355           |
| Support services - student                      | 3,070,919               | 19%         | 3,000,886           | 20%         | 70,033            |
| General administration                          | 777,410                 | 5%          | 809,891             | 5%          | (32,481)          |
| Plant maintenance, security & data processing   | 2,126,735               | 13%         | 2,089,530           | 14%         | 37,205            |
| Debt service                                    | 287,764                 | 2%          | 342,437             | 2%          | (54,673)          |
| Intergovernmental charges                       | 104,747                 | 1%          | 98,477              | 1%          | 6,270             |
| <b>Total expenses</b>                           | <u>15,760,656</u>       | <u>100%</u> | <u>15,255,213</u>   | <u>100%</u> | <u>505,443</u>    |
| Increase (decrease) in net position             | 270,461                 |             | 1,418,289           |             | (1,147,828)       |
| <b>Net position, beginning</b>                  | 5,683,853               |             | 4,265,564           |             | 1,418,289         |
| <b>Prior period adjustment</b>                  | <u>-</u>                |             | <u>-</u>            |             | <u>-</u>          |
| <b>Net position, ending</b>                     | <u>\$ 5,954,314</u>     |             | <u>\$ 5,683,853</u> |             | <u>\$ 270,461</u> |

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2024**

**Governmental Activities**

The increase in Net Position of \$270,461 results primarily from excess revenues over expenses. This increase results from additional state aid – formula grants, offset by decrease in property tax, coupled with decrease in operating grants & contributions.

Governments providing defined benefit pension plans and other post-employment benefits were required to recognize their long-term obligation for pension and OPEB benefits as a liability on their accrual-based, government-wide statement of net position. This provides citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

The implementation of these standards clearly depicts the government's financial position. While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed. Reporting the net pension liability and net OPEB liability on the face of the financial statements will more clearly portray the government's financial status because the pension and OPEB liabilities will be placed on an equal footing with other long-term obligations.

At August 31, 2024, the District reported a net pension liability of \$2,883,730 for its proportionate share of TRS's net pension liability and a net OPEB liability of \$1,667,860 for its proportionate share of the District's Other Post-Employment benefits other than pensions. At August 31, 2023, the District's net pension liability and OPEB liability was \$2,428,347 and \$1,816,016, respectively.

Revenues are generated primarily from the following three sources: property taxes, state-aid formula grants, and operating grants and contributions. When combined (\$13,354,485), these represented approximately 96 percent of total revenues. The remaining \$198,041 or 4 percent was generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expenses of the District were instruction and related services, student support services, and plant maintenance, security, & data process which represented 84 percent of total expenses. The remaining functional expenses represent less than 10 percent each of the total expenditures.

**FINANCIAL ANALYSIS OF GOVERNMENTAL 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.

At August 31, 2024, the District's governmental funds reported combined fund balances of \$3,787,445, an increase of \$226,148 in comparison with the prior year. Approximately 762% or \$2,360,571 of combined fund balance constitutes *unassigned fund balance*.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$2,360,571. 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. As of August 31, 2024, unassigned and total general fund balance was approximately 18% of total general fund expenditures. General fund balance decreased by \$319,943 based on current operations.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
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The debt service fund has a total fund balance of \$1,198,123, all of which is reserved for the payment of debt service. The net increase in the debt service fund balance during the current year was \$624,595. This increase results from excess revenues over debt service expenditures.

**General Fund Budgetary Highlights**

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

|                                   | <b>BUDGET</b>       |                     |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>Original</b>     | <b>Final</b>        |
| Total revenues                    | \$ 12,661,350       | \$ 12,818,090       |
| Total expenditures                | 12,791,049          | 13,138,033          |
| <b>Net change in fund balance</b> | <b>\$ (129,699)</b> | <b>\$ (319,943)</b> |

The District originally adopted a deficit budget of \$129,699 for fiscal year 2024. The District subsequently amended its budget during the year to a deficit of \$847,699. Actual revenues surpassed budgeted revenues by \$156 thousand, which was primarily related to state revenue. Actual expenditures surpassed budgeted expenditures by \$371 thousand. Final amended budget projected an increase of \$847 thousand; however, the general fund balance decreased by \$319,943 based on actual results.

**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

The District's investment in capital assets for its governmental type activities as of August 31, 2024, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets (capital outlays) decreased during the current year by \$694,788.

The following table summarizes the investment in capital assets as of August 31, 2024, and August 31, 2023.

|                            | 2024                 | 2023                 |
|----------------------------|----------------------|----------------------|
| Land                       | \$ 37,177            | \$ 37,177            |
| Buildings and improvements | 30,123,599           | 30,013,114           |
| Furniture and equipment    | 3,737,089            | 3,629,633            |
| Construction in progress   | -                    | 4,750                |
|                            | 33,897,865           | 33,684,674           |
| Accumulated depreciation   | (14,838,849)         | (13,930,870)         |
| <b>Net capital assets</b>  | <b>\$ 19,059,016</b> | <b>\$ 19,753,804</b> |

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

**Long-Term Liabilities**

As of August 31, 2024, the District had general obligation debt totaling \$11,530,000. The District's bonded debt decreased by \$705,000 from the prior year due to regularly scheduled debt payments. The District's general obligation bonds are rated "AAA" by Standard & Poor's. The bonds are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2024**

Changes in long-term debt for the year ended August 31, 2024 are as follows:

|                          | Outstanding<br>9/1/2023 | Additions         | Reductions          | Outstanding<br>8/31/2024 |
|--------------------------|-------------------------|-------------------|---------------------|--------------------------|
| General obligation bonds | \$12,235,000            | \$ -              | \$ (705,000)        | \$11,530,000             |
| Deferred bond components | 1,045,980               | -                 | (62,970)            | 983,010                  |
| Notes payable            | 75,000                  | -                 | (37,000)            | 38,000                   |
| Other liabilities        | 4,244,363               | 455,383           | (148,156)           | 4,551,590                |
|                          | <u>\$17,600,343</u>     | <u>\$ 455,383</u> | <u>\$ (953,126)</u> | <u>\$17,102,600</u>      |

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

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

The District's elected and appointed officials considered the following factors when setting the fiscal-year 2025 budget and tax rates:

- Appraised value for 2025 budget preparation is \$429,832,781 down 15%.
- General operating fund spending per student increased in the 2025 budget from \$12,576 to \$12,456. This is a 0.01% decrease.
- The District's 2025 refined average daily attendance is expected to be 942.5, an decrease from last year's ADA of 967.

These indicators were taken into account when adopting the general fund budget for 2025. Estimated revenue for the 2025 general fund is \$13,238,406, an increase of \$444,779 over the final 2024 budget revenue. Amounts available for appropriation in the 2025 general fund budget are \$12,481,729, an increase of \$314,637 over the final 2024 budget.

The largest changes are a decrease in appraised property values which lowered our local revenue and the adoption of using 3 disaster pennies in our M&O tax rate to increase our state revenue to cover the expense of all the new roofs that were damaged in hail storms. A competitive salary schedule allowed the District to open the 2024-2025 school year with only 1 teacher vacancy. The District did not add any major new programs or initiatives to the 2025 budget but did allow for an increase to CTE spending to fund the rapidly growing student base in that field.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Director of Business Operations at West Rusk County Consolidated Independent School District, 10705 S. Main New London, New London, Texas 75682.

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WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2024

EXHIBIT A-1

| Data                                  |                                           | Primary Government |
|---------------------------------------|-------------------------------------------|--------------------|
| Control                               |                                           | Governmental       |
| Codes                                 |                                           | Activities         |
| <b>ASSETS</b>                         |                                           |                    |
| 1110                                  | Cash and Cash Equivalents                 | \$ 2,081,583       |
| 1120                                  | Current Investments                       | 1,574,452          |
| 1220                                  | Property Taxes - Delinquent               | 748,330            |
| 1230                                  | Allowance for Uncollectible Taxes         | (227,546)          |
| 1240                                  | Due from Other Governments                | 807,038            |
| 1290                                  | Other Receivables, Net                    | 19,430             |
|                                       | Capital Assets:                           |                    |
| 1510                                  | Land                                      | 37,177             |
| 1520                                  | Buildings, Net                            | 17,945,067         |
| 1530                                  | Furniture and Equipment, Net              | 1,076,772          |
| 1000                                  | Total Assets                              | 24,062,303         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                                           |                    |
| 1701                                  | Deferred Charge for Refunding             | 205,824            |
| 1705                                  | Deferred Outflow Related to TRS Pension   | 1,600,723          |
| 1706                                  | Deferred Outflow Related to TRS OPEB      | 578,208            |
| 1700                                  | Total Deferred Outflows of Resources      | 2,384,755          |
| <b>LIABILITIES</b>                    |                                           |                    |
| 2110                                  | Accounts Payable                          | 119,829            |
| 2140                                  | Accrued Interest                          | 13,391             |
| 2150                                  | Payroll Deductions and Withholdings       | 837                |
| 2160                                  | Accrued Wages Payable                     | 501,317            |
|                                       | Noncurrent Liabilities:                   |                    |
| 2501                                  | Due Within One Year: Loans, Note, etc.    | 773,000            |
|                                       | Due in More than One Year:                |                    |
| 2502                                  | Bonds, Notes, Loans, etc.                 | 11,778,010         |
| 2540                                  | Net Pension Liability (District's Share)  | 2,883,730          |
| 2545                                  | Net OPEB Liability (District's Share)     | 1,667,860          |
| 2000                                  | Total Liabilities                         | 17,737,974         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                           |                    |
| 2605                                  | Deferred Inflow Related to TRS Pension    | 129,641            |
| 2606                                  | Deferred Inflow Related to TRS OPEB       | 2,625,129          |
| 2600                                  | Total Deferred Inflows of Resources       | 2,754,770          |
| <b>NET POSITION</b>                   |                                           |                    |
| 3200                                  | Net Investment in Capital Assets          | 6,713,830          |
|                                       | Restricted:                               |                    |
| 3820                                  | Restricted for Federal and State Programs | 228,751            |
| 3850                                  | Restricted for Debt Service               | 1,324,088          |
| 3900                                  | Unrestricted                              | (2,312,355)        |
| 3000                                  | Total Net Position                        | \$ 5,954,314       |

The notes to the financial statements are an integral part of this statement.

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT B-1

| Data<br>Control<br>Codes                          | 1                                            | Program Revenues        |                                          | Net (Expense)<br>Revenue and<br>Changes in Net<br>Position |
|---------------------------------------------------|----------------------------------------------|-------------------------|------------------------------------------|------------------------------------------------------------|
|                                                   |                                              | 3                       | 4                                        |                                                            |
|                                                   |                                              | Charges for<br>Services | Operating<br>Grants and<br>Contributions |                                                            |
|                                                   | Expenses                                     |                         |                                          | 6<br>Primary Gov.<br>Governmental<br>Activities            |
| <b>Primary Government:</b>                        |                                              |                         |                                          |                                                            |
| GOVERNMENTAL ACTIVITIES:                          |                                              |                         |                                          |                                                            |
| 11 Instruction                                    | \$ 7,813,610                                 | \$ -                    | \$ 955,992                               | \$ (6,857,618)                                             |
| 12 Instructional Resources and Media Services     | 89,685                                       | -                       | 3,949                                    | (85,736)                                                   |
| 13 Curriculum and Instructional Staff Development | 6,110                                        | -                       | -                                        | (6,110)                                                    |
| 23 School Leadership                              | 1,483,676                                    | -                       | 96,156                                   | (1,387,520)                                                |
| 31 Guidance, Counseling, and Evaluation Services  | 276,036                                      | -                       | 15,576                                   | (260,460)                                                  |
| 33 Health Services                                | 113,756                                      | -                       | 6,775                                    | (106,981)                                                  |
| 34 Student (Pupil) Transportation                 | 665,027                                      | -                       | 18,516                                   | (646,511)                                                  |
| 35 Food Services                                  | 1,072,971                                    | 29,074                  | 914,968                                  | (128,929)                                                  |
| 36 Extracurricular Activities                     | 943,129                                      | 72,924                  | 31,890                                   | (838,315)                                                  |
| 41 General Administration                         | 777,410                                      | -                       | 36,808                                   | (740,602)                                                  |
| 51 Facilities Maintenance and Operations          | 1,860,447                                    | -                       | 130,518                                  | (1,729,929)                                                |
| 52 Security and Monitoring Services               | 109,933                                      | -                       | 6,462                                    | (103,471)                                                  |
| 53 Data Processing Services                       | 156,355                                      | -                       | 7,891                                    | (148,464)                                                  |
| 72 Debt Service - Interest on Long-Term Debt      | 283,264                                      | -                       | 151,092                                  | (132,172)                                                  |
| 73 Debt Service - Bond Issuance Cost and Fees     | 4,500                                        | -                       | -                                        | (4,500)                                                    |
| 99 Other Intergovernmental Charges                | 104,747                                      | -                       | -                                        | (104,747)                                                  |
| [TP] TOTAL PRIMARY GOVERNMENT:                    | \$ 15,760,656                                | \$ 101,998              | \$ 2,376,593                             | (13,282,065)                                               |
|                                                   |                                              |                         |                                          |                                                            |
| Data<br>Control<br>Codes                          | General Revenues:                            |                         |                                          |                                                            |
|                                                   | Taxes:                                       |                         |                                          |                                                            |
| MT                                                | Property Taxes, Levied for General Purposes  |                         |                                          | 3,174,401                                                  |
| DT                                                | Property Taxes, Levied for Debt Service      |                         |                                          | 1,520,894                                                  |
| SF                                                | State Aid - Formula Grants                   |                         |                                          | 8,574,854                                                  |
| GC                                                | Grants and Contributions not Restricted      |                         |                                          | 84,336                                                     |
| IE                                                | Investment Earnings                          |                         |                                          | 137,060                                                    |
| MI                                                | Miscellaneous Local and Intermediate Revenue |                         |                                          | 60,981                                                     |
| TR                                                | Total General Revenues                       |                         |                                          | 13,552,526                                                 |
| CN                                                | Change in Net Position                       |                         |                                          | 270,461                                                    |
| NB                                                | Net Position - Beginning                     |                         |                                          | 5,683,853                                                  |
| NE                                                | Net Position - Ending                        |                         |                                          | \$ 5,954,314                                               |

The notes to the financial statements are an integral part of this statement.

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2024

| Data<br>Control<br>Codes                                 | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------------------------------|-----------------------|----------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>                                            |                       |                            |                                   |                                |
| 1110 Cash and Cash Equivalents                           | \$ 457,502            | \$ 1,198,532               | \$ 258,596                        | \$ 1,914,630                   |
| 1120 Investments - Current                               | 1,574,452             | -                          | -                                 | 1,574,452                      |
| 1220 Property Taxes - Delinquent                         | 566,148               | 182,182                    | -                                 | 748,330                        |
| 1230 Allowance for Uncollectible Taxes                   | (184,720)             | (42,826)                   | -                                 | (227,546)                      |
| 1240 Due from Other Governments                          | 807,038               | -                          | -                                 | 807,038                        |
| 1290 Other Receivables                                   | 13,843                | 5,587                      | -                                 | 19,430                         |
| 1000 Total Assets                                        | <u>\$ 3,234,263</u>   | <u>\$ 1,343,475</u>        | <u>\$ 258,596</u>                 | <u>\$ 4,836,334</u>            |
| <b>LIABILITIES</b>                                       |                       |                            |                                   |                                |
| 2110 Accounts Payable                                    | \$ 19,955             | \$ 5,996                   | \$ -                              | \$ 25,951                      |
| 2150 Payroll Deductions and Withholdings Payable         | 837                   | -                          | -                                 | 837                            |
| 2160 Accrued Wages Payable                               | 471,472               | -                          | 29,845                            | 501,317                        |
| 2000 Total Liabilities                                   | <u>492,264</u>        | <u>5,996</u>               | <u>29,845</u>                     | <u>528,105</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                       |                            |                                   |                                |
| 2601 Unavailable Revenue - Property Taxes                | 381,428               | 139,356                    | -                                 | 520,784                        |
| 2600 Total Deferred Inflows of Resources                 | <u>381,428</u>        | <u>139,356</u>             | <u>-</u>                          | <u>520,784</u>                 |
| <b>FUND BALANCES</b>                                     |                       |                            |                                   |                                |
| Restricted Fund Balance:                                 |                       |                            |                                   |                                |
| 3450 Federal or State Funds Grant Restriction            | -                     | -                          | 228,751                           | 228,751                        |
| 3480 Retirement of Long-Term Debt                        | -                     | 1,198,123                  | -                                 | 1,198,123                      |
| 3600 Unassigned Fund Balance                             | 2,360,571             | -                          | -                                 | 2,360,571                      |
| 3000 Total Fund Balances                                 | <u>2,360,571</u>      | <u>1,198,123</u>           | <u>228,751</u>                    | <u>3,787,445</u>               |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 3,234,263</u>   | <u>\$ 1,343,475</u>        | <u>\$ 258,596</u>                 | <u>\$ 4,836,334</u>            |

The notes to the financial statements are an integral part of this statement.

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2024

EXHIBIT C-1R

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <b>Total Fund Balances - Governmental Funds</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>\$ 3,787,445</b> |
| 1 The District uses internal service funds to charge the costs of self-insurance activities to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.                                                                                                                                                                   | 73,075              |
| 2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$33,897,865 and the accumulated depreciation is \$ 14,838,849. The effect of including the capital assets (net of depreciation) in the government activities is to increase net position. (See Note II.D.)                                                                                                                                  | 19,059,016          |
| 3 Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the government funds. The effect of these long-term liabilities is a decrease to net position. (See Note II.E.)                                                                                                                                                                                                                                          | (12,551,010)        |
| 4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,883,730, a deferred resource inflow related to TRS in the amount of \$129,641 and a deferred resource outflow related to TRS in the amount of \$1,600,723. The net effect of these pension related items is a decrease to net pension. (See Note II.H.)                                                                              | (1,412,648)         |
| 5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$1,667,860, a deferred inflow related to TRS OPEB in the amount of \$2,625,129, and a deferred resource outflow related to TRS OPEB in the amount of \$578,208. The net effect of these OPEB related items is a decrease to net position. (See. Note II.I. )                                                                               | (3,714,781)         |
| 6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions and recognizing the bond components associated with outstanding debt. Deferred charges on refundings are not financial resources and therefore, are not reported in governmental funds. Deferred charges are amortized over the life of the debt. The net effect is an increase to net position. | 192,433             |
| 7 Recognizing unearned revenue (property taxes) as revenue in the government-wide statements to convert from modified accrual basis of accounting to the accrual basis of accounting. The net effect is an increase to net position.                                                                                                                                                                                                                                                                        | 520,784             |
| <b>29 Net Position of Governmental Activities</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>\$ 5,954,314</b> |

The notes to the financial statements are an integral part of this statement.

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2024

| Data<br>Control<br>Codes                            | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------------------|-----------------------|----------------------------|-----------------------------------|--------------------------------|
| REVENUES:                                           |                       |                            |                                   |                                |
| 5700 Total Local and Intermediate Sources           | \$ 3,468,222          | \$ 1,516,991               | \$ 29,074                         | \$ 5,014,287                   |
| 5800 State Program Revenues                         | 9,229,193             | 151,092                    | 320,985                           | 9,701,270                      |
| 5900 Federal Program Revenues                       | 120,675               | -                          | 1,255,719                         | 1,376,394                      |
| 5020 Total Revenues                                 | 12,818,090            | 1,668,083                  | 1,605,778                         | 16,091,951                     |
| EXPENDITURES:                                       |                       |                            |                                   |                                |
| Current:                                            |                       |                            |                                   |                                |
| 0011 Instruction                                    | 6,783,726             | -                          | 539,916                           | 7,323,642                      |
| 0012 Instructional Resources and Media Services     | 84,826                | -                          | -                                 | 84,826                         |
| 0013 Curriculum and Instructional Staff Development | 5,752                 | -                          | -                                 | 5,752                          |
| 0023 School Leadership                              | 1,394,624             | -                          | -                                 | 1,394,624                      |
| 0031 Guidance, Counseling, and Evaluation Services  | 259,219               | -                          | -                                 | 259,219                        |
| 0033 Health Services                                | 106,681               | -                          | -                                 | 106,681                        |
| 0034 Student (Pupil) Transportation                 | 625,641               | -                          | -                                 | 625,641                        |
| 0035 Food Services                                  | -                     | -                          | 1,044,640                         | 1,044,640                      |
| 0036 Extracurricular Activities                     | 945,091               | -                          | -                                 | 945,091                        |
| 0041 General Administration                         | 777,328               | -                          | -                                 | 777,328                        |
| 0051 Facilities Maintenance and Operations          | 1,761,894             | -                          | 99,726                            | 1,861,620                      |
| 0052 Security and Monitoring Services               | 103,082               | -                          | -                                 | 103,082                        |
| 0053 Data Processing Services                       | 146,784               | -                          | -                                 | 146,784                        |
| Debt Service:                                       |                       |                            |                                   |                                |
| 0071 Principal on Long-Term Liabilities             | 37,000                | 705,000                    | -                                 | 742,000                        |
| 0072 Interest on Long-Term Liabilities              | 1,638                 | 333,988                    | -                                 | 335,626                        |
| 0073 Bond Issuance Cost and Fees                    | -                     | 4,500                      | -                                 | 4,500                          |
| Intergovernmental:                                  |                       |                            |                                   |                                |
| 0099 Other Intergovernmental Charges                | 104,747               | -                          | -                                 | 104,747                        |
| 6030 Total Expenditures                             | 13,138,033            | 1,043,488                  | 1,684,282                         | 15,865,803                     |
| 1200 Net Change in Fund Balances                    | (319,943)             | 624,595                    | (78,504)                          | 226,148                        |
| 0100 Fund Balance - September 1 (Beginning)         | 2,680,514             | 573,528                    | 307,255                           | 3,561,297                      |
| 3000 Fund Balance - August 31 (Ending)              | \$ 2,360,571          | \$ 1,198,123               | \$ 228,751                        | \$ 3,787,445                   |

The notes to the financial statements are an integral part of this statement.

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT C-3

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>\$ 226,148</b> |
| The District uses internal service fund to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with government activities. The net effect of this consolidation is to increase net position.                                                                                                                                                                                                                                                                | 49,196            |
| Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing current year capital outlays is an increase to net position. (See Note II.D.)                                                                                                                                                                                                                                                                                             | 218,441           |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (See Note II.D.)                                                                                                                                                                                                                                                                                                                                                      | (913,229)         |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating inter-fund transactions, recognizing the net effect of retirement of capital assets, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position. | (29,561)          |
| The government funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. The net effect is to increase net position. (See Note II.E.)                                                                                                                                                                                                                     | 804,970           |
| Changes in the District's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the Teacher Retirement System of Texas for the current year are not reported in government funds but are reported in the Statement of Activities. The net effect of all these changes is a decrease to net position.                                                                                                                                                                                                             | (465,274)         |
| Changes in the District's proportionate share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the Texas Public Retired Employees Group Insurance Program (TRS-Care) for the current year are not reported in the governmental funds but are reported in the Statement of Activities. The net effect of all these changes is an increase to net position.                                                                                                                                                                          | 379,770           |
| <b>Change in Net Position of Governmental Activities</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>\$ 270,461</b> |

The notes to the financial statements are an integral part of this statement.

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2024

|                           | Governmental<br>Activities - |
|---------------------------|------------------------------|
|                           | Internal<br>Service Fund     |
| <hr/>                     |                              |
| ASSETS                    |                              |
| Current Assets:           |                              |
| Cash and Cash Equivalents | \$ 166,953                   |
| Total Assets              | <u>166,953</u>               |
| LIABILITIES               |                              |
| Current Liabilities:      |                              |
| Accounts Payable          | <u>93,878</u>                |
| Total Liabilities         | <u>93,878</u>                |
| NET POSITION              |                              |
| Unrestricted Net Position | <u>73,075</u>                |
| Total Net Position        | <u><u>\$ 73,075</u></u>      |

The notes to the financial statements are an integral part of this statement.

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2024

|                                              | Governmental<br>Activities - |
|----------------------------------------------|------------------------------|
|                                              | Internal<br>Service Fund     |
| OPERATING REVENUES:                          |                              |
| Local and Intermediate Sources               | \$ 94,796                    |
| Total Operating Revenues                     | 94,796                       |
| OPERATING EXPENSES:                          |                              |
| Professional and Contracted Services         | 43,079                       |
| Other Operating Costs                        | 2,521                        |
| Total Operating Expenses                     | 45,600                       |
| Operating Income                             | 49,196                       |
| Total Net Position   September 1 (Beginning) | 23,879                       |
| Total Net Position   August 31 (Ending)      | \$ 73,075                    |

The notes to the financial statements are an integral part of this statement.

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT D-3

|                                                                         | Governmental<br>Activities - |
|-------------------------------------------------------------------------|------------------------------|
|                                                                         | Internal<br>Service Fund     |
| <u>Cash Flows from Operating Activities:</u>                            |                              |
| Cash Received from User Charges                                         | \$ 94,796                    |
| Cash Payments for Other Operating Expenses                              | (50,141)                     |
| Net Cash Provided by Operating Activities                               | 44,655                       |
| Net Increase in Cash and Cash Equivalents                               | 44,655                       |
| Cash and Cash Equivalents at Beginning of Year                          | 122,298                      |
| Cash and Cash Equivalents at End of Year                                | \$ 166,953                   |
| <u>Reconciliation of Operating Income to Net Cash</u>                   |                              |
| <u>Provided by Operating Activities:</u>                                |                              |
| Operating Income:                                                       | \$ 49,196                    |
| Effect of Increases and Decreases in Current<br>Assets and Liabilities: |                              |
| Increase (decrease) in Accounts Payable                                 | (4,541)                      |
| Net Cash Provided by Operating Activities                               | \$ 44,655                    |

The notes to the financial statements are an integral part of this statement.

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2024

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|                               | Custodial<br>Fund        |
|-------------------------------|--------------------------|
| <hr/>                         |                          |
| ASSETS                        |                          |
| Cash and Cash Equivalents     | \$ 105,660               |
| Total Assets                  | <u>105,660</u>           |
| NET POSITION                  |                          |
| Restricted for Student Groups | <u>105,660</u>           |
| Total Net Position            | <u><u>\$ 105,660</u></u> |

The notes to the financial statements are an integral part of this statement.

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2024

|                                            | Custodial<br>Fund        |
|--------------------------------------------|--------------------------|
| <b>ADDITIONS:</b>                          |                          |
| Miscellaneous Revenue - Student            | \$ 348,891               |
| Total Additions                            | <u>348,891</u>           |
| <b>DEDUCTIONS:</b>                         |                          |
| Other Deductions                           | <u>356,134</u>           |
| Total Deductions                           | <u>356,134</u>           |
| Change in Fiduciary Net Position           | (7,243)                  |
| Total Net Position September 1 (Beginning) | <u>112,903</u>           |
| Total Net Position August 31 (Ending)      | <u><u>\$ 105,660</u></u> |

The notes to the financial statements are an integral part of this statement.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of West Rusk County Consolidated Independent School District (the "District") have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *Statement on Auditing Standards No. 69*, as amended by *Statement on Auditing Standards No. 's 91 and 93* of the American Institute of Certified Public Accountants ("AICPA"); and it complies with the requirements of the appropriate version of Texas Education Agency's ("TEA") Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

**A. Reporting Entity**

The Board of Trustees (the "Board"), a seven member group, has fiscal responsibility over all activities related to public elementary and secondary education within the jurisdiction of the District. The public elects the Board that corporately has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the Texas State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB Statement No. 61, *"The Financial Reporting Entity": Omnibus - an amendment by GASB Statements No. 14 and 34*. There are no component units or entities for which the District is considered financially accountable included within the reporting entity.

**B. Basis of Presentation**

**1. Government-Wide Financial Statements**

The government-wide financial statements, which includes the statement of net position and the statement of activities, report on all of the non-fiduciary activities of the District's primary government. These statements exclude the effects of interfund activities that do not involve services provided or used. In this context, the District's governmental activities are typically funded by tax revenues and intergovernmental revenues. The District does not have business-type activities, which would normally depend significantly on fees and charges for financial support.

The statement of activities provides a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. *Direct expenses* are specifically associated with a program or function and are clearly attributable to that function. *Indirect costs* are allocated proportionally, based on the ratio of function's expense to total expense. *Program revenues* are categorized as 1) Charges for services, goods, or privileges purchased by students, applicants, or users who directly benefit from a specific function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Revenues that are not classified as program revenues, such as taxes, are reported as *general revenues*.

**2. Fund Financial Statements**

The District presents separate financial statements for governmental, proprietary, and fiduciary funds. Fiduciary funds, though excluded from the government-wide financial statements, are still reported in separate fiduciary fund financial statements. During the fiscal year, the District segregates transactions related to specific functions or activities into separate funds to aid financial management and demonstrate legal compliance.

Fund financial statements are designed to present the District's financial information at a more detailed level, with the focus on major funds. These major individual governmental funds are reported in separate columns to highlight their financial activity. All remaining nonmajor governmental funds are aggregated and presented in a single column for reporting purposes.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

Additionally, proprietary funds are reported separately, and fiduciary funds are presented in their own financial statements, even though they are not included in the government-wide statements.

**C. Fund Accounting**

The District utilizes funds to manage and organize its financial records during the fiscal year. A fund is an accounting entity with its own set of self-balancing accounts, meaning it independently tracks its financial resources and obligations. There are three categories of funds: governmental, proprietary, and fiduciary.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The District reports the following major governmental funds:

- **General Fund** – is the District’s primary operating fund and accounts for resources that finance the fundamental operations of the District. It includes all financial resources not required to be accounted for in another fund. Major revenue sources for the General Fund include local property taxes and state funding, such as the Foundation School Program.

This fund covers all expenditures related to the District’s daily operations, except for specific programs funded by federal or state government, as well as food service, debt service, and capital projects. It plays a central role in supporting the District’s mission, in partnership with the community, to enable and motivate students to reach their full potential. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

- **Debt Service Fund** – is the used to account for the accumulation of resources to pay the principal and interest on long-term debt issued by the District. These funds ensure that the District can meet its debt obligations as they come due. Major revenue sources for the Debt Service Fund include dedicated property taxes. Transfers from other funds or special assessments that set aside to pay off debt. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
- **Nonmajor Governmental Funds** - account for grants and other resources of the District whose uses are restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the program.

**2. Proprietary Fund**

Proprietary funds are used to account for operations that are similar to private businesses, where goods or services are provided to external parties for a fee and distinguished between operating and non-operating revenues and expenses. The two main types of proprietary funds are *enterprise funds* and *internal service funds*.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

The District uses internal service funds to account for specific services provided to other funds or departments on a cost reimbursement basis. The District uses the following *internal service fund*:

- ***Workers' Compensation Fund*** – The District's statutory workers' compensation obligations are accounted for in the internal service fund using a cost reimbursement basis. All funds within the District that expend resources for salaries and wages contribute a percentage to the workers' compensation program. The operating revenues of the District's internal service fund includes charges for self-funded worker's compensation services provided to other funds and/or employees of the District. Operating expenses consists of insurance claims, premiums and administrative costs associated with the workers' compensation program.

**3. Fiduciary Funds**

Fiduciary Funds are used to manage resources that the Districts holds in a trust or as an agent for others, such as pension funds, scholarship donations, or various campus organization fundraising resources. Fiduciary funds are excluded from the government-wide financial statements because they do not belong to the government but are held in trust for others. The District uses the following fiduciary funds:

- ***Custodial Funds*** – These funds accounts for the resources raised by student groups and various other campus organizations received by the District in a custodial capacity that do not constitute District property. However, the District's role is considered to be substantive because in the absence of an approved policy, the faculty advisor has the ability to reject, modify, or approve how the resources are being spent.

The custodial funds meet the requirements for reporting as fiduciary activities. The assets derived from these funds are not from the District's owned revenue sources. In addition, they do not meet the criteria for District-mandated or voluntary nonexchange transactions. Lastly, these assets are for the benefits of individuals, namely students or others, and the District does not have administrative involvement or direct financial involvement for these funds.

**D. Measurement Focus and Basis of Accounting**

**1. Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. All assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the District are included in the statement of net position. 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 recorded as revenues in the year of levy.

**2. Fund Financial Statements**

The Governmental fund statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. These statements reflect only current assets (such as cash and receivables expected to be collected within the year) and current liabilities (those expected to be settled within the fiscal year). Long-term assets and liabilities, such as capital assets and long-term debt, are not reported in these statements.

Revenues are recognized when they are both measurable (the amount can be determined) and available (expected to be collected within the current period or within 60 days after the fiscal year ends). Property tax revenue and state funding follow the susceptible-to-accrual concept, meaning they must be available and measurable to be recognized.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

Taxes not collected within 60 days are reported as deferred inflows of resources. Miscellaneous revenues, such as fees or minor revenues, are recorded when received because they are generally not measurable until collection.

Interest revenue and building rentals are recognized when earned, as they are measurable and available. State and Federal grants revenue is recognized when eligible expenditures are incurred. If funds are received before expenditures are made, they are recorded as unearned revenues. If expenditures are made before receiving grant funds, they are reported as receivables.

Expenditures are recognized when a liability is incurred, similar to accrual accounting. However, debt service payments (principal and interest), compensated absences, claims, and judgments are recorded only when payment is due, not when the liability is incurred.

The government-wide financial statements (using the *accrual basis*) include all assets and liabilities, including long-term ones. In contrast, the fund financial statements (using *modified accrual*) exclude long-term items like capital assets and long-term debt. As a result, reconciliations are provided in the fund financial statements to explain these differences.

**3. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

- ***Revenues-Exchange and Non-exchange Transactions***

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized. Tax revenues are considered available when collected.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

- **Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to current fiscal year operations, are recorded as deferred inflows of resources in the fund financial statements. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue in both the government-wide and fund financial statements.

In governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

- **Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

**E. Assets, Liabilities, and Net Position or Fund Equity**

**1. Cash and Cash Equivalents**

For purposes of the statement of cash flows for proprietary funds, the District considers cash on hand, demand deposits, investment pools, and short-term investments with maturities of three months or less from the date of acquisition to be cash and cash equivalents.

**2. Deposits and Investments**

Under Texas state law, a bank serving as the school depository must have a bond, or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, in an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

Investments consist of balances in privately managed public funds investment pools, certificates of deposit, and U.S. agencies. Investments in local government investment pools are valued and recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. Investments with maturities of 12 months or less at the date of purchase are held at amortized cost and net asset value (NAV). Investments with maturities exceeding 12 months at the date of purchase are stated at fair value based on quoted market prices at year-end date.

The District categorizes fair value measurements of its investments based on the hierarchy established by GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology are quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

### 3. Property Taxes

The District levies property taxes on October 1, as per the Texas Property Tax Code. Taxes are due upon receipt of the bill and become delinquent after February 1 of the following year, subject to interest and penalties. A tax lien is attached to properties on January 1 to secure payment.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of levy. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

### 4. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as those with an initial individual cost of more than \$5,000 and an estimated useful life of more than five years. Such assets are recorded at historical cost, or if unavailable, at estimated historical cost. Donated assets are recorded at their acquisition value or estimated fair value on the date of donation.

Furniture and equipment costing in excess of \$5,000 are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed, but interest incurred during construction is not capitalized. When assets are retired or disposed of, their related costs or other recorded amounts are removed from the records.

Capital assets of the District are depreciated using the straight-line method over their estimated useful lives, which are as follows:

| Capital Asset:                  | Years |
|---------------------------------|-------|
| Building & Improvements         | 20-60 |
| Furniture, Fixtures & Equipment | 3-15  |
| Tractors & Other                | 7-10  |
| Buses & Vehicles                | 8     |

### 5. Deferred Outflows/Inflows of Resources

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

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

- Deferred outflow of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
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- Deferred outflow of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflow of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

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

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life of all members.

**6. Long-Term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term indebtedness is reported as a liability. Bond premiums and discounts, as well as defeasance costs, are deferred and amortized over the life of the bonds using the straight-line method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium, discount, and other costs.

In the fund financial statements, bond premiums (net of discounts) are recognized in the current period and recorded as other financing sources. Issuance costs are recognized in the current period as debt service expenditures. The face amount of the debt issued is reported as other financing sources; whereas, bonds refunded during the period are recorded as other financing uses.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
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**7. Compensated Absences**

District employees earning vacation leave are permitted to accumulate up to five unused days to be used in the next fiscal year. Such days do not vest. Accordingly, no liability has been recorded in the accompanying financial statements. District employees are entitled to sick leave based on category/class of employment. Sick leave accumulates but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

**8. 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 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.

**9. Other Post-Employment Benefits**

The fiduciary net position of the 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.

**10. Fund Balance**

Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. The government fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- ***Nonspendable*** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. (Inventories and Prepaid Items are considered *Nonspendable* as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.)
- ***Restricted*** – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- ***Committed*** – includes amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
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- ***Assigned*** – includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Superintendent or Chief Financial Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the *general fund*.
- ***Unassigned*** – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*. The *Unassigned* classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of *Assigned* fund balance amounts.

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

**11. Net Position**

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The classifications used in the government-wide financial statements are as follows:

- ***Net investment in capital assets*** – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- ***Restricted net position*** – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- ***Unrestricted net position*** – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**12. Budgetary Data**

The Board adopts an “appropriated budget” for the General Fund, Debt Services Fund, and the Child Nutrition Program (which is included in the Nonmajor Governmental Funds). The District compares the final amended budget to actual revenues and expenditures. The Budgetary Comparison Schedules appear in Exhibits G-1, J-2, and J-3.

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

- a) Prior to August 20, the District prepares an operating budget for the next succeeding fiscal year beginning September 1. The budget includes proposed expenditures and the means of financing them.
- b) A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten day’s public notice of the meeting must be given.

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- c) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end.
- d) Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
- e) Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

**13. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

The amount of state foundation and available school revenue a school district earns for a year, can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is probable that the foundation revenue estimate as of August 31 will change and those changes could be material. For the year ended August 31, 2024, the District received approximately 60% of revenues from the State of Texas.

**14. Data Control Codes**

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

**II. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

A summary of the District's cash and investments by fund at August 31, 2024 is shown below:

|                                 | <b>Cash and<br/>Deposits</b> | <b>Investment<br/>Pools</b> | <b>Total Cash<br/>&amp;<br/>Investments</b> |
|---------------------------------|------------------------------|-----------------------------|---------------------------------------------|
| <b>Governmental Funds:</b>      |                              |                             |                                             |
| General fund                    | \$ 457,502                   | \$ 1,574,452                | \$ 2,031,954                                |
| Debt service fund               | 1,198,532                    | -                           | 1,198,532                                   |
| Non-major governmental funds    | 258,596                      | -                           | 258,596                                     |
| <b>Total governmental funds</b> | <b><u>1,914,630</u></b>      | <b><u>1,574,452</u></b>     | <b><u>3,489,082</u></b>                     |
| <b>Proprietary funds</b>        | <b><u>166,953</u></b>        | <b><u>-</u></b>             | <b><u>166,953</u></b>                       |
| <b>Fiduciary funds</b>          | <b><u>105,660</u></b>        | <b><u>-</u></b>             | <b><u>105,660</u></b>                       |
| <b>Total</b>                    | <b><u>\$ 2,187,243</u></b>   | <b><u>\$ 1,574,452</u></b>  | <b><u>\$ 3,761,695</u></b>                  |

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At August 31, 2024, the net carrying amount of the District's cash and deposits \$2,187,243 and the bank balance was \$2,258,811. At August 31, 2024, the District's combined deposits were fully insured by FDIC insurance or collateralized with securities held by the Bank's agent in the District's name.

The Public Funds Investment Act ("the Act") and Board policy governs the District's investment policies. The Act contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits. Statutes authorize the District to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending programs, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools and (9) guaranteed investment contracts.

The District's cash equivalents and investments at August 31, 2024 are as shown below:

| Investment Type:                                     | Rating   | Value at<br>June 30, 2024 | Fair Value Measurements Using: |             |             | Percent of<br>Portfolio | WAM<br>(Days/Years) |
|------------------------------------------------------|----------|---------------------------|--------------------------------|-------------|-------------|-------------------------|---------------------|
|                                                      |          |                           | (Level 1)                      | (Level 2)   | (Level 3)   |                         |                     |
| Cash in Bank                                         |          | \$ 2,187,243              |                                |             |             | 58%                     |                     |
| <i>Cash equivalents measured at amortized costs:</i> |          |                           |                                |             |             |                         |                     |
| LoneStar                                             | AAA/AAAm | 935,304                   |                                |             |             | 25%                     | < 365 days          |
| TexStar                                              | AAAm     | 639,148                   |                                |             |             | 17%                     |                     |
| <b>Cash and cash equivalents - subtotal</b>          |          | <b>3,761,695</b>          |                                |             |             |                         |                     |
| <b>Total cash &amp; investments</b>                  |          | <b>\$ 3,761,695</b>       | <b>\$ -</b>                    | <b>\$ -</b> | <b>\$ -</b> | <b>100%</b>             |                     |

Lone Star Investment Pool (LoneStar) and Texas Short Term Asset Reserve Program (TexSTAR) are local government investment "pools" organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in LoneStar and TexSTAR are reported at amortized cost. Deposits and withdrawals can be made on any business day of the week. The pools have a redemption notice of one day, which may be redeemed daily. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects the pools liquidity. There are no limits on the number of accounts a participant can have or the number of transactions. The District has no unfunded commitments related to the pools.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following investment risks at year end and if so, the reporting of certain related disclosures:

**1) Credit Risk**

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2024, the District's investments in LoneStar and TexSTAR are rated AAA by Standard and Poor's.

At year end, the District was not exposed to credit risk.

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**2) Custodial Credit Risk**

To control custody risk, State law and the District's Investment Policy require collateral for all time and demand deposits and repurchase agreements with securities transferred only on a delivery versus payment basis and held by an independent party approved by the District and held in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

**3) Concentration of Credit Risk**

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

At year end, the District was not exposed to concentration of credit risk.

**4) Interest Rate Risk**

The risk that changes in interest rates may adversely affect the value of investments. The District monitors interest rate risk utilizing weighted average maturity and specific identification. To limit interest and market rate risk from changes in interest rates, the District's Investment Policy sets a maximum maturity as follows:

- CD's and Commercial Paper are limited to a stated maturity of one year.
- Repurchase agreements are limited to a maximum maturity of three months.
- Municipal obligations of the State of Texas or any other state or political subdivision and no-load mutual funds must have a stated maturity less than two years.
- Obligations of the U.S. government, its agencies, and instrumentalities excluding mortgage backed securities, or guaranteed by governmental entities not to exceed two years to stated maturity in the operating and debt service funds and not to exceed three years in bond funds (2256.009).
- Banker's Acceptances is limited to mature in 270 days or less.

At year end, the District was not exposed to interest rate risk.

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**B. Receivables and Unearned Revenue**

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

|                                    | <b>General<br/>Fund</b> | <b>Debt<br/>Service<br/>Fund</b> | <b>Total</b>        |
|------------------------------------|-------------------------|----------------------------------|---------------------|
| Property taxes                     | \$ 566,148              | \$ 182,182                       | \$ 748,330          |
| Due from other governments-state   | 807,038                 | -                                | 807,038             |
| Other receivables                  | 13,843                  | 5,587                            | 19,430              |
| <b>Gross receivables</b>           | <b>1,387,029</b>        | <b>187,769</b>                   | <b>1,574,798</b>    |
| Less: allowance for uncollectibles | (184,721)               | (42,825)                         | (227,546)           |
| <b>Net total receivables</b>       | <b>\$ 1,202,308</b>     | <b>\$ 144,944</b>                | <b>\$ 1,347,252</b> |

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2024 are summarized above. All federal grants shown above are passed through the TEA and are reported in the financial statements as Due from Other Governments.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned.

Unearned revenue at August 31, 2024, for the District's governmental funds is as follows:

|                                                          | <b>Unavailable</b> | <b>Unearned</b> |
|----------------------------------------------------------|--------------------|-----------------|
| Delinquent property taxes receivable - General Fund      | \$ 381,427         | -               |
| Delinquent property taxes receivable - Debt Service Fund | 139,357            | -               |
| <b>Total deferred revenue</b>                            | <b>\$ 520,784</b>  | <b>\$ -</b>     |

**Property Taxes**

Property taxes are considered available when collected within the current period. The District levies taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and become past due, subject to interest and penalty, if not paid by February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property securing payment of all taxes, penalties, and interest ultimately imposed. The tax rates assessed for the year ended August 31, 2024 to finance general fund operations and voter approved debt service principal and interest payments were \$0.6692 and \$0.3200, respectively, per \$100 of assessed valuation for a total tax rate of \$0.98920.

The net assessed/appraised value for school tax purposes was \$468,578,144, upon which the current year's total levy value was \$4,635,175.

Current tax collections for the year ended August 31, 2024 were 96% of the year-end adjusted levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of levy. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The property taxes receivable allowance is approximately 30% of outstanding property taxes receivable at August 31, 2024.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**C. Interfund Receivables, Payables and Transfers**

Interfund balances consist of short-term lending/borrowing arrangements between two or more governmental funds. District expenditures are paid from a centralized-pooled operating bank account maintained in the general fund. Since all cash transactions flow through this account, each District fund carries a receivable/payable balance with the general fund, which will be repaid within one year.

At August 31, 2024, the District did not report any interfund balances or transfers in the fund financial statements.

**D. Capital Assets**

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

|                                                     | Beginning<br>Balances | Additions           | Deletions   | Transfers   | Ending<br>Balances   |
|-----------------------------------------------------|-----------------------|---------------------|-------------|-------------|----------------------|
| <b><u>Capital assets not being depreciated:</u></b> |                       |                     |             |             |                      |
| Land Purchase and Improvements                      | \$ 37,177             | \$ -                | \$ -        | \$ -        | \$ 37,177            |
| Construction in Progress                            | 4,750                 | 4,750               | -           | (9,500)     | -                    |
| Total capital assets not being depreciated          | 41,927                | 4,750               | -           | (9,500)     | 37,177               |
| <b><u>Capital Assets being depreciated:</u></b>     |                       |                     |             |             |                      |
| Buildings and Improvements                          | 30,013,114            | 110,485             | -           | -           | 30,123,599           |
| Furniture and Equipment                             | 3,629,633             | 103,206             | (5,250)     | 9,500       | 3,737,089            |
| Total capital assets being depreciated              | 33,642,747            | 213,691             | (5,250)     | 9,500       | 33,860,688           |
|                                                     |                       |                     |             | -           | -                    |
| <b><u>Less accumulated depreciation for:</u></b>    |                       |                     |             |             |                      |
| Buildings and Improvements                          | (11,479,847)          | (698,685)           | -           | -           | (12,178,532)         |
| Furniture and Equipment                             | (2,451,023)           | (214,544)           | 5,250       | -           | (2,660,317)          |
| Total Accumulated Depreciation                      | (13,930,870)          | (913,229)           | 5,250       | -           | (14,838,849)         |
| <b>Capital Assets, Net</b>                          | <b>\$ 19,753,804</b>  | <b>\$ (694,788)</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 19,059,016</b> |

Depreciation expense was charged to the following functions as follows:

|                                                |                   |
|------------------------------------------------|-------------------|
| <b>Expenditures:</b>                           |                   |
| Instruction                                    | \$ 455,724        |
| Instructional resources and media services     | 5,278             |
| Curriculum and instructional staff development | 358               |
| School leadership                              | 86,782            |
| Guidance, counseling and evaluation services   | 15,944            |
| Health services                                | 6,638             |
| Student (pupil) transportation                 | 38,931            |
| Food services                                  | 65,004            |
| Extracurricular activities                     | 58,810            |
| General administration                         | 48,370            |
| Facilities maintenance and operations          | 115,842           |
| Security and monitoring services               | 6,414             |
| Data processing services                       | 9,134             |
| <b>Total depreciation expense</b>              | <b>\$ 913,229</b> |

**E. Long-Term Liabilities**

**General Obligation Bonds**

The District issues general obligation bonds for governmental activities to provide resources for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Principal and interest requirements are payable solely from future revenues of the debt service fund which consists primarily of property taxes collected by the District and interest earnings.

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Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

There are a number of limitations and restrictions contained in the general obligation debt indentures. Management has indicated the District is in compliance with all significant limitations and restrictions as of August 31, 2024.

Bonded debt as of August 31, 2024 is as follows:

| Description                                | Interest Rate Payable | Maturity Date | Original Issue       | Outstanding          |
|--------------------------------------------|-----------------------|---------------|----------------------|----------------------|
| Unlimited tax refunding bonds, series 2013 | 1.50%-3.00%           | 02/15/30      | \$ 4,750,000         | \$ 680,000           |
| Unlimited tax refunding bonds, series 2021 | 2.00%-5.00%           | 02/15/42      | 11,915,000           | 10,850,000           |
|                                            |                       |               | <b>\$ 16,665,000</b> | <b>\$ 11,530,000</b> |

June 2015, the District issued Maintenance Tax Notes, Series 2015 totaling \$345,000 for renovations and equipment. The tax note bears interest of 2.19% and matures August 15, 2025.

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

|                                            | Beginning Balance    | Additions         | Deletions           | Ending Balance       | Due within one year |
|--------------------------------------------|----------------------|-------------------|---------------------|----------------------|---------------------|
| Unlimited tax refunding bonds, series 2013 | \$ 1,015,000         | \$ -              | \$ (335,000)        | \$ 680,000           | \$ 335,000          |
| Unlimited tax refunding bonds, series 2021 | 11,220,000           | -                 | (370,000)           | 10,850,000           | 400,000             |
|                                            | 12,235,000           | -                 | (705,000)           | 11,530,000           | 735,000             |
| Premium on issuance of bonds               | 1,045,980            | -                 | (62,970)            | 983,010              | -                   |
| Total bonds payable                        | 13,280,980           | -                 | (767,970)           | 12,513,010           | 735,000             |
| Maintenance Tax Note, Series 2015          | 75,000               | -                 | (37,000)            | 38,000               | 38,000              |
| Net pension liability                      | 2,428,347            | 455,383           | -                   | 2,883,730            | -                   |
| Net OPEB liability                         | 1,816,016            | -                 | (148,156)           | 1,667,860            | -                   |
| Total other liabilities                    | 4,319,363            | 455,383           | (185,156)           | 4,589,590            | 38,000              |
|                                            | <b>\$ 17,600,343</b> | <b>\$ 455,383</b> | <b>\$ (953,126)</b> | <b>\$ 17,102,600</b> | <b>\$ 773,000</b>   |

During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of general obligation bonds principal and interest through the debt service fund as the payments become due. Principal and interest expenditures for note and loan payables are accounted for in the general fund. Other long-term liabilities, such as net pension and net OPEB liabilities, are generally liquidated with resources from the general fund.

Debt service requirements at August 31, 2024 were as follows:

| Fiscal Year Ending<br>August 30, | General Obligation   |                     | Notes and Loans  |               | Total                |                     |
|----------------------------------|----------------------|---------------------|------------------|---------------|----------------------|---------------------|
|                                  | Principal            | Interest            | Principal        | Interest      | Principal            | Interest            |
| 2025                             | \$ 735,000           | \$ 305,525          | \$ 38,000        | \$ 832        | \$ 773,000           | \$ 306,357          |
| 2026                             | 760,000              | 281,175             | -                | -             | 760,000              | 281,175             |
| 2027                             | 415,000              | 267,700             | -                | -             | 415,000              | 267,700             |
| 2028                             | 430,000              | 252,800             | -                | -             | 430,000              | 252,800             |
| 2029                             | 455,000              | 230,675             | -                | -             | 455,000              | 230,675             |
| 2030-2034                        | 2,990,000            | 797,250             | -                | -             | 2,990,000            | 797,250             |
| 2035-2039                        | 3,480,000            | 403,300             | -                | -             | 3,480,000            | 403,300             |
| 2040-2043                        | 2,265,000            | 68,550              | -                | -             | 2,265,000            | 68,550              |
| <b>Total</b>                     | <b>\$ 11,530,000</b> | <b>\$ 2,606,975</b> | <b>\$ 38,000</b> | <b>\$ 832</b> | <b>\$ 11,568,000</b> | <b>\$ 2,607,807</b> |

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Defeased Debt**

The District has defeased certain general obligation and other bonds in prior years by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

At August 31, 2024, no previously refunded debt outstanding was considered defeased.

**Arbitrage**

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue.

At August 31, 2024, the District does not anticipate any arbitrage liability.

**F. Leases**

GASB Statement No. 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities.

GASB 87 had no significant impact to the District's financial statements, therefore are not present within the disclosures.

**G. Subscription-Based Information Technology Arrangements**

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). Under GASB 96, a SBITA is defined as a contract that conveys controls of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter, with earlier application encouraged.

GASB 96 had no significant impact to the District's financial statements, therefore are not present within the disclosures.

**H. Defined Benefit Pension Plan**

*Plan Description.* The District participates in a cost-sharing multiple employer defined benefit pension plan with a special funding situation. The pension plan is administered by the 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 plan 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 plan's Board of Trustees does not have the authority to establish or amend benefit terms.

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

*Pension Plan Fiduciary Net Position.* Detailed information about the TRS' fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Components of the net pension liability of the pension plan as of August 31, 2023 are as follows:

|                                                       |                                 |
|-------------------------------------------------------|---------------------------------|
| Total Pension Liability                               | \$ 255,860,886,500              |
| Less: Plan Fiduciary Net Position                     | (187,170,535,558)               |
| <b>Net Pension Liability</b>                          | <b><u>\$ 68,690,350,942</u></b> |
| Net Position as Percentage of Total Pension Liability | 73.15%                          |

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

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

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

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

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

|                                                 | <b>Contribution Rates</b> |             |
|-------------------------------------------------|---------------------------|-------------|
|                                                 | <b>2023</b>               | <b>2024</b> |
| Member                                          | 8.00%                     | 8.25%       |
| Non-Employer Contributing Entity (NECE) (State) | 8.00%                     | 8.25%       |
| Employers                                       | 8.00%                     | 8.25%       |
| 2023 Employer Contributions                     |                           | \$ 220,639  |
| 2023 Member Contributions                       |                           | \$ 671,448  |
| 2023 NECE On-Behalf Contributions               |                           | \$ 534,774  |

Contributors to the pension 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).

The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements.

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 or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.8% of the member's salary beginning in fiscal year 2023, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Actuarial Assumptions.* The total pension plan liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

|                                                                                                                                                                                                                       |                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| Valuation Date                                                                                                                                                                                                        | August 31, 2022 rolled forward to August 31, 2023 |
| Actuarial Cost Method                                                                                                                                                                                                 | Individual Entry Age Normal                       |
| Asset Valuation Method                                                                                                                                                                                                | Fair Value                                        |
| Single Discount Rate                                                                                                                                                                                                  | 7.00%                                             |
| Long-term expected Investment Rate of Return                                                                                                                                                                          | 7.00%                                             |
| Municipal Bond Rate as of August 2023*                                                                                                                                                                                | 4.13%*                                            |
| Last year ending August 31 in Projection Period (100 years)                                                                                                                                                           | 2122                                              |
| Inflation                                                                                                                                                                                                             | 2.30%                                             |
| Salary Increases                                                                                                                                                                                                      | 2.95% to 8.95% including inflation                |
| Ad Hoc Post-Employment Benefit Changes                                                                                                                                                                                | None                                              |
| * Source: Fixed Income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." |                                                   |

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

*Discount Rate.* The single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50% of payroll in fiscal year 2024 gradually increasing to 9.56% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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:

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

| Asset Class                                  | Target<br>Allocation** | Long-Term<br>Expected<br>Geometric Real<br>Rate of Return*** | Expected<br>Contribution to<br>Long-Term<br>Portfolio Returns |
|----------------------------------------------|------------------------|--------------------------------------------------------------|---------------------------------------------------------------|
| Global Equity                                |                        |                                                              |                                                               |
| U.S.                                         | 18.0%                  | 4.0%                                                         | 1.0%                                                          |
| Non-U.S. Developed                           | 13.0%                  | 4.5%                                                         | 0.9%                                                          |
| Emerging Markets                             | 9.0%                   | 4.8%                                                         | 0.7%                                                          |
| Private Equity*                              | 14.0%                  | 7.0%                                                         | 1.5%                                                          |
| Stable Value                                 |                        |                                                              |                                                               |
| Government Bonds                             | 16.0%                  | 2.5%                                                         | 0.5%                                                          |
| Absolute Return*                             | 0.0%                   | 3.6%                                                         | 0.0%                                                          |
| Stable Value Hedge Funds                     | 5.0%                   | 4.1%                                                         | 0.2%                                                          |
| Real Return                                  |                        |                                                              |                                                               |
| Real Estate                                  | 15.0%                  | 4.9%                                                         | 1.1%                                                          |
| Energy, Natural Resources and Infrastructure | 6.0%                   | 4.8%                                                         | 0.4%                                                          |
| Commodities                                  | 0.0%                   | 4.4%                                                         | 0.0%                                                          |
| Risk Parity                                  | 8.0%                   | 4.5%                                                         | 0.4%                                                          |
| Asset Allocation Leverage                    |                        |                                                              |                                                               |
| Cash                                         | 2.0%                   | 3.7%                                                         | 0.0%                                                          |
| Asset Allocation Leverage                    | -6.0%                  | 4.4%                                                         | -0.1%                                                         |
| Inflation Expectation                        |                        |                                                              | 2.3%                                                          |
| Volatility Drag****                          |                        |                                                              | -0.9%                                                         |
| <b>Expected Return</b>                       | <b>100%</b>            |                                                              | <b>8.0%</b>                                                   |

\*Absolute Return includes Credit Sensitive Investments.  
\*\*Target allocations are based on the FY2023 policy model.  
\*\*\*Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023)  
\*\*\*\*The volatility drag results from the conversion between arithmetic and geometric mean returns.

*Discount Rate Sensitivity Analysis.* The following table presents the Net Pension Liability of the pension plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.00%) or 1% point higher (8.00%) than the current rate.

|                                                             | 1% Decrease in<br>Discount Rate<br>(6.00%) | Discount Rate<br>(7.00%) | 1% Increase in<br>Discount Rate<br>(8.00%) |
|-------------------------------------------------------------|--------------------------------------------|--------------------------|--------------------------------------------|
| District's proportionate share of the net pension liability | \$ 4,311,336                               | \$ 2,883,730             | \$ 1,696,675                               |

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2024, the District reported a net pension liability of \$2,883,730 for its proportionate share of the TRS 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 | \$ 2,883,730         |
| State's proportionate share that is associated with the District       | 7,146,323            |
| <b>Total</b>                                                           | <b>\$ 10,030,053</b> |

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

The net pension liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 through August 31, 2023.

For the fiscal years ended August 31, 2024 and 2023, the District's proportion of the collective Net Pension Liability was as follows:

| 2024                          | 2023                          |                     |
|-------------------------------|-------------------------------|---------------------|
| Measurement Year<br>8/31/2023 | Measurement Year<br>8/31/2022 | Increase/(Decrease) |
| 0.0041981590%                 | 0.0040903695%                 | 0.0001077895%       |

*Changes Since the Prior Actuarial Valuation.* The following were changes to the actuarial assumptions or other inputs that affected measurement of the Net Pension Liability since the prior measurement period:

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

For the year ended August 31, 2024, the District recognized pension expense of \$1,764,946 and revenue of \$1,079,033 for support provided by the State in the government-wide financial statements.

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

|                                                                                                                        | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences Between Expected and Actual Economic Experience                                                            | \$ 102,748                        | \$ 34,919                        |
| Changes in Actuarial Assumptions                                                                                       | 272,744                           | 66,747                           |
| Net Difference Between Projected and Actual Investment Earnings                                                        | 419,652                           | -                                |
| Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions | 584,940                           | 27,975                           |
| District Contributions Paid to TRS Subsequent to the Measurement Date                                                  | 220,639                           | -                                |
| <b>Total</b>                                                                                                           | <b>\$ 1,600,723</b>               | <b>\$ 129,641</b>                |

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

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:

| <b>Pension Expense</b>     |                            |
|----------------------------|----------------------------|
| <b>Year Ended June 30:</b> | <b>Amount</b>              |
| 2025                       | \$ 363,855                 |
| 2026                       | 307,910                    |
| 2027                       | 433,948                    |
| 2028                       | 128,245                    |
| 2029                       | 16,486                     |
| Thereafter                 | (1)                        |
|                            | <b><u>\$ 1,250,443</u></b> |

**I. Defined Other Post-Employment Benefit Plan (OPEB)**

*Plan Description.* The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost sharing defined benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2023 are as follows:

|                                       |                                 |
|---------------------------------------|---------------------------------|
| Total OPEB Liability                  | \$ 26,028,070,267               |
| Less: Plan Fiduciary Net Position     | (3,889,765,203)                 |
| <b>Net OPEB Liability</b>             | <b><u>\$ 22,138,305,064</u></b> |
| Net Position as Percentage of Total P | 14.94%                          |

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

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

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

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

| <b>TRS-CARE Monthly Premium Rates</b> |                 |                     |
|---------------------------------------|-----------------|---------------------|
|                                       | <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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% of the salary of each active employee of the public or charter school. 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>Contribution Rates</b> |             |
|-------------------------------------------------|---------------------------|-------------|
|                                                 | <b>2023</b>               | <b>2024</b> |
| Member                                          | 0.65%                     | 0.65%       |
| Non-Employer Contributing Entity (NECE) (State) | 1.25%                     | 1.25%       |
| Employers                                       | 0.75%                     | 0.75%       |
| Federal/private Funding remitted by Employers   | 1.25%                     | 1.25%       |
| 2024 Employer Contributions                     |                           | \$ 68,697   |
| 2024 Member Contributions                       |                           | \$ 52,114   |
| 2023 NECE On-Behalf Contributions               |                           | \$ 78,860   |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS Care a monthly surcharge of \$535 per retiree.

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

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
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The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

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

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

*Additional Actuarial Methods and Assumptions:*

|                                        |                                                                                                                                                                                                                                                                          |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date                         | August 31, 2022, rolled forward to August 31, 2023                                                                                                                                                                                                                       |
| Actuarial Cost Method                  | Individual Entry Age Normal                                                                                                                                                                                                                                              |
| Amortization Method                    | Level Percentage of Payroll, Open                                                                                                                                                                                                                                        |
| Remaining Amortization Period          | 30 years                                                                                                                                                                                                                                                                 |
| Inflation                              | 2.30%                                                                                                                                                                                                                                                                    |
| Single Discount Rate                   | 4.13% as of August 31, 2023                                                                                                                                                                                                                                              |
| Aging Factors                          | Based on plan specific experience                                                                                                                                                                                                                                        |
| Expenses                               | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.                                                                                                                                       |
| Salary Increases*                      | 2.95% to 8.95%, including inflation*                                                                                                                                                                                                                                     |
| Health Trend Rates                     | The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for non-Medicare retirees. The initial prescription drug trend rate of 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years. |
| Election Rates                         | Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees - 30% are assumed to discontinue coverage at age 65.                                                                                                  |
| Ad hoc Post-Employment Benefit Changes | None                                                                                                                                                                                                                                                                     |
| *Includes inflation at 2.30%           |                                                                                                                                                                                                                                                                          |

**Discount Rate.** A single discount rate of 4.13% was used to measure the Total OPEB Liability. There was an increase of .22% in the discount rate since the previous year. Because the plan is 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 used for the long-term rate of return and 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% point lower than and 1% point higher than the discount rate that was used (4.13%) in measuring the Net OPEB Liability:

|                                                          | 1% Decrease in<br>Discount Rate<br>(3.13%) | Current<br>Single Discount<br>Rate (4.13%) | 1% Increase in<br>Discount Rate<br>(5.13%) |
|----------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| District's proportionate share of the Net OPEB liability | \$ 1,964,392                               | \$ 1,667,860                               | \$ 1,425,883                               |

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*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 \$1,667,860 for its proportionate share of the TRS' Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

|                                                                     |                     |
|---------------------------------------------------------------------|---------------------|
| District's proportionate share of the collective Net OPEB liability | \$ 1,667,860        |
| State's proportionate share that is associated with the District    | 2,012,530           |
| <b>Total</b>                                                        | <b>\$ 3,680,390</b> |

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

For the fiscal years ended August 31, 2024 and 2023, the District's proportion of the collective Net OPEB Liability was as follows:

| 2024             | 2023             |                     |
|------------------|------------------|---------------------|
| Measurement Year | Measurement Year |                     |
| 8/31/2023        | 8/31/2022        | Increase/(Decrease) |
| 0.0075338216%    | 0.0075844276%    | -0.0000506060%      |

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

|                                                          | 1% Decrease in<br>Healthcare<br>Trend Rate | Current Single<br>Healthcare<br>Trend Rate | 1% Increase in<br>Healthcare<br>Trend Rate |
|----------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| District's proportionate share of the Net OPEB Liability | \$ 1,373,400                               | \$ 1,667,860                               | \$ 2,046,685                               |

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

- The discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- There were no changes in benefit terms since the prior measurement date.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

The amount of OPEB expense recognized by the District in the reporting period was \$(741,309). On August 31, 2024 the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

|                                                                                                                        | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences Between Expected and Actual Economic Experience                                                            | \$ 75,458                                 | \$ 1,403,189                             |
| Changes in Actuarial Assumptions                                                                                       | 227,651                                   | 1,021,275                                |
| Net Difference Between Projected and Actual Investment Earnings                                                        | 721                                       | -                                        |
| Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions | 205,681                                   | 200,665                                  |
| District Contributions Paid to TRS Subsequent to the Measurement Date                                                  | 68,697                                    | -                                        |
| <b>Total</b>                                                                                                           | <b>\$ 578,208</b>                         | <b>\$ 2,625,129</b>                      |

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

| <b>Year Ended June 30:</b> | <b>(Deferred Outflows)</b> |
|----------------------------|----------------------------|
| 2025                       | \$ (449,894)               |
| 2026                       | (373,396)                  |
| 2027                       | (269,833)                  |
| 2028                       | (317,642)                  |
| 2029                       | (274,220)                  |
| Thereafter                 | (430,633)                  |
|                            | <b>\$ (2,115,618)</b>      |

For the year ended August 31, 2024, the District recognized OPEB expense of \$(741,309) and revenue of (\$430,236) for support provided by the State.

**J. Medicare Part D – On Behalf Payments**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2024, 2023, and 2022, the subsidy payments received by TRS-Care on-behalf of the District were \$42,930, \$42,829 and \$32,056, respectively. These payments are recorded as equal revenues and expenditures/expenses in the financial statements.

**K. Health Care**

The District provides medical insurance coverage for its employees through the TRS-Active Care insurance provided by the TRS. This is a premium-based plan; payments are made on a monthly basis for all covered employees. The District contributes \$275 per month for each employee enrolled in the health insurance plan. Employees are able to choose from three types of coverage and are responsible for premiums in excess of the District subsidy, including dependent coverage.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

**III. OTHER INFORMATION**

**A. Risk Management**

**General**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; unemployment; injuries to employees; and natural disasters. For the year ended August 31 2024, the District purchased commercial insurance to cover general liabilities, including workers' compensation. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

Unemployment Compensation Pool

During the year ended August 31, 2024, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2024, the Fund anticipates that West Rusk County Consolidated ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year (August 31). The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

For the year ended August 31, 2024, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The District is self-funded for workers' compensation insurance. Claims Administrative Services, through its actuarial review of the workers' compensation self-insurance program, projected an undiscounted liability of \$93,877 as of August 31, 2024. The accrued liability for workers' compensation self-insurance of \$93,877 includes estimated incurred, but not reports, claims of \$37,632.

Because actual claims depend on such complex factors as inflation, changes in legal Doctrine and damages awarded, the process used in computing the liability does not result necessarily in an exact amount. The District has maintained a self-insured retention of \$250,000 per occurrence and no aggregate limit.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

The following is a summary of the changes in the balances of claims liabilities for workers' compensation for the years ended August 31, 2024 and 2023:

|                                                       | <b>2024</b>      | <b>2023</b>      |
|-------------------------------------------------------|------------------|------------------|
| Liability, beginning of period                        | \$ 98,419        | \$ 91,977        |
| Changes in the est. for current & prior period claims | 5,539            | 18,140           |
| Payments on claims                                    | (10,081)         | (11,698)         |
| <b>Liability, end of period</b>                       | <b>\$ 93,877</b> | <b>\$ 98,419</b> |

**B. Litigation and Contingencies**

The District is a party to various legal actions none of which the Administration, based on consultation with its legal counsel, believes will have a material effect on the financial condition of the District. Accordingly, no provisions for gains or losses have been recorded in the accompanying government-wide or fund financial statements for contingencies.

The District participates in state and federal grant programs governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. To the extent that the District has not complied with the rules and regulations governing the grants, if any, claims may be disallowed. Any disallowed claims, including amounts already collected, may constitute a liability of the District.

In the opinion of the Administration, no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants exist; therefore, no provision has been recorded in the accompanying government-wide or fund financial statements.

**C. Construction and Other Significant Commitments**

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executory contracts), and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate accounts are checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes.

Prior to the end of the year, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at year end, the school district likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, outstanding encumbrances are not considered expenditures for the fiscal year, only a commitment to expend resources.

If the school district allows encumbrances to lapse, even though it plans to honor encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at fiscal year are included in restricted, committed, or assigned fund balance, as appropriate.

At August 31, 2024, the District had commitments under construction contracts totaling approximately \$796,000.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

**D. Related Organizations**

The West Rusk County Consolidated ISD Education Foundation (“Foundation”), a non-profit entity which was organized in 2009 to provide funds for District teaching and education programs, is a “related organization” as defined by GASB Statement No. 61. The members of the Board of Directors of the Foundation serve without financial compensation. The operations of the Foundation are not financially significant to the overall operations of the District, and therefore are not reported in the District’s financial statements.

**E. Subsequent Events**

In preparing the financial statements, the District has evaluated subsequent events through December 16, 2024, the date the financials were available to be issued. The District is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to or disclosure in, the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2024

| Data<br>Control<br>Codes |                                                | Budgeted Amounts |              | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|--------------------------|------------------------------------------------|------------------|--------------|--------------------------------|------------------------------------------------------------|
|                          |                                                | Original         | Final        |                                |                                                            |
| REVENUES:                |                                                |                  |              |                                |                                                            |
| 5700                     | Total Local and Intermediate Sources           | \$ 3,538,589     | \$ 3,538,589 | \$ 3,468,222                   | \$ (70,367)                                                |
| 5800                     | State Program Revenues                         | 8,832,761        | 8,832,761    | 9,229,193                      | 396,432                                                    |
| 5900                     | Federal Program Revenues                       | 290,000          | 290,000      | 120,675                        | (169,325)                                                  |
| 5020                     | Total Revenues                                 | 12,661,350       | 12,661,350   | 12,818,090                     | 156,740                                                    |
| EXPENDITURES:            |                                                |                  |              |                                |                                                            |
| Current:                 |                                                |                  |              |                                |                                                            |
| 0011                     | Instruction                                    | 6,838,726        | 6,838,726    | 6,783,726                      | 55,000                                                     |
| 0012                     | Instructional Resources and Media Services     | 91,229           | 91,229       | 84,826                         | 6,403                                                      |
| 0013                     | Curriculum and Instructional Staff Development | 5,800            | 5,800        | 5,752                          | 48                                                         |
| 0023                     | School Leadership                              | 1,394,705        | 1,394,705    | 1,394,624                      | 81                                                         |
| 0031                     | Guidance, Counseling, and Evaluation Services  | 259,571          | 259,571      | 259,219                        | 352                                                        |
| 0033                     | Health Services                                | 107,376          | 107,376      | 106,681                        | 695                                                        |
| 0034                     | Student (Pupil) Transportation                 | 79,746           | 797,746      | 625,641                        | 172,105                                                    |
| 0036                     | Extracurricular Activities                     | 1,015,726        | 1,015,726    | 945,091                        | 70,635                                                     |
| 0041                     | General Administration                         | 777,367          | 777,367      | 777,328                        | 39                                                         |
| 0051                     | Facilities Maintenance and Operations          | 1,793,073        | 1,793,073    | 1,761,894                      | 31,179                                                     |
| 0052                     | Security and Monitoring Services               | 136,610          | 136,610      | 103,082                        | 33,528                                                     |
| 0053                     | Data Processing Services                       | 147,729          | 147,729      | 146,784                        | 945                                                        |
| Debt Service:            |                                                |                  |              |                                |                                                            |
| 0071                     | Principal on Long-Term Liabilities             | 37,000           | 37,000       | 37,000                         | -                                                          |
| 0072                     | Interest on Long-Term Liabilities              | 1,643            | 1,643        | 1,638                          | 5                                                          |
| Intergovernmental:       |                                                |                  |              |                                |                                                            |
| 0099                     | Other Intergovernmental Charges                | 104,748          | 104,748      | 104,747                        | 1                                                          |
| 6030                     | Total Expenditures                             | 12,791,049       | 13,509,049   | 13,138,033                     | 371,016                                                    |
| 1200                     | Net Change in Fund Balances                    | (129,699)        | (847,699)    | (319,943)                      | 527,756                                                    |
| 0100                     | Fund Balance - September 1 (Beginning)         | 2,680,514        | 2,680,514    | 2,680,514                      | -                                                          |
| 3000                     | Fund Balance - August 31 (Ending)              | \$ 2,550,815     | \$ 1,832,815 | \$ 2,360,571                   | \$ 527,756                                                 |

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2024

|                                                                                                            | FY 2024<br><u>Plan Year 2023</u> | FY 2023<br><u>Plan Year 2022</u> | FY 2022<br><u>Plan Year 2021</u> |
|------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| District's Proportion of the Net Pension Liability (Asset)                                                 | 0.004198159%                     | 0.004090369%                     | 0.003740328%                     |
| District's Proportionate Share of Net Pension Liability (Asset)                                            | \$ 2,883,730                     | \$ 2,428,347                     | \$ 952,529                       |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District              | 7,146,323                        | 6,476,554                        | 3,030,865                        |
| Total                                                                                                      | <u>\$ 10,030,053</u>             | <u>\$ 8,904,901</u>              | <u>\$ 3,983,394</u>              |
| District's Covered Payroll                                                                                 | \$ 7,917,493                     | \$ 7,620,755                     | \$ 7,406,024                     |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 36.42%                           | 31.86%                           | 12.86%                           |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                 | 73.15%                           | 75.62%                           | 88.79%                           |

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2023 for year 2024, August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

| <u>FY 2021</u><br><u>Plan Year 2020</u> | <u>FY 2020</u><br><u>Plan Year 2019</u> | <u>FY 2019</u><br><u>Plan Year 2018</u> | <u>FY 2018</u><br><u>Plan Year 2017</u> | <u>FY 2017</u><br><u>Plan Year 2016</u> | <u>FY 2016</u><br><u>Plan Year 2015</u> | <u>FY 2015</u><br><u>Plan Year 2014</u> |
|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| 0.0038444%                              | 0.001044107%                            | 0.001051993%                            | 0.001106573%                            | 0.00168781%                             | 0.0020036%                              | 0.0024178%                              |
| \$ 2,058,982                            | \$ 542,759                              | \$ 579,043                              | \$ 353,822                              | \$ 637,798                              | \$ 708,246                              | \$ 645,829                              |
| 6,798,367                               | 6,091,817                               | 6,577,000                               | 3,933,347                               | 4,827,515                               | 4,744,910                               | 3,990,145                               |
| <u>\$ 8,857,349</u>                     | <u>\$ 6,634,576</u>                     | <u>\$ 7,156,043</u>                     | <u>\$ 4,287,169</u>                     | <u>\$ 5,465,313</u>                     | <u>\$ 5,453,156</u>                     | <u>\$ 4,635,974</u>                     |
| \$ 6,753,161                            | \$ 6,634,576                            | \$ 7,156,043                            | \$ 4,287,169                            | \$ 5,465,313                            | \$ 5,453,156                            | \$ 4,635,974                            |
| 30.49%                                  | 8.18%                                   | 8.09%                                   | 8.25%                                   | 11.67%                                  | 12.99%                                  | 13.93%                                  |
| 75.54%                                  | 75.24%                                  | 73.74%                                  | 82.17%                                  | 78.00%                                  | 78.43%                                  | 83.25%                                  |

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2024

|                                                                     | <u>2024</u>  | <u>2023</u>  | <u>2022</u>  |
|---------------------------------------------------------------------|--------------|--------------|--------------|
| Contractually Required Contribution                                 | \$ 220,639   | \$ 215,775   | \$ 190,869   |
| Contribution in Relation to the Contractually Required Contribution | (220,639)    | (215,775)    | (190,869)    |
| Contribution Deficiency (Excess)                                    | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| District's Covered Payroll                                          | \$ 8,017,538 | \$ 7,917,493 | \$ 7,620,755 |
| Contributions as a Percentage of Covered Payroll                    | 2.75%        | 2.73%        | 2.50%        |

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

| 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 159,595   | \$ 158,621   | \$ 36,545    | \$ 35,439    | \$ 36,267    | \$ 53,626    | \$ 79,640    |
| (159,595)    | (158,621)    | (36,545)     | (35,439)     | (36,267)     | (53,626)     | (79,640)     |
| \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| \$ 7,406,024 | \$ 7,666,628 | \$ 6,753,161 | \$ 6,551,206 | \$ 6,444,142 | \$ 6,434,966 | \$ 6,406,279 |
| 2.15%        | 2.07%        | 0.54%        | 0.54%        | 0.56%        | 0.83%        | 1.24%        |

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2024

|                                                                                                         | FY 2024<br>Plan Year 2023 | FY 2023<br>Plan Year 2022 | FY 2022<br>Plan Year 2021 |
|---------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits                    | 0.007533822%              | 0.007584428%              | 0.007534941%              |
| District's Proportionate Share of Net OPEB Liability (Asset)                                            | \$ 1,667,860              | \$ 1,816,016              | \$ 2,906,563              |
| State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District              | 2,012,530                 | 2,215,254                 | 3,894,147                 |
| Total                                                                                                   | <u>\$ 3,680,390</u>       | <u>\$ 4,031,270</u>       | <u>\$ 6,800,710</u>       |
| District's Covered Payroll                                                                              | \$ 7,917,493              | \$ 7,620,755              | \$ 7,406,024              |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 21.07%                    | 23.83%                    | 39.25%                    |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability                                 | 14.94%                    | 11.52%                    | 6.18%                     |

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

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

| FY 2021<br>Plan Year 2020 |           | FY 2020<br>Plan Year 2019 |           | FY 2019<br>Plan Year 2018 |           | FY 2018<br>Plan Year 2017 |           |
|---------------------------|-----------|---------------------------|-----------|---------------------------|-----------|---------------------------|-----------|
| 0.007959268%              |           | 0.007608178%              |           | 0.007573453%              |           | 0.007334664%              |           |
| \$                        | 3,025,677 | \$                        | 3,598,000 | \$                        | 3,781,494 | \$                        | 3,189,570 |
| 4,065,785                 |           | 4,780,938                 |           | 5,713,107                 |           | 5,136,842                 |           |
| \$                        | 7,091,462 | \$                        | 8,378,938 | \$                        | 9,494,601 | \$                        | 8,326,412 |
| \$                        | 6,753,162 | \$                        | 6,753,162 | \$                        | 6,551,206 | \$                        | 6,444,142 |
| 44.80%                    |           | 53.28%                    |           | 57.72%                    |           | 49.50%                    |           |
| 4.99%                     |           | 2.66%                     |           | 1.57%                     |           | 0.91%                     |           |

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2024

|                                                                     | 2024         | 2023         | 2022         |
|---------------------------------------------------------------------|--------------|--------------|--------------|
| Contractually Required Contribution                                 | \$ 68,697    | \$ 65,353    | \$ 62,294    |
| Contribution in Relation to the Contractually Required Contribution | (68,697)     | (65,353)     | (62,294)     |
| Contribution Deficiency (Excess)                                    | \$ -         | \$ -         | \$ -         |
| District's Covered Payroll                                          | \$ 8,017,538 | \$ 7,917,493 | \$ 7,620,755 |
| Contributions as a Percentage of Covered Payroll                    | 0.86%        | 0.83%        | 0.82%        |

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

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

|    | 2021      | 2020         | 2019         | 2018         |
|----|-----------|--------------|--------------|--------------|
| \$ | 58,865    | \$ 60,496    | \$ 53,997    | \$ 52,246    |
|    | (58,865)  | (60,496)     | (53,997)     | (52,246)     |
| \$ | -         | \$ -         | \$ -         | \$ -         |
|    |           |              |              |              |
| \$ | 7,405,024 | \$ 7,666,628 | \$ 6,753,162 | \$ 6,551,206 |
|    | 0.79%     | 0.79%        | 0.80%        | 0.80%        |

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Notes to Schedule of Revenue, Expenditures, and Changes in Fund Balance**

*Budgetary Information*

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

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations, must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available or estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the year ended August 31, 2024.

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

The official school budget for fiscal year 2024 was prepared for adoption for budgeted governmental fund types by August 31, 2023. The budget was adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods and purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year’s budget.

The TEA requires the budgets for the General Fund, Debt Service Fund, and Child Nutrition Program to be filed with the TEA. The budget should not be exceeded in any functional category under TEA requirements. For the year ended August 31, 2024, the District’s expenditures did not exceed appropriations.

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Notes to the Schedule of the District's Proportionate Share of the Net Pension Liability**

*Changes in Benefits*

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

*Changes of Assumptions*

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

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

**Notes to Schedule of the District's Proportionate Share of the Net OPEB Liability**

*Changes in Benefits*

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

*Changes of Assumptions*

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

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

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## **COMPLIANCE SCHEDULES**

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2024

| Last 10 Years Ended<br>August 31                          | (1)         | (2)          | (3)                                                    |
|-----------------------------------------------------------|-------------|--------------|--------------------------------------------------------|
|                                                           | Tax Rates   |              | Assessed/Appraised<br>Value for School<br>Tax Purposes |
|                                                           | Maintenance | Debt Service |                                                        |
| 2015 and prior years                                      | Various     | Various      | \$ Various                                             |
| 2016                                                      | 1.040000    | 0.32000      | 470,874,853                                            |
| 2017                                                      | 1.040000    | 0.32000      | 343,097,353                                            |
| 2018                                                      | 1.040000    | 0.32000      | 337,636,176                                            |
| 2019                                                      | 1.040000    | 0.32000      | 349,487,941                                            |
| 2020                                                      | 0.970000    | 0.32000      | 369,558,450                                            |
| 2021                                                      | 0.956400    | 0.32000      | 311,043,873                                            |
| 2022                                                      | 0.963400    | 0.32000      | 324,321,957                                            |
| 2023                                                      | 0.854600    | 0.32000      | 430,513,281                                            |
| 2024 (School year under audit)                            | 0.669200    | 0.32000      | 468,578,144                                            |
| 1000 TOTALS                                               |             |              |                                                        |
| 8000 Total Taxes Refunded Under Section 26.1115, Tax Code |             |              |                                                        |

| (10)<br>Beginning<br>Balance<br>9/1/2023 | (20)<br>Current<br>Year's<br>Total Levy | (31)<br>Maintenance<br>Collections | (32)<br>Debt Service<br>Collections | (40)<br>Entire<br>Year's<br>Adjustments | (50)<br>Ending<br>Balance<br>8/31/2024 | (99)<br>Taxes Refunded<br>Under Section<br>26.1115c |
|------------------------------------------|-----------------------------------------|------------------------------------|-------------------------------------|-----------------------------------------|----------------------------------------|-----------------------------------------------------|
| \$ 212,622                               | \$ -                                    | \$ 9,828                           | \$ 1,981                            | \$ (10,806)                             | \$ 190,007                             |                                                     |
| 33,639                                   | -                                       | 2,138                              | 658                                 | (1,680)                                 | 29,163                                 |                                                     |
| 30,524                                   | -                                       | 2,991                              | 920                                 | (1,860)                                 | 24,753                                 |                                                     |
| 36,589                                   | -                                       | 3,573                              | 1,099                               | (2,020)                                 | 29,897                                 |                                                     |
| 43,563                                   | -                                       | 4,210                              | 1,296                               | (2,298)                                 | 35,759                                 |                                                     |
| 51,259                                   | -                                       | 5,468                              | 1,804                               | (2,006)                                 | 41,981                                 |                                                     |
| 67,804                                   | -                                       | 13,511                             | 4,521                               | (427)                                   | 49,345                                 |                                                     |
| 109,426                                  | -                                       | 26,567                             | 8,824                               | (4,377)                                 | 69,658                                 |                                                     |
| 179,904                                  | -                                       | 46,580                             | 17,442                              | (14,112)                                | 101,770                                |                                                     |
| -                                        | 4,635,175                               | 3,016,662                          | 1,442,516                           | -                                       | 175,997                                |                                                     |
| <u>\$ 765,330</u>                        | <u>\$ 4,635,175</u>                     | <u>\$ 3,131,528</u>                | <u>\$ 1,481,061</u>                 | <u>\$ (39,586)</u>                      | <u>\$ 748,330</u>                      |                                                     |

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WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2024

| Data<br>Control<br>Codes                    | Budgeted Amounts |            | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|---------------------------------------------|------------------|------------|--------------------------------|------------------------------------------------------------|
|                                             | Original         | Final      |                                |                                                            |
| REVENUES:                                   |                  |            |                                |                                                            |
| 5700 Total Local and Intermediate Sources   | \$ 30,000        | \$ 30,000  | \$ 29,074                      | \$ (926)                                                   |
| 5800 State Program Revenues                 | 45,155           | 45,155     | 67,946                         | 22,791                                                     |
| 5900 Federal Program Revenues               | 875,554          | 875,554    | 814,397                        | (61,157)                                                   |
| 5020 Total Revenues                         | 950,709          | 950,709    | 911,417                        | (39,292)                                                   |
| EXPENDITURES:                               |                  |            |                                |                                                            |
| Current:                                    |                  |            |                                |                                                            |
| 0035 Food Services                          | 1,076,107        | 1,076,107  | 1,044,640                      | 31,467                                                     |
| 6030 Total Expenditures                     | 1,076,107        | 1,076,107  | 1,044,640                      | 31,467                                                     |
| 1200 Net Change in Fund Balances            | (125,398)        | (125,398)  | (133,223)                      | (7,825)                                                    |
| 0100 Fund Balance - September 1 (Beginning) | 307,255          | 307,255    | 307,255                        | -                                                          |
| 3000 Fund Balance - August 31 (Ending)      | \$ 181,857       | \$ 181,857 | \$ 174,032                     | \$ (7,825)                                                 |

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2024

| Data<br>Control<br>Codes |                                        | Budgeted Amounts |              | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|--------------------------|----------------------------------------|------------------|--------------|--------------------------------|------------------------------------------------------------|
|                          |                                        | Original         | Final        |                                |                                                            |
| REVENUES:                |                                        |                  |              |                                |                                                            |
| 5700                     | Total Local and Intermediate Sources   | \$ 1,615,152     | \$ 1,615,152 | \$ 1,516,991                   | \$ (98,161)                                                |
| 5800                     | State Program Revenues                 | 15,000           | 15,000       | 151,092                        | 136,092                                                    |
| 5020                     | Total Revenues                         | 1,630,152        | 1,630,152    | 1,668,083                      | 37,931                                                     |
| EXPENDITURES:            |                                        |                  |              |                                |                                                            |
| Debt Service:            |                                        |                  |              |                                |                                                            |
| 0071                     | Principal on Long-Term Liabilities     | 705,000          | 705,000      | 705,000                        | -                                                          |
| 0072                     | Interest on Long-Term Liabilities      | 333,988          | 333,988      | 333,988                        | -                                                          |
| 0073                     | Bond Issuance Cost and Fees            | 500              | 4,500        | 4,500                          | -                                                          |
| 6030                     | Total Expenditures                     | 1,039,488        | 1,043,488    | 1,043,488                      | -                                                          |
| 1200                     | Net Change in Fund Balances            | 590,664          | 586,664      | 624,595                        | 37,931                                                     |
| 0100                     | Fund Balance - September 1 (Beginning) | 573,528          | 573,528      | 573,528                        | -                                                          |
| 3000                     | Fund Balance - August 31 (Ending)      | \$ 1,164,192     | \$ 1,160,192 | \$ 1,198,123                   | \$ 37,931                                                  |

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 2024

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**Section A: Compensatory Education Programs**

|     |                                                                                                                                       |         |
|-----|---------------------------------------------------------------------------------------------------------------------------------------|---------|
| 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.                     | 1191421 |
| AP4 | Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30) | 766447  |

**Section B: Bilingual Education Programs**

|     |                                                                                                                   |        |
|-----|-------------------------------------------------------------------------------------------------------------------|--------|
| 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.          | 82260  |
| AP8 | Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)   | 146833 |

## **FEDERAL AWARDS SECTION**

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**MAYS & ASSOCIATES<sup>PLLC</sup>**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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

To the Board of Trustees  
WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
New London, Texas

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 West Rusk County Consolidated Independent School District (the District), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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.

  
Mays & Associates, PLLC

Baytown, Texas  
December 16, 2024



# MAYS & ASSOCIATES<sup>PLLC</sup>

## CERTIFIED PUBLIC ACCOUNTANTS

### **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
New London, Texas

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

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

We have audited West Rusk County Consolidated Independent School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2024. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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 the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

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

##### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the 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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

#### **Report on Internal Control over Compliance**

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

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

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

The 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.

  
Mays & Associates, PLLC

Baytown, Texas  
December 16, 2024

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**I. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

|                                                       |                       |                                    |
|-------------------------------------------------------|-----------------------|------------------------------------|
| Type of auditors' report issued:                      | <u>Unmodified</u>     |                                    |
| Internal control over financial reporting:            |                       |                                    |
| Material weakness(es) identified?                     | <u>          </u> yes | <u>      X      </u> no            |
| Significant deficiencies identified?                  | <u>          </u> yes | <u>      X      </u> none reported |
| Noncompliance material to financial statements noted: | <u>          </u> yes | <u>      X      </u> no            |

*Federal Awards*

|                                                                                                            |                       |                                    |
|------------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------|
| Internal control over major programs:                                                                      |                       |                                    |
| Material weakness(es) identified?                                                                          | <u>          </u> yes | <u>      X      </u> no            |
| Significant deficiencies identified?                                                                       | <u>          </u> yes | <u>      X      </u> none reported |
| Type of auditors' report issued on compliance for major programs:                                          | <u>Unmodified</u>     |                                    |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | <u>          </u> yes | <u>      X      </u> no            |

Major programs:

|                |                                    |
|----------------|------------------------------------|
| CFDA Number(s) | Name of Federal Program or Cluster |
| 10.553; 10.555 | Child Nutrition Cluster            |

|                                                                          |                                               |
|--------------------------------------------------------------------------|-----------------------------------------------|
| Dollar threshold used to distinguish between type A and type B programs: | <u>\$ 750,000</u>                             |
| Auditee qualified as low-risk auditee?                                   | <u>      X      </u> yes <u>          </u> no |

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**II. FINANCIAL STATEMENT FINDINGS**

None noted

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None noted

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**FINANCIAL STATEMENT FINDINGS**

**2023-1 Excess Expenditures over Appropriations**

*Recommendation:* The District should review all expenditures during the year to ensure that any necessary budget amendments are brought to the Board of Trustees for approval before August 31.

*Current Status:* The Board adopted a balanced budget for the 2023-2024 school year and made several amendments during the year and reports no excess expenditures over appropriations for the year ended August 31, 2024.

*West Rusk County Consolidated Independent School District*

P.O. Box 168 · New London, TX 75682 · Telephone (903) 392-7850 · Fax (903) 392-7866

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2024**

NONE

WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2024

| (1)                                                                   | (2)                                  | (3)                                          | (4)                     |
|-----------------------------------------------------------------------|--------------------------------------|----------------------------------------------|-------------------------|
| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | Federal<br>Assistance<br>Listing No. | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                   |                                      |                                              |                         |
| Passed Through Texas Education Agency                                 |                                      |                                              |                         |
| ESEA, Title I, Part A - Improving Basic Programs                      | 84.010A                              | 24610101201914                               | \$ 331,390              |
| ESEA, Title V, Part B,2 - Rural & Low Income Prog.                    | 84.358A                              | 24696001201914                               | 31,895                  |
| Title III, Part A - English Language Acquisition                      | 84.365A                              | 24671003201914                               | 1,056                   |
| ESEA, Title II, Part A, Teacher Principal Training                    | 84.367A                              | 24694501201914                               | 55,593                  |
| TITLE IV, Part A, Subpart 1                                           | 84.424A                              | 24680101201914                               | 21,388                  |
| Total Passed Through Texas Education Agency                           |                                      |                                              | 441,322                 |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                             |                                      |                                              | 441,322                 |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                 |                                      |                                              |                         |
| Passed Through the Texas Department of Agriculture                    |                                      |                                              |                         |
| *School Breakfast Program                                             | 10.553                               | 00957                                        | 261,743                 |
| *National School Lunch Program - Cash Assistance                      | 10.555                               | 00957                                        | 505,991                 |
| *National School Lunch Prog. - Non-Cash Assistance                    | 10.555                               | 00957                                        | 46,663                  |
| Total Assistance Listing Number 10.555                                |                                      |                                              | 552,654                 |
| Total Child Nutrition Cluster                                         |                                      |                                              | 814,397                 |
| Total Passed Through the Texas Department of Agriculture              |                                      |                                              | 814,397                 |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                           |                                      |                                              | 814,397                 |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                           |                                      |                                              | \$ 1,255,719            |
| *Clustered Programs                                                   |                                      |                                              |                         |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**WEST RUSK COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1. The District utilizes the fund types specified in Texas Education Agency's (TEA) *Financial Accountability System Resource Guide*.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2024. The information in the SEFA is presented in accordance with the 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).

Because the SEFA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

2. The District has not elected to use the 10% de minimis indirect cost rate under the Uniform Guidance.
3. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types and agency funds are accounted for using a current financial resources measurement focus. All federal grant funds are accounted for in the special revenue funds, a component of the governmental fund type. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, (i.e., both measurable and available), and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

4. The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. [Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required, and the collectability of any related receivable at August 31, 2024 may be impaired.] In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.
5. Reconciliation of Federal Program Revenues:

|                                                    |                     |
|----------------------------------------------------|---------------------|
| Total Expenditures of Federal Awards (Exhibit K-1) | \$ 1,255,719        |
| Plus: School Health and Related Services (SHARS)   | <u>120,675</u>      |
| Total Federal program revenues (Exhibit C-3)       | <u>\$ 1,376,394</u> |

(Per TEA *Financial Accountability System Resource Guide* – SHARS reimbursements are not to be reported on Schedule of Expenditures of Federal Awards.)

## SCHOOLS FIRST QUESTIONNAIRE

EXHIBIT L-1

WESTRUSK COUNTY CONSOLIDATED ISD

Fiscal Year 2024

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|     |                                                                                                                                                                                                                                                                                                          |     |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| 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 Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If payments were not made or warrant hold not cleared within 30 days of when due, then payments are NOT timely.) | 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, answer is still YES.)                                                                                                                                    | 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 and/or substantial doubt about the district's ability to continue as a going concern?                                       | 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 district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the school district adopted its budget?                                                                               | Yes |
| SF9 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.                                                                                                                                                                                                 | 0   |

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## **APPENDIX E**

### **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.

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

### History and Purpose

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

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

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

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

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

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

not obligated itself to update the 2024 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the PSF Corporation's web site at <https://texaspsf.org> and with the MSRB at [www.emma.msrb.org](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 through the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard"). In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment, and the Fund is managed as an endowment fund with a long-term investment horizon. For a detailed description of the PSFC Board's investment objectives, as well as a description of the PSFC Board's roles and responsibilities in managing and administering the Fund, see the IPS and Board meeting materials (available on the PSF Corporation's website).

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

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

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

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

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

## **The Total Return Constitutional Amendment**

The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a "total-return-based" approach that provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding State fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April

2009, the Attorney General issued a legal opinion, Op. Tex. Att’y Gen. No. GA-0707 (2009) (“GA-0707”), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

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

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

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

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

| <u>Fiscal Year Ending</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u>      | <u>2022</u> | <u>2023<sup>2</sup></u> | <u>2024</u> |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|-------------|-------------------------|-------------|
| PSF(CORP) Distribution    | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -             | \$ -        | \$2,076                 | \$2,156     |
| PSF(SBOE) Distribution    | 839         | 1,056       | 1,056       | 1,236       | 1,236       | 1,102       | 1,102            | 1,731       | -                       | -           |
| PSF(SLB) Distribution     | -           | -           | -           | -           | 300         | 600         | 600 <sup>3</sup> | 415         | 115                     | -           |
| Per Student Distribution  | 173         | 215         | 212         | 247         | 306         | 347         | 341              | 432         | 440                     | 430         |

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

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

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

| <u>State Fiscal Biennium</u>              | <u>2010-11</u> | <u>2012-13</u> | <u>2014-15</u> | <u>2016-17</u> | <u>2018-19</u> | <u>2020-21</u> | <u>2022-23</u> | <u>2024-25</u> | <u>2026-27</u> |
|-------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <u>SBOE Distribution Rate<sup>1</sup></u> | 2.5%           | 4.2%           | 3.3%           | 3.5%           | 3.7%           | 2.974%         | 4.18%          | 3.32%          | 3.45%          |

<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 PSF Corp approved transfers of \$600 million per year directly to the ASF for fiscal biennium 2026-27.

#### PSF Corporation Strategic Asset Allocation

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

- Generate distributions for the benefit of public schools in Texas;
- Maintain the purchasing power of the Fund, after spending and inflation, in order to maintain intergenerational equity with respect to distributions from the Fund;

- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support Fund obligations; and
- Maintain a AAA credit rating, as assigned by a nationally recognized securities rating organization.

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

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

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

#### Comparative Investment Schedule – PSF(CORP)

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

|                                |                |              |              |               |
|--------------------------------|----------------|--------------|--------------|---------------|
| UNALLOCATED CASH               | <u>2,583.2</u> | <u>348.2</u> | <u>2,235</u> | <u>641.9%</u> |
| TOTAL PSF(CORP)<br>INVESTMENTS | 56,937.2       | \$ 52,379.8  | \$ 4,557.4   | 8.7%          |

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

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

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

##### Fair Value (in millions) August 31, 2024

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

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

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

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

If a school district fails to pay principal or interest on a bond as it is stated to mature, other amounts not due and payable are not accelerated and do not become due and payable by virtue of the district's default. The School District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not

apply to the obligation, if any, of a school district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed school district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond order provision requiring an interest rate change. The guarantee does not extend to any obligation of a school district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

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

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

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

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2025 fiscal year, the ratio is 7.86%. At February 27, 2025, there were 188 active open-enrollment charter schools in the State and there were 1,222 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

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

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

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 ("SB 389") was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBG 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 SDBG Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds" below.

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

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of January 31, 2025 the cost value of the Guarantee Program was \$48,560,433,760 (unaudited), thereby producing an IRS Limit of \$242,802,168,800 in principal amount of guaranteed bonds outstanding.

As of January 31, 2025, the estimated State Capacity Limit is \$169,961,518,160, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

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

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

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

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.86% in February 2025. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the “Charter District Reserve Fund”). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2025, the Charter District Reserve Fund contained \$120,355,020, which represented approximately 2.44% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

### **Charter District Risk Factors**

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

a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

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

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

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

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

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

#### Valuation of the PSF and Guaranteed Bonds

##### Permanent School Fund Valuations

| Fiscal Year<br>Ended 8/31 | Book Value <sup>(1)</sup> | Market Value <sup>(1)</sup> |
|---------------------------|---------------------------|-----------------------------|
| 2020                      | \$36,642,000,738          | \$46,764,059,745            |
| 2021                      | 38,699,895,545            | 55,582,252,097              |
| 2022                      | 42,511,350,050            | 56,754,515,757              |
| 2023                      | 43,915,792,841            | 59,020,536,667              |
| 2024 <sup>(2)</sup>       | 46,276,260,013            | 56,937,188,265              |

<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, 2024, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.2 million, and \$318.9 million, respectively, and market values of approximately \$4,540.6 million, \$277.4 million, \$153.1 million, and \$457.0 million, respectively.

### Permanent School Fund Guaranteed Bonds

| At 8/31 | Principal Amount <sup>(1)</sup> |
|---------|---------------------------------|
| 2020    | \$90,336,680,245                |
| 2021    | 95,259,161,922                  |
| 2022    | 103,239,495,929                 |
| 2023    | 115,730,826,682                 |
| 2024    | 125,815,981,603 <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, 2024 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$196,294,405,488, of which \$70,478,423,885 represents interest to be paid. As shown in the table above, at August 31, 2024, there were \$125,815,981,603 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$169,961,518,160 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of January 31, 2025, 7.69% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

### Permanent School Fund Guaranteed Bonds by Category<sup>(1)</sup>

| Fiscal<br>Year<br>Ended <u>8/31</u> | <u>School District Bonds</u> |                                 | <u>Charter District Bonds</u> |                                 | <u>Totals</u>           |                                 |
|-------------------------------------|------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------|---------------------------------|
|                                     | No. of<br><u>Issues</u>      | Principal<br><u>Amount (\$)</u> | No. of<br><u>Issues</u>       | Principal<br><u>Amount (\$)</u> | No. of<br><u>Issues</u> | Principal<br><u>Amount (\$)</u> |
| 2020                                | 3,296                        | 87,800,478,245                  | 64                            | 2,536,202,000                   | 3,360                   | 90,336,680,245                  |
| 2021                                | 3,346                        | 91,951,175,922                  | 83                            | 3,307,986,000                   | 3,429                   | 95,259,161,922                  |
| 2022                                | 3,348                        | 99,528,099,929                  | 94                            | 3,711,396,000                   | 3,442                   | 103,239,495,929                 |
| 2023                                | 3,339                        | 111,647,914,682                 | 102                           | 4,082,912,000                   | 3,441                   | 115,730,826,682                 |
| 2024 <sup>(2)</sup>                 | 3,330                        | 121,046,871,603                 | 103                           | 4,769,110,000                   | 3,433                   | 125,815,981,603                 |

<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 January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues, aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

### Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2024

The following discussion is derived from the Annual Report for the year ended August 31, 2024, including the Message from the Chief Executive Officer of the Fund, the Management's Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the PSF Corporation are referred to throughout this MD&A as the PSF(CORP). The Fund's non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

At the end of fiscal year 2024, the PSF(CORP) net position was \$57.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(CORP) is invested in global markets and liquid and illiquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2024, net of fees, were 10.12%, 7.31%, and 6.32%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). See "Comparative Investment Schedule - PSF(CORP)" for the PSF(CORP) holdings as of August 31, 2024.

Effective February 1, 2024, Texas PSF transitioned into a new strategic asset allocation. The new allocation of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include private credit, absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2024 Annual Report which is included by reference herein.

## PSF Returns Fiscal Year Ended 8-31-2024<sup>1</sup>

| <u>Portfolio</u>                | <u>Return</u> | <u>Benchmark<br/>Return<sup>2</sup></u> |
|---------------------------------|---------------|-----------------------------------------|
| Total PSF(CORP) Portfolio       | 10.12         | 9.28                                    |
| Domestic Large Cap Equities     | 27.30         | 27.14                                   |
| Domestic Small/Mid Cap Equities | 18.35         | 18.37                                   |
| International Equities          | 18.82         | 18.08                                   |
| Private Credit                  | 1.41          | 0.93                                    |
| Core Bonds                      | 7.08          | 7.30                                    |
| Absolute Return                 | 11.50         | 8.87                                    |
| Real Estate                     | (6.42)        | (7.22)                                  |
| Private Equity                  | 4.62          | 4.23                                    |
| High Yield                      | 12.03         | 12.53                                   |
| Natural Resources               | 12.36         | 6.42                                    |
| Infrastructure                  | 4.41          | 3.63                                    |
| Bank Loans                      | 3.02          | 3.23                                    |
| Short Term Investment Portfolio | 2.42          | 2.28                                    |

<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, 2024.

<sup>2</sup> Benchmarks are as set forth in the Annual Report for year ended August 31, 2024.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2024, \$2.2 billion was distributed to the ASF, \$600 million of which was distributed by the PSF(CORP) on behalf of the SLB.

### Other Events and Disclosures

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at <https://tea.texas.gov/sites/default/files/ch033a.pdf>. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at [texaspsf.org](https://texaspsf.org).

In addition, the SLB and GLO have established processes and controls over the administration of real estate transactions and are subject to provisions of the Texas Natural Resources Code and internal procedures in administering real estate transactions for Fund assets it manages.

As of August 31, 2024, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

### PSF Continuing Disclosure Undertaking

As of March 1, 2023, the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program, is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at [available at](https://tea.texas.gov/sites/default/files/ch033a.pdf) <https://tea.texas.gov/sites/default/files/ch033a.pdf>.

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

The MSRB has established the Electronic Municipal Market Access (“EMMA”) system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](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 reports as a special-purpose government engaged in business-type activities and reports to the State of Texas as a discretely presented component unit accounted for on an economic resources measurement focus and the accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the accrual basis of accounting, all revenues reported are recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

The SLB manages the Fund’s non-financial assets (PSF(SLB)), is classified as a governmental permanent fund and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related liability is incurred, if measurable.

The State’s current fiscal year end is August 31. Accordingly, the TEA and the PSF Corporation must provide updated information by the last day of February in each year, unless the State changes its fiscal year. If the State changes its fiscal year, the TEA and PSF Corporation will notify the MSRB of the change.

## **Event Notices**

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.)

In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information**

The TEA and the PSF Corporation have agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at [www.emma.msrb.org](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. On March 31, 2025, the TEA and the PSF Corporation became aware that the 2022 operating data was not timely filed with EMMA due to an administrative oversight. TEA and PSF Corporation took corrective action and filed a notice of late filing with EMMA on April 4, 2025. The annual operating data was previously posted to EMMA on March 31, 2023.

### **SEC Exemptive Relief**

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the “small issuer exemption” set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than \$10 million of outstanding municipal securities.

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