

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

Enhanced / Unenhanced Ratings: S&P “AAA” / “AA-”  
PSF Guarantee: “Applied For”  
(See “RATINGS” and “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”)

**PRELIMINARY OFFICIAL STATEMENT**

**Dated: August 8, 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.*

**\$14,460,000\***

**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**(A political subdivision of the State of Texas located in Yoakum County, Texas)**  
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025**

**Dated Date: August 1, 2025**

**Due: August 15, as shown on page 2**

**Interest Accrual Date: Date of Delivery (defined below)**

The Plains Independent School District (the “District”) is issuing its \$14,460,000\* Unlimited Tax School Building Bonds, Series 2025 (the “Bonds”) in accordance with the Constitution and general laws of the State of Texas, including, particularly, Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 4, 2024 (the “Election”), and a bond order (the “Order”) to be adopted by the Board of Trustees (the “Board”) of the District on August 13, 2025.

The Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. **An application has been filed by the District with, and conditional approval has been received from, the Texas Education Agency for the Bonds to be guaranteed by the Texas Permanent School Fund Guarantee Program (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).**

Interest on the Bonds will accrue from the date they are initially delivered to the initial purchaser thereof named below (the “Underwriter”), and will be payable on August 28, 2025 (an irregular interest payment date), and semiannually thereafter on each succeeding February 15 and August 15 of each year until stated maturity or prior redemption. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof within a maturity. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months (see “THE BONDS – General Description”).

The District intends to use the Book-Entry-Only System of The Depository Trust Company (“DTC”), but use of such system could be discontinued. The principal of and interest on the Bonds at maturity or on a prior redemption date will be payable to Cede & Co., as nominee for DTC, by BOKF, NA., Dallas, Texas, as the initial Paying Agent/Registrar (the “Paying Agent/Registrar”) for the Bonds. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** 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 (i) for acquiring, constructing, renovating and equipping school facilities, the purchase of necessary sites for school facilities, and the purchase of school buses and vehicles; (ii) for constructing, acquiring and equipping recreational facilities in the District, including a new field house, weight room, track, tennis courts, concession stand, bleachers and indoor practice facility, with any surplus proceeds remaining after completion of such projects to be used for the construction, acquisition, renovation and equipment of other recreational facilities in the District; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds (see “THE BONDS – Purpose”).

---

**CUSIP PREFIX: 726583 / MATURITY SCHEDULE & 9 DIGIT CUSIP – See Schedule on Page 2**

---

*The Bonds are offered when, as and if issued, and accepted by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about August 27, 2025 (the “Date of Delivery”).*

**HilltopSecurities**

\* Preliminary, subject to change.

**MATURITY SCHEDULE\***

<b>Maturity Date* (8/15)</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Initial Yield</b>	<b>CUSIP Suffix<sup>(A)</sup></b>
2026	\$ 805,000	%	%	
2027	770,000			
2028	810,000			
2029	850,000			
2030	890,000			
2031	940,000			
2032	985,000			
2033	1,035,000			
2034	1,085,000			
2035	1,135,000			
2036	1,195,000			
2037	1,255,000			
2038	1,315,000			
2039	1,390,000			

**(Interest to accrue from the Date of Delivery)**

**REDEMPTION\***...The Bonds maturing on and after August 15, 2031, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption Provisions”). If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the “Term Bonds”) by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order and will be described in the final Official Statement.

\* Preliminary, subject to change.

<sup>(A)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. None of the District, the Financial Advisor or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation by the Financial Advisor or the Underwriter.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction 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.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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 since the date hereof. See “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “CONTINUING DISCLOSURE OF INFORMATION” for a description of the undertakings of the Texas Education Agency (“TEA”) and the District, respectively, to provide certain information on a continuing basis.

THE 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 FOR THE PURCHASE THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER 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, the Financial Advisor, or the Underwriter 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 described under “BOOK-ENTRY-ONLY SYSTEM” or the affairs of the TEA described in “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” as such information has been provided by DTC and TEA, respectively.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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 purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Bonds or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

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

## TABLE OF CONTENTS

MATURITY SCHEDULE -----	2	Litigation Relating to the Texas Public School Finance System -----	18
USE OF INFORMATION IN OFFICIAL STATEMENT -----	3	Possible Effects of Changes in Law on District Bonds ----	19
TABLE OF CONTENTS -----	4	<b>CURRENT PUBLIC SCHOOL FINANCE SYSTEM -----</b>	<b>19</b>
SELECTED DATA FROM THE OFFICIAL STATEMENT -----	5	Overview -----	19
ELECTED OFFICIALS -----	7	2023 Regular and Special Legislative Sessions -----	19
CERTAIN DISTRICT OFFICIALS -----	7	2025 Legislative Sessions -----	20
CONSULTANTS AND ADVISORS -----	7	Local Funding for School Districts -----	20
INTRODUCTORY STATEMENT -----	8	State Funding for School Districts -----	21
THE BONDS -----	8	Local Revenue Level in Excess of Entitlement -----	23
Authorization -----	8	<b>CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS</b>	
Purpose -----	8	<b>APPLIED TO THE DISTRICT -----</b>	<b>24</b>
General Description -----	8	<b>AD VALOREM PROPERTY TAXATION -----</b>	<b>24</b>
Security -----	9	Valuation of Taxable Property -----	25
Permanent School Fund Guarantee -----	9	District and Taxpayer Remedies -----	27
Redemption Provisions -----	9	Levy and Collection of Taxes -----	27
Notice of Redemption -----	9	District's Rights in the Event of Tax Delinquencies -----	28
Legality -----	10	<b>THE PROPERTY TAX CODE AS APPLIED TO THE</b>	
Payment Record -----	10	<b>DISTRICT -----</b>	<b>28</b>
Defeasance of Bonds -----	10	<b>TAX RATE LIMITATIONS -----</b>	<b>29</b>
Amendments -----	11	M&O Tax Rate Limitations -----	29
Sources and Uses of Funds -----	11	I&S Tax Rate Limitations -----	29
<b>THE PERMANENT SCHOOL FUND GUARANTEE</b>		Public Hearing and Voter-Approval Tax Rate -----	30
<b>PROGRAM -----</b>	<b>11</b>	<b>RATINGS -----</b>	<b>31</b>
<b>REGISTERED OWNERS' REMEDIES -----</b>	<b>12</b>	<b>LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE</b>	
<b>BOOK-ENTRY-ONLY SYSTEM -----</b>	<b>12</b>	<b>PUBLIC FUNDS IN TEXAS -----</b>	<b>31</b>
Use of Certain Terms in Other Sections of this Official Statement -----	14	<b>INVESTMENT AUTHORITY AND INVESTMENT</b>	
Effect of Termination of Book-Entry-Only System -----	14	<b>OBJECTIVES OF THE DISTRICT -----</b>	<b>31</b>
<b>REGISTRATION, TRANSFER AND EXCHANGE -----</b>	<b>14</b>	Legal Investments -----	31
Paying Agent/Registrar -----	14	Investment Policies -----	32
Future Registration -----	14	Current Investments -----	32
Record Date for Interest Payment -----	15	<b>EMPLOYEES' BENEFIT PLANS -----</b>	<b>32</b>
Limitation on Transfer of Bonds -----	15	<b>EXPOSURE TO OIL AND GAS INDUSTRY -----</b>	<b>33</b>
Replacement Bonds -----	15	<b>WEATHER EVENTS -----</b>	<b>33</b>
<b>LEGAL MATTERS -----</b>	<b>15</b>	<b>CYBERSECURITY -----</b>	<b>33</b>
<b>TAX MATTERS -----</b>	<b>16</b>	<b>CONTINUING DISCLOSURE OF INFORMATION -----</b>	<b>34</b>
Opinion -----	16	Annual Reports -----	34
Federal Income Tax Accounting Treatment of Original Issue Discount -----	16	Notices of Certain Events -----	34
Collateral Federal Income Tax Consequences -----	17	Availability of Information from MSRB -----	35
State, Local and Foreign Taxes -----	18	Limitations and Amendments -----	35
Information Reporting and Backup Withholding -----	18	Compliance with Prior Undertakings -----	35
Future and Proposed Legislation -----	18	<b>LITIGATION -----</b>	<b>35</b>
<b>REGISTRATION AND QUALIFICATION OF BONDS FOR SALE -----</b>	<b>18</b>	<b>FINANCIAL ADVISOR -----</b>	<b>36</b>
<b>STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS -----</b>	<b>18</b>	<b>UNDERWRITING -----</b>	<b>36</b>
		<b>FORWARD-LOOKING STATEMENTS -----</b>	<b>36</b>
		<b>CONCLUDING STATEMENT -----</b>	<b>36</b>
		<b>MISCELLANEOUS -----</b>	<b>37</b>
<b>FINANCIAL INFORMATION REGARDING THE DISTRICT</b>			
<b>GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY</b>			Appendix A
<b>FORM OF LEGAL OPINION OF BOND COUNSEL</b>			Appendix B
<b>EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2024</b>			Appendix C
<b>THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM</b>			Appendix D
			Appendix E

*The cover page hereof, the section entitled "Selected Data from the Official Statement," this Table of Contents and the Appendices attached hereto are part of this Official Statement.*

## 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 the entire Official Statement.

<b>The District</b>	Plains Independent School District (the “District”) is a political subdivision of the State of Texas (the “State”) located in Yoakum 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. For more information regarding the District, see “Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT” and “Appendix B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY.”
<b>Authority for Issuance</b>	The District’s Unlimited Tax School Building Bonds, Series 2025 (the “Bonds”) are being issued pursuant to the Constitution and general laws of the State, including, particularly, Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 4, 2024 (the “Election”), and an order authorizing the issuance of the Bonds (the “Order”) to be adopted by the Board on August 13, 2025 (see “THE BONDS – Authorization”).
<b>The Bonds</b>	The Bonds shall mature on the dates and in the amounts set forth on page 2 of this Official Statement (see “THE BONDS – General Description”).
<b>Payment of Interest</b>	Interest on the Bonds will accrue from the date of their initial delivery (the “Date of Delivery”) to the initial purchaser thereof (the “Underwriter”) and will be payable on August 28, 2025 (an irregular interest payment date), and semiannually thereafter on each succeeding February 15 and August 15 of each year until stated maturity or prior redemption (see “THE BONDS – General Description”).
<b>Security</b>	The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied against all taxable property located within the District, without legal limit as to rate or amount (see “THE BONDS – Security”). Also see “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency (“TEA”) for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).
<b>Use of Proceeds</b>	Proceeds from the sale of the Bonds will be used (i) for acquiring, constructing, renovating and equipping school facilities, the purchase of necessary sites for school facilities, and the purchase of school buses and vehicles; (ii) for constructing, acquiring and equipping recreational facilities in the District, including a new field house, weight room, track, tennis courts, concession stand, bleachers and indoor practice facility, with any surplus proceeds remaining after completion of such projects to be used for the construction, acquisition, renovation and equipment of other recreational facilities in the District; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds (see “THE BONDS – Purpose”).
<b>Redemption Provisions*</b>	The Bonds maturing on and after August 15, 2031, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption Provisions”). If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the “Term Bonds”) by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order and will be described in the final Official Statement.

---

\* Preliminary, subject to change.

<b>Tax Exemption</b>	In the opinion of 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.
<b>Ratings</b>	<p>S&amp;P Global Ratings, a division of Standard &amp; Poor’s Financial Services LLC (“S&amp;P”) has assigned a municipal bond rating of “AAA” to the Bonds based upon the Permanent School Fund Guarantee. S&amp;P generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas “AAA” (see “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “RATINGS”).</p> <p>The District’s underlying rating for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is “AA-” by S&amp;P (see “RATINGS”).</p>
<b>Book-Entry-Only System</b>	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of and interest on the Bonds at maturity or on a prior redemption date will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM”).
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas (see “REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar”).
<b>Continuing Disclosure of Information</b>	Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events, which will be available to investors as described in the section captioned “CONTINUING DISCLOSURE OF INFORMATION.” Also see “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for a description of the undertaking of the TEA to provide certain information on a continuing basis.
<b>Payment Record</b>	The District has never defaulted on the payment of its bonded indebtedness.
<b>Legality</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 and tax exemption by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see “LEGAL MATTERS” and “TAX MATTERS”).

For additional information regarding the District, please contact:

Scott Mills  
Superintendent of Schools  
Plains Independent School District  
811 Cowboy Way  
Plains, Texas 79355  
Phone: (806) 456-7401

or

Joshua McLaughlin or  
Alison Long  
BOK Financial Securities, Inc.  
5601 Granite Parkway, Suite 1300  
Plano, Texas 75024  
Phone: (214) 576-0878

**PLAINS INDEPENDENT SCHOOL DISTRICT  
OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>
Bill Robles, President	May 2027	DPS Sergeant
Steven Bunch, Vice President	May 2026	Oil & Gas Team Lead
Patrick Hogue, Secretary	May 2026	Agriculture & Farming Operations Manager
Brandi Lopez, Member	May 2028	Yoakum County Assistant Auditor
Jared Bell, Member	May 2027	Farmer
Shayne Griffiths, Member	May 2027	Automation Technician
Stacy Franklin, Member	May 2028	Agricultural & Farming Sales Specialist

**CERTAIN DISTRICT OFFICIALS**

<u>Name</u>	<u>Position</u>
Scott Mills	Superintendent of Schools
Jorge Mendez	Business Manager
Jesenia Suarez	Business Office Specialist

**CONSULTANTS AND ADVISORS**

Auditors.....	Bolinger, Segars, Gilbert & Moss, L.L.P., CPAs Lubbock, Texas
Bond Counsel.....	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor.....	BOK Financial Securities, Inc. Plano, Texas

**PRELIMINARY OFFICIAL STATEMENT RELATING TO**  
**\$14,460,000\***  
**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**(A political subdivision of the State of Texas located in Yoakum County, Texas)**  
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025**

**INTRODUCTORY STATEMENT**

This Official Statement, including Appendices A, B and D, has been prepared by the Plains Independent School District located in Yoakum County, Texas (the “District”), in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2025 (the “Bonds”), identified on the 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 (see “FORWARD-LOOKING STATEMENTS”).

There follows in this Official Statement descriptions of the Bonds and the Order (as defined herein), and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the District’s Financial Advisor, BOK Financial Securities, Inc., 5601 Granite Parkway, Suite 1300, Plano, Texas 75024.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board (the “MSRB”) and will be available through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” for information regarding the EMMA system and for a description of the District’s undertaking to provide certain information on a continuing basis.

**THE BONDS**

**Authorization**

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including, particularly, Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 4, 2024 (the “Election”), and an order authorizing the issuance of the Bonds (the “Order”) to be adopted by the District’s Board of Trustees (the “Board”) on August 13, 2025. Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

**Purpose**

Proceeds from the sale of the Bonds will be used (i) for acquiring, constructing, renovating and equipping school facilities, the purchase of necessary sites for school facilities, and the purchase of school buses and vehicles; (ii) for constructing, acquiring and equipping recreational facilities in the District, including a new field house, weight room, track, tennis courts, concession stand, bleachers and indoor practice facility, with any surplus proceeds remaining after completion of such projects to be used for the construction, acquisition, renovation and equipment of other recreational facilities in the District; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds. After the issuance of the Bonds, the District will have no voter authorized but unissued unlimited ad valorem tax bonds remaining from the Election (see “Table 14 – Authorized But Unissued Bonds” in Appendix A).

**General Description**

The Bonds shall be dated August 1, 2025, and interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will accrue from the date of their initial delivery (the “Date of Delivery”) to the initial purchaser thereof (the “Underwriter”), at the interest rates shown on page 2 hereof and such interest shall be payable to the registered owners thereof on August 28, 2025 (an irregular interest payment date), and semiannually thereafter on each succeeding February 15 and August 15 until stated maturity or prior redemption. The Bonds are to mature on the dates and in the principal amounts shown on page 2 hereof. The Bonds will be issued as fully registered obligations in principal denominations of \$5,000 or any integral multiple thereof within a maturity. The paying agent and transfer agent for the Bonds is initially BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”).

\* Preliminary, subject to change.



Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners. The principal of and interest on the Bonds at maturity or upon prior redemption will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” for a more complete description of such system.

Interest on the Bonds will be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and such accrued interest will be paid by (i) check sent by United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date for determining the party to whom interest is payable on any interest payment date for the Bonds is the close of business on the last business day of the month next preceding such interest payment date; provided, however, the record date for the August 28, 2025 interest payment date shall be the Date of Delivery (the “Record Date”) (see “REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment”). The principal of the Bonds at maturity or on a prior redemption date will be payable only upon presentation and surrender of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption, as applicable; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under “BOOK-ENTRY-ONLY SYSTEM” herein.

### **Security**

The Bonds are direct obligations of the District and are payable as to principal and interest from an annual ad valorem tax levied on all taxable property within the District, without legal limit as to rate or amount, as provided in the Order. Additionally, the District has applied for and received from the Texas Education Agency (“TEA”) conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM,” “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”).

### **Permanent School Fund Guarantee**

In connection with the sale of the Bonds, the District has made application to and received conditional approval from the Texas Commissioner of Education for guarantee of the Bonds under the Texas Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code, as amended). Subject to satisfying certain conditions discussed in “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 default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund. The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased (see “THE BONDS – Defeasance of Bonds”).

### **Redemption Provisions\***

The Bonds maturing on and after August 15, 2031, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds or portions thereof within a maturity, to be redeemed.

If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the “Term Bonds”) by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order and will be described in the final Official Statement.

### **Notice of Redemption**

At least 30 days prior to the date fixed for any such redemption of the Bonds, the District shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each registered owner at the address shown 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.

---

\* Preliminary, subject to change.

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

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

#### **Legality**

The Bonds are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas (see "LEGAL MATTERS" and "Appendix C – FORM OF LEGAL OPINION OF BOND COUNSEL").

#### **Payment Record**

The District has never defaulted with respect to the payment of its bonded indebtedness.

#### **Defeasance of Bonds**

The Order provides for the defeasance of the Bonds when the payment on the Bonds to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure 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 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. In connection with pricing of the Bonds, the District may restrict such eligible securities and obligations as deemed appropriate. In the event the District restricts such eligible securities and obligations, the final Official Statement will reflect the new authorized Defeasance Securities. 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 District authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the District authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. There is no assurance that current State 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 as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the 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. After firm banking and financial arrangements for the defeasance of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or to take any action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the defeasance of the Bonds, 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 such banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

**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 holders of the Bonds aggregating in principal amount of a majority of outstanding Bonds that are the subject of a proposed amendment 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, 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 of interest or redemption premium 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.

**Sources and Uses of Funds**

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

<b>Sources:</b>	
Principal Amount of the Bonds	\$
[Net] Original Issue Reoffering Premium on the Bonds	
<b>Total Sources of Funds</b>	<b><u>\$</u></b>
<b>Uses:</b>	
Deposit to Construction Fund	\$
Costs of Issuance and Underwriter’s Discount	
Deposit to Interest and Sinking Fund <sup>(A)</sup>	
<b>Total Uses of Funds</b>	<b><u>\$</u></b>

<sup>(A)</sup> Represents excess premium used for capitalized interest.

**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.

### **REGISTERED OWNERS’ REMEDIES**

The Order specifies events of default as the failure of the District to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable, or default in the performance or observance of any other covenant, agreement or obligation of the District, which failure materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District. Upon an event of default, 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, as well as enforce rights of payment under the Permanent School Fund Guarantee, 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 State legislature has effectively waived the District’s sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce creditors’ rights 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. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

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. Initially, the only registered owner of the Bonds will be Cede & Co., as DTC’s nominee. See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the duties of DTC with regard to ownership of Bonds.

### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and principal of, premium, if any, interest and redemption payments 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 Underwriter believe the source of such information to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy or completeness thereof.*

*The District, the Financial Advisor and the Underwriter cannot and do 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 certificate will be issued for each stated maturity of the Bonds, as set forth on page 2 hereof, 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 rating from S&P Global Ratings 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 Paying Agent/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 the 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 the 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 dates 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 in 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. Payments on 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, Bond certificates are required to be printed and delivered.

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

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

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor or the Underwriter.

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

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

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

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

BOKF, NA, Dallas, Texas, has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Order, the District retains the right to replace 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 legally qualified bank, trust company, financial institution or other agency 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 agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date, and such interest will be paid (i) by check sent United States mail, first class, postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds at maturity or on a prior redemption date will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation and surrender to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under “BOOK-ENTRY-ONLY SYSTEM” herein. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

#### **Future Registration**

In the event the Book-Entry-Only System is discontinued, printed Bond certificates will be delivered to the owners of the Bonds and thereafter the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner. 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 kind and aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

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

The 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 month next preceding such interest payment date, except for the August 28, 2025 interest payment date, for which the Record Date will be the Date of Delivery. In the event of a nonpayment 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 (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 transfer or exchange with respect to Bonds (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, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

### **Replacement Bonds**

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount, maturity and interest rate 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 in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Paying Agent/Registrar of satisfactory evidence 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.

## **LEGAL MATTERS**

The District will furnish to the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law 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 Internal Revenue Code of 1986, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. The form of Bond Counsel's opinion is attached hereto as Appendix C.

Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District in connection with the issuance of the Bonds. Bond Counsel also advises the TEA in connection with its disclosure obligations under the federal securities laws, but Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement. Except as noted below, Bond Counsel 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 appearing under the captions, "THE BONDS" (except under the subcaptions "Permanent School Fund Guarantee," the fourth paragraph under "Notice of Redemption," "Payment Record" and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS" (except for the last two sentences of this paragraph), "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS" (except for the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations"), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance

with Prior Undertakings”) and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The District expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The legal fee of such firm is contingent upon the sale and delivery 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., Dallas, 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 the 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 of the Bonds.

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 the covenants and requirements described in the preceding paragraph, 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 by the District with respect to the Bonds or the facilities financed or refinanced with proceeds of the Bonds. Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion, and is not a guarantee of result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service 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 Internal Revenue Service. 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.

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

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities 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 Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriter'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.

## **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 "State Legislature") from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the State 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 State 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 and Student Fairness Coalition*, 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 State 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 State Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the State 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 State Legislature to cure the system’s unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions” (collectively, the “Contract Clauses”), which prohibit the enactment of laws that impair prior obligations of contracts.

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

## **CURRENT PUBLIC SCHOOL FINANCE SYSTEM**

### **Overview**

The following language constitutes only a summary of the public school finance system as it is currently structured. 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. Certain of the information provided below is contingent on voter approval of constitutional amendments that will be submitted to the voters at an election to be held on November 4, 2025. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” below.

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 rate for the purpose of creating a surplus to pay debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to \$1.50 per \$100 of taxable value. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. 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.

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

The regular session of the 88th Texas Legislature convened on January 10, 2023 and adjourned on May 29, 2023. The State Legislature meets in regular session in odd numbered years for 140 days. During the 88th Regular Session, the State 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 administrative agencies that oversee school districts. Legislation enacted by the State 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 “CURRENT PUBLIC SCHOOL FINANCE

SYSTEM – State Funding for School Districts – *Tier Two*”). The State 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.

When the State Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called and the State Legislature concluded four special sessions during the 88th Texas Legislature. 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 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 a local option general 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 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.

## **2025 Legislative Sessions**

The regular session of the 89th Texas Legislature commenced on January 14, 2025 and adjourned on June 2, 2025 (the “89th Regular Session”). As described above, the Governor may call special sessions when the State Legislature is not in session. During the 89th Regular Session, the State Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Subject to voter approval at a statewide election to be held on November 4, 2025, legislation passed by both houses of the State Legislature and signed by the Governor would increase: (1) the State mandated general homestead exemption of the appraised value for all homesteads from \$100,000 to \$140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000, and (3) the exemption for tangible personal property used in the “production of income” from \$2,499 to \$125,000. Additionally, both houses of the State 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, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the State 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 Governor identified eighteen (18) agenda items for this special session. Such items include legislation “reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes” and legislation that would replace certain standardized testing currently used by Texas school districts. Additional special sessions may be called by the Governor. During this time, the State Legislature may enact laws that materially change current law as it relates to funding public school, 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 future session of the State Legislature or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

## **Local Funding for School Districts**

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

generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein.

**State Compression Percentage.** The State Compression Percentage (the "SCP") is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The 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 MCR was established with \$0.6322 as the maximum rate and \$0.5689 as the floor; provided, however, that MCRs for such year may be adjusted as set forth in the next two paragraphs.

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

If the increase in the residence homestead exemption as proposed by 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.

### **State Funding for School Districts**

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

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

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

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

*Tier One.* Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance, other than students in average daily attendance who do not reside in the district and are enrolled in a full-time virtual program, for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon 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 a school district with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 plus the guaranteed yield increment adjustment (the "GYIA") for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For each year of the 2026-2027 fiscal 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 and retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by the 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 weight is 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$320 million for each year of the 2026-2027 State fiscal biennium.

*Tier Two.* Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the Basic Allotment multiplied by 0.02084. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Golden Penny levied of \$129.52 per student in WADA. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment multiplied by 0.008. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Copper Penny levied of \$49.72 per student in WADA.

*Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment.* The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the

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

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

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

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Commissioner. In the 2025 Legislative Sessions, the State Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 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, 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 the Texas Education Code, as amended (“Chapter 49”). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district’s Golden Pennies in excess of the school district’s respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as “recapture,” which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district’s funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption “*Options for Local Revenue Levels in Excess*

of Entitlement.” Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, 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.

## **CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT**

For the 2025-2026 fiscal year, the District was designated as an “excess local revenue” district by the TEA. Accordingly, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District intends to reduce its wealth per student, if needed, pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement” herein).

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

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

## **AD VALOREM PROPERTY TAXATION**

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



## Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Yoakum 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.

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 PROPERTY TAXATION – District and Taxpayer Remedies”).

Effective January 1, 2024, an appraisal district may only increase the appraised value of real property during the 2024 tax year on 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, 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 applicable Maximum Property Value. After such time, the value limitation provisions for non-homestead properties described above will expire unless extended by future legislation. For the 2025 tax year, the Maximum Property Value was increased to \$5,160,000.

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

See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of a potential increase in the general State mandated homestead exemption of the appraised value for all homesteads 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 a local option general homestead exemption described in (1) above that was granted in tax year 2022 through December 31, 2027.

State Mandated Freeze on School District Taxes. Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled.

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.

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

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

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

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

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 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. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Property Tax Code was amended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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 ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). During the regular session of the 88th Texas Legislature, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403T") was enacted into law. Chapter 403T 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. Under Chapter 403T, a school district may offer a 50% abatement on taxable value for M&O property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403T also provides a 100% abatement of M&O taxes for eligible property during a project's construction period. 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.

**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. For a schedule of the reductions in assessed valuation attributable to the exemptions allowed by the District, see "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT."

### **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 was set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and generally become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty

percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “AD VALOREM PROPERTY TAXATION – Valuation of Taxable Property – *Temporary Exemption for Qualified Property Damaged by a Disaster*” for further information related to a discussion of the applicability of this section of the Property Tax Code.

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

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

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

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

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

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

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Yoakum County. The Appraisal District is governed by a board of directors appointed by the governing bodies of various political subdivisions that participate in the Appraisal District. The District’s taxes are collected by the Yoakum County Tax Assessor-Collector.

The District grants a State mandated \$100,000 general residence homestead exemption. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of a potential increase in the State mandated general residence homestead exemption from \$100,000 to \$140,000.

The District grants a State mandated \$10,000 residence homestead exemption for persons 65 years of age or older and the disabled. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of a potential increase in the State mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000.

The District grants a State mandated residence homestead exemption for disabled veterans.

The District grants a local option, additional exemption of \$10,000 for persons who are 65 years of age or older and disabled persons above the amount of the State mandated exemption.

The District grants a local option, additional exemption of 20% of the market value of residence homesteads.

The District does not tax non-business personal property.

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

The District does not exempt “freeport property” from taxation.

The District has taken action to continue taxing “goods-in-transit.”

The District is not currently a participant in any tax increment reinvestment zone.

The District is not currently a party to any tax abatement or tax limitation agreements.

The Board has approved a resolution initiating an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

<u>Date</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney’s collection fee of up to 20% may be added to the total tax penalty and interest charge.

Property within the District is assessed as of January 1 of each year (except business inventories which may be assessed as of September 1 and mineral values which are assessed on the basis of a twelve-month average) and taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Split payments of taxes are not permitted. Discounts for the early payment of taxes are not permitted.

## **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 July 7, 1956, in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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, as well as hold-harmless funding from the State, which effectively reduces the school district’s local share of debt service, and may also take into account Tier One funds

allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the 50-cent Test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code as new debt and are, therefore, subject to the 50-cent Test. In connection with the issuance of the Bonds, the District does not expect to use State assistance or 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," as described below.

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

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

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

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

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the school district if the school district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c), (c-1), (c-2), and (d), and, if applicable, subsection (i), and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the school district

delivers substantially all of its tax bills. A school district that elects to adopt a tax rate before the adoption of a budget for the fiscal year that begins in the current tax year may adopt a tax rate for the current tax year before receipt of the certified appraisal roll, so long as the chief appraiser of the appraisal district in which the school district participates has certified to the assessor for the school district an estimate of the taxable value of property in the school district. If a school district adopts its tax rate prior to the adoption of its budget, both the no-new-revenue tax rate and the Voter-Approval Tax Rate of the school district shall be calculated based on the school district's certified estimate of taxable value. A school district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

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

## **RATINGS**

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), has assigned a municipal bond rating of "AAA" to the Bonds based upon the Permanent School Fund Guarantee. S&P generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA" (see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's underlying rating for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is "AA-" by S&P.

An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of any rating. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating company, if in the judgment of such company, circumstances so warrant. Due to the ongoing political uncertainty regarding the United States of America debt limit, obligations issued by state and local governments in the United States, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the ratings of, market for, and market value of outstanding debt obligations, including the Bonds. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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

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

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

## **INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT**

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

### **Legal Investments**

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations

unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAAm”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund’s total assets.

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

### Investment Policies

Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District’s investments 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.” The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

### Current Investments

As of May 31, 2025 (unaudited), the District’s investable funds were invested in the following investment instruments:

<u>Investment Instrument</u>	<u>Book Value</u>	<u>Percentage</u>
Money Market Accounts	\$ 50,656,894.19	92.05%
Certificates of Deposit	4,373,185.80	7.95%
<b>Total</b>	<b><u>\$ 55,030,079.99</u></b>	<b><u>100.00%</u></b>

### EMPLOYEES’ BENEFIT PLANS

The District’s employees participate in a retirement plan (the “Plan”) with the State. The Plan is administered by the Teacher Retirement System of Texas (“TRS”). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the State’s fiscal year ended August 31, 2023, the State contributed \$241,365 to TRS on behalf of the District. For the District’s fiscal year ended August 31, 2024, District employees paid \$451,363 and other contributions into the Plan made from federal and private grants and the District for salaries above the statutory minimum were \$246,821. For more detailed information concerning the Plan, TRS’s net pension liability with respect thereto and the District’s proportionate share of such net pension liability, see Note 12 to the District’s audited financial statements attached hereto as Appendix D.



In addition to its participation in the 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 TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the State Legislature. For more detailed information concerning the District’s funding policy and contributions in connection with the TRS-Care Retired Plan, see Note 13 to the District’s audited financial statements attached hereto as Appendix D. See also Note 15 to the District’s audited financial statements attached hereto as Appendix D for a description of the District’s employee health coverage plan.

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 the terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

### **EXPOSURE TO OIL AND GAS INDUSTRY**

Adverse developments in economic conditions, especially in the oil and natural gas industry, could adversely impact the businesses that own oil and/or natural gas properties in the District and the tax values in the District, resulting in less local tax revenue. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes, the ability of the District to make timely payment of debt service will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted), which is a time-consuming process that may only occur annually, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. Additionally, the valuation of windmills, wind farms, and electric utilities within the State (such as those comprising a portion of the District’s tax base), as determined by appraisal districts, have been subject to litigation related to the taxable value of such property; electric utilities are also subject to transfer and sole ownership by another entity, including to local governments whose property is exempt from ad valorem taxation. In addition, a portion of the District’s assessed valuation is comprised of industries related to oil and gas, which are subject to fluctuation in terms of market valuation and availability. Accordingly, the District makes no representation regarding the continued valuation of any of top ten taxpayers or the generation of future tax revenues therefrom. See “REGISTERED OWNERS’ REMEDIES” and “THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT” herein.

### **WEATHER EVENTS**

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

### **CYBERSECURITY**

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

## **CONTINUING DISCLOSURE 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 certain specified events, to the MSRB. See “Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for a description of the TEA’s continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee to the MSRB.

### **Annual Reports**

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1 through 18 in “Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT” (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’s current fiscal year end is August 31. Accordingly, the District must provide the Annual Operating Report by the last day of February in each year, and the Financial Statements for the preceding fiscal year must be provided by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

### **Notices 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 Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with its agreement described above under “Annual Reports.” Neither the Bonds nor the Order provide for debt service reserves, liquidity enhancement, or credit enhancement (except with respect to the Permanent School Fund Guarantee).

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in clauses (15) and (16) in the immediately preceding paragraph and the definition of Financial Obligation in the immediately preceding paragraph to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

#### **Availability of Information from MSRB**

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby 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 registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions 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 in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

#### **Compliance with Prior Undertakings**

Except as described below, during the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12.

The District's annual financial information and operating data and audited financial statements for the fiscal year ended August 31, 2022, was filed with the MSRB through its EMMA system on March 1, 2023, one day past the required filing deadline of February 28, 2023, pursuant to existing continuing disclosure agreements. A notice of late filing was also filed on March 1, 2023. The late filing was due to an administrative oversight by the District's dissemination agent and not a delay by the District or in the preparation of the District's audited financial statements or other financial information.

#### **LITIGATION**

The District is not a party to any litigation or other proceeding pending or to its 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 or operations of the District.

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

### **FINANCIAL ADVISOR**

BOK Financial Securities, Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

BOK Financial Securities, Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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.

### **UNDERWRITING**

The Underwriter has agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering price to the public, as shown on page 2 of this Official Statement, less an underwriting discount of \$ \_\_\_\_\_, and no accrued interest. The Underwriter's obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement and the District makes no representation or warranty with respect to such information. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

### **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.

### **CONCLUDING STATEMENT**

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered by the District 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 statutes, documents and the Order for further information. Reference is made to official documents in all respects.

## MISCELLANEOUS

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

The Order authorizing the issuance of the Bonds will approve the use of this Official Statement and any addenda, supplement or amendment thereto in the reoffering of the Bonds in accordance with the provisions of Rule 15c2-12.

---

President, Board of Trustees  
Plains Independent School District

ATTEST:

---

Secretary, Board of Trustees  
Plains Independent School District

**APPENDIX A**

**FINANCIAL INFORMATION REGARDING THE DISTRICT**

## FINANCIAL INFORMATION REGARDING THE DISTRICT

**Table 1**  
**ASSESSED VALUATION** <sup>(A)(B)</sup>

2024/25 Total Assessed Valuation.....	\$ 2,602,448,502
2024/25 Taxable Assessed Valuation.....	\$ 2,355,999,054

<u>Exemption</u>	<u>Total</u>
Residential Homestead.....	\$ 32,891,416
20% Optional Residential Homestead.....	6,224,651
10% Residential Homestead Cap.....	1,999,361
20% Non-Homestead Property Cap.....	69,796,491
Over 65.....	1,087,227
Disabled Persons.....	811
Disabled/Deceased Veterans.....	65,500
Pollution Control.....	402,670
Productivity Loss.....	133,981,321
Total (9.47% of Total Assessed Valuation).....	<u>\$ 246,449,448</u>

<sup>(A)</sup> For year 2024/25, approximately 57.22% of the District's total taxable assessed valuation is owned by the ten largest taxpayers in the District. See "Table 9 – Historical Top Ten Taxpayers."

<sup>(B)</sup> The District's 2025/26 taxable assessed valuation is \$1,979,266,609 (which was certified by July 25, 2025); such valuation includes an increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 and an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to constitutional amendments which will be submitted to voters at a statewide election to be held on November 4, 2025. If voters do not approve the constitutional amendments authorizing such residence homestead exemption increases, the District's 2025/26 taxable assessed valuation is \$1,984,510,323.

Source: Yoakum County Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Yoakum County Appraisal District updates records.

**Table 2**  
**UNLIMITED TAX DEBT OUTSTANDING** <sup>(A)(B)</sup>

Unlimited Tax Debt Outstanding (As of August 1, 2025).....	\$ 28,430,000	
Plus: The Bonds (Dated: August 1, 2025).....	14,460,000	<sup>(C)</sup>
TOTAL UNLIMITED TAX DEBT OUTSTANDING.....	<u>\$ 42,890,000</u>	
Less: Interest & Sinking Fund Balance (As of August 31, 2024).....	1,319,741	
NET UNLIMITED TAX DEBT OUTSTANDING.....	<u>\$ 41,570,259</u>	

<sup>(A)</sup> See discussion under "TAX RATE LIMITATIONS" in the Official Statement.

<sup>(B)</sup> Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 5 - Commitments Under Capital Leases").

<sup>(C)</sup> Preliminary, subject to change.

2025 Estimated Population	1,853	Per Capita Total Assessed Valuation	\$ 1,404,451
2024/25 Enrollment	420	Per Capita Taxable Assessed Valuation	\$ 1,271,451
Area (square miles)	599.69	Per Capita Total Unlimited Tax Debt	\$ 23,146

**Table 3**  
**ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT**

<u>Taxing Body</u>	<u>Gross Dollar Amount</u>	<u>As Of</u>	<u>Percent Overlap</u>	<u>Dollar Overlap</u>
Plains, City of	\$ 4,515,000	08/01/25	100.00%	\$ 4,515,000
Yoakum County	-	08/01/25	57.65%	-
<b>Plains ISD</b>	<b>\$ 42,890,000</b> <sup>(A)(B)</sup>	<b>08/01/25</b>	<b>100.00%</b>	<b>\$ 42,890,000</b> <sup>(A)(B)</sup>
<b>Total Direct and Overlapping Debt.....</b>				<b>\$ 47,405,000</b>
Ratio of Direct Debt to Taxable Assessed Valuation.....				1.82%
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation.....				2.01%
Ratio of Direct and Overlapping Debt to Total Assessed Valuation.....				1.82%
Per Capita Direct and Overlapping Debt.....				\$25,583

<sup>(A)</sup> Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 5 - Commitments Under Capital Leases").

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

Source: The Municipal Advisory Council of Texas - Texas Municipal Reports.

**Table 4**  
**2024/25 TOTAL TAX RATES OF OVERLAPPING POLITICAL ENTITIES**

Plains, City of.....	\$0.725000
Yoakum County.....	0.585509

Source: Yoakum County Appraisal District.

**Table 5**  
**COMMITMENTS UNDER CAPITAL LEASES**

As of August 31, 2024, the District had no commitments under capital leases outstanding.

Source: District's Audited Financial Statements.



**Table 6**  
**PROPERTY TAX RATES AND COLLECTIONS**

<u><b>Tax Year</b></u>	<u><b>Taxable Assessed Valuation</b></u>	<u><b>Tax Rate</b></u>	<u><b>Percent Collections <sup>(A)</sup></b></u>		<u><b>Fiscal Year Ended</b></u>
			<u><b>Current</b></u>	<u><b>Total</b></u>	
2019	\$ 1,245,668,473	\$1.43080	98.44%	98.78%	8-31-20
2020	1,246,831,090	1.42720	98.87%	100.04%	8-31-21
2021	972,311,233	1.42420	97.92%	98.82%	8-31-22
2022	2,082,843,930	1.34550	99.05%	100.08%	8-31-23
2023	2,545,863,697	0.98170	<u>99.09%</u>	<u>99.95%</u>	8-31-24
	<b>Five Year Average.....</b>		<b><u>98.67%</u></b>	<b><u>99.53%</u></b>	
2024	\$ 2,355,999,054	\$0.98170	98.39% <sup>(B)</sup>	99.22% <sup>(B)</sup>	8-31-25

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

<sup>(B)</sup> Unaudited, partial collections as of May 31, 2025.

Source: District's Audited Financial Statements, Yoakum County Appraisal District and District records. Certified values are subject to change throughout the year as contested values are resolved and the Yoakum County Appraisal District updates records.

**Table 7**  
**TAX RATE DISTRIBUTION <sup>(A)</sup>**

	<u><b>2024/25</b></u>	<u><b>2023/24</b></u>	<u><b>2022/23</b></u>	<u><b>2021/22</b></u>	<u><b>2020/21</b></u>
Local Maintenance <sup>(B)</sup>	\$0.69920	\$0.69920	\$0.88460	\$0.96340	\$0.96640
Interest & Sinking	<u>0.28250</u>	<u>0.28250</u>	<u>0.46090</u>	<u>0.46080</u>	<u>0.46080</u>
Total	<b><u>\$0.98170</u></b>	<b><u>\$0.98170</u></b>	<b><u>\$1.34550</u></b>	<b><u>\$1.42420</u></b>	<b><u>\$1.42720</u></b>

<sup>(A)</sup> See discussion under "TAX RATE LIMITATIONS" in the Official Statement.

<sup>(B)</sup> The District's Maintenance & Operations tax rate is subject to annual compression in response to year-over-year increases in property values (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Funding for School Districts" in the Official Statement).

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

**Table 8**  
**VALUATION AND UNLIMITED TAX DEBT HISTORY**

<u><b>Fiscal Year</b></u>	<u><b>Taxable Assessed Valuation</b></u>	<u><b>Percent Increase/ (Decrease) In Taxable Assessed Valuation Over Prior Year</b></u>	<u><b>Principal Amount Of Unlimited Tax Debt Outstanding At Year End <sup>(A)</sup></b></u>	<u><b>Ratio Of Unlimited Tax Debt To Taxable Assessed Valuation <sup>(A)</sup></b></u>
2020/21	\$ 1,246,831,090	0.09%	\$ 21,545,000	1.73%
2021/22	972,311,233	(22.02%)	18,015,000	1.85%
2022/23	2,082,843,930	114.22%	9,460,000	0.45%
2023/24	2,545,863,697	22.23%	28,430,000	1.12%
2024/25	2,355,999,054	(7.46%)	37,630,000 <sup>(B)</sup>	1.60% <sup>(B)</sup>
2025/26	1,979,266,609 <sup>(C)</sup>	(15.99%)	34,220,000 <sup>(D)</sup>	1.73% <sup>(D)</sup>

<sup>(A)</sup> Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 5 - Commitments Under Capital Leases").

<sup>(B)</sup> Projected, as of August 31, 2025, subject to change. Includes the Bonds.

<sup>(C)</sup> Such valuation includes an increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 and an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to constitutional amendments which will be submitted to voters at a statewide election to be held on November 4, 2025.

<sup>(D)</sup> Projected, as of August 31, 2026, subject to change. Includes the Bonds.

Source: District records and Yoakum County Appraisal District.

**Table 9**  
**HISTORICAL TOP TEN TAXPAYERS <sup>(A)</sup>**

**PRINCIPAL TAXPAYERS AND THEIR 2024/25 TAXABLE ASSESSED VALUATIONS**

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Steward Energy II, LLC	Oil and Gas	\$ 263,916,034	11.20%
Ring Energy Inc.	Oil and Gas	207,373,880	8.80%
Riley Permian Operating Co.	Oil and Gas	166,166,648	7.05%
Burk Royalty Company	Oil and Gas	153,074,236	6.50%
Stakeholder Gas Services LP	Oil and Gas	132,812,960	5.64%
Occidental Permian Limited	Oil and Gas	119,348,141	5.07%
Riley Exploration-Permian LLC	Oil and Gas	115,879,278	4.92%
Oxy USA WTP LP	Oil and Gas	79,460,140	3.37%
Amtex Energy Incorporated	Oil and Gas	60,985,220	2.59%
Southwestern Public Service Co.	Electric Utility	49,010,960	2.08%
<b>Totals.....</b>		<b>\$ 1,348,027,497</b>	<b>57.22%</b>

**PRINCIPAL TAXPAYERS AND THEIR 2023/24 TAXABLE ASSESSED VALUATIONS**

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Steward Energy II, LLC	Oil and Gas	\$ 380,175,367	14.93%
Ring Energy Inc.	Oil and Gas	221,713,040	8.71%
Riley Permian Operating Co.	Oil and Gas	178,108,135	7.00%
Occidental Permian Limited	Oil and Gas	134,615,134	5.29%
Stakeholder Gas Services LP	Oil and Gas	105,618,520	4.15%
Burk Royalty Company	Oil and Gas	101,136,410	3.97%
Riley Exploration-Permian LLC	Oil and Gas	98,771,930	3.88%
Oxy USA WTP LP	Oil and Gas	93,927,690	3.69%
Amtex Energy Incorporated	Oil and Gas	68,435,010	2.69%
Apache Corporation	Oil and Gas	62,754,720	2.46%
<b>Totals.....</b>		<b>\$ 1,445,255,956</b>	<b>56.77%</b>

**PRINCIPAL TAXPAYERS AND THEIR 2022/23 TAXABLE ASSESSED VALUATIONS**

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Steward Energy II, LLC	Oil and Gas	\$ 352,716,599	16.93%
Ring Energy Inc.	Oil and Gas	137,997,578	6.63%
Occidental Permian Limited	Oil and Gas	133,716,918	6.42%
Riley Permian Operating Co.	Oil and Gas	105,230,585	5.05%
Oxy USA WTP LP	Oil and Gas	93,665,540	4.50%
Burk Royalty Company	Oil and Gas	84,169,339	4.04%
Stakeholder Gas Services LP	Oil and Gas	84,152,490	4.04%
Apache Corporation	Oil and Gas	70,570,570	3.39%
Riley Exploration-Permian LLC	Oil and Gas	70,182,464	3.37%
Devon Energy Production Co. LP	Oil and Gas	46,711,020	2.24%
<b>Totals.....</b>		<b>\$ 1,179,113,103</b>	<b>56.61%</b>

<sup>(A)</sup> As shown herein, nine of the ten largest taxpayers in the District are concentrated in the petroleum drilling industry, and represent approximately 55.14% of the taxable assessed valuation of the District for year 2024/25. Oil/Gas prices in Texas and worldwide have been historically subject to fluctuation due to a multitude of factors. As a result, the District's taxable assessed valuation and, therefore, the tax rates required to pay debt service on the District's bonds, may be subject to volatility in future years. In addition, under State law, the District is generally permitted to levy debt service taxes in an amount sufficient to cover debt payments coming due during the tax year. As a result, the District may not have sufficient reserves available in its debt service fund in the event that a significant taxpayer should experience financial difficulties and be unable to timely pay taxes as they come due. The District has not had a history of being unable to collect current taxes to fund its operations.

Source: Yoakum County Appraisal District.

**Table 10**  
**CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY**

<u>Property Use Category</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>
Real Property:					
Single-Family Residential	\$ 41,042,364	\$ 36,973,317	\$ 37,606,532	\$ 36,489,092	\$ 35,916,674
Multi-Family Residential	127,051	95,606	95,606	127,051	127,051
Vacant Lots/Tracts	601,088	601,658	707,852	706,779	786,426
Acreage (Land Only)	176,735,819	176,212,173	175,776,665	175,078,069	175,766,852
Farm and Ranch Improvements	32,214,521	30,490,347	30,168,801	30,680,828	29,690,074
Commercial and Industrial	145,015,554	104,963,741	76,888,384	12,586,386	11,834,069
Minerals, Oil and Gas	1,984,295,707	2,147,099,996	1,741,506,192	644,319,181	882,856,795
Tangible Personal Property:					
Business	72,605,481	79,058,004	52,225,586	105,049,476	111,720,620
Other	2,895,697	2,490,072	2,137,279	1,618,555	1,558,103
Real and Tangible Personal Property:					
Utilities	146,915,220	141,452,065	128,996,135	122,642,747	156,871,367
<b>Total Assessed Valuation</b>	<b>\$ 2,602,448,502</b>	<b>\$ 2,719,436,979</b>	<b>\$ 2,246,109,032</b>	<b>\$ 1,129,298,164</b>	<b>\$ 1,407,128,031</b>
Less Exemptions:					
Residential Homestead	\$ 32,891,416	\$ 31,308,707 <sup>(A)</sup>	\$ 16,707,601 <sup>(B)</sup>	\$ 11,554,391	\$ 11,504,659
20% Optional Residential Homestead	6,224,651	5,567,258	8,093,602	8,580,160	8,431,845
10% Residential Homestead Cap	1,999,361	1,525,971	2,157,404	1,017,329	1,780,070
20% Non-Homestead Property Cap	69,796,491 <sup>(C)</sup>	-	-	-	-
Over 65	1,087,227	1,002,079	2,041,759	2,646,720	2,495,647
Disabled Persons	811	-	30,000	70,000	90,000
Disabled/Deceased Veterans	65,500	53,500	96,223	141,300	135,379
Pollution Control	402,670	560,080	619,380	557,040	655,689
Productivity Loss	133,981,321	133,555,687	133,519,133	132,419,991	135,203,652
<b>Total Exemptions</b>	<b>\$ 246,449,448</b>	<b>\$ 173,573,282</b>	<b>\$ 163,265,102</b>	<b>\$ 156,986,931</b>	<b>\$ 160,296,941</b>
<b>Taxable Assessed Valuation <sup>(D)(E)</sup></b>	<b>\$ 2,355,999,054</b>	<b>\$ 2,545,863,697</b>	<b>\$ 2,082,843,930</b>	<b>\$ 972,311,233</b>	<b>\$ 1,246,831,090</b>

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

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

<sup>(C)</sup> Three-year pilot program limiting growth in taxable value of non-residence homestead property valued at \$5,000,000 or less to 20% annually pursuant to a constitutional amendment approved at a statewide election held on November 7, 2023.

<sup>(D)</sup> The District's 2025/26 taxable assessed valuation is \$1,979,266,609 (which was certified by July 25, 2025); such valuation includes an increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 and an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to constitutional amendments which will be submitted to voters at a statewide election to be held on November 4, 2025. If voters do not approve the constitutional amendments authorizing such residence homestead exemption increases, the District's 2025/26 taxable assessed valuation is \$1,984,510,323.

<sup>(E)</sup> Property values within the District are strongly correlated with the area's oil and gas industry. Oil and gas prices in Texas and worldwide have been historically subject to fluctuation due to a multitude of factors. Due to the unpredictable nature of oil and gas commodity prices, the District's property values remain uncertain in future years.

Source: Yoakum County Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Yoakum County Appraisal District updates records.

**Table 11**  
**PERCENTAGE OF TOTAL ASSESSED VALUATION BY CATEGORY**

<u>Property Use Category</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>
Real Property:					
Single-Family Residential	1.58%	1.36%	1.67%	3.23%	2.55%
Multi-Family Residential	0.00%	0.00%	0.00%	0.01%	0.01%
Vacant Lots/Tracts	0.02%	0.02%	0.03%	0.06%	0.06%
Acreage (Land Only)	6.79%	6.48%	7.83%	15.50%	12.49%
Farm and Ranch Improvements	1.24%	1.12%	1.34%	2.72%	2.11%
Commercial and Industrial	5.57%	3.86%	3.42%	1.11%	0.84%
Minerals, Oil and Gas	76.25%	78.95%	77.53%	57.05%	62.74%
Tangible Personal Property:					
Business	2.79%	2.91%	2.33%	9.30%	7.94%
Other	0.11%	0.09%	0.10%	0.14%	0.11%
Real and Tangible Personal Property:					
Utilities	5.65%	5.20%	5.74%	10.86%	11.15%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Yoakum County Appraisal District.

**Table 12**  
**OUTSTANDING UNLIMITED TAX DEBT SERVICE <sup>(A)</sup>**

<u>Year</u>	<u>Outstanding Debt Requirements</u>		<u>Plus: The Bonds - Debt Requirements <sup>(B)</sup></u>		<u>Total</u>	<u>Percent</u> <u>Of Principal</u> <u>Retired</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u> <u>Requirements</u>	
2024/25	\$ 5,260,000.00	\$ 1,287,247.22	\$ -	\$ 2,008.33	\$ 6,549,255.55	
2025/26	2,605,000.00	1,158,500.00	805,000.00	694,883.33	5,263,383.33	
2026/27	1,160,000.00	1,028,250.00	770,000.00	682,750.00	3,641,000.00	
2027/28	1,220,000.00	970,250.00	810,000.00	644,250.00	3,644,500.00	
2028/29	1,280,000.00	909,250.00	850,000.00	603,750.00	3,643,000.00	34.41%
2029/30	1,345,000.00	845,250.00	890,000.00	561,250.00	3,641,500.00	
2030/31	1,410,000.00	778,000.00	940,000.00	516,750.00	3,644,750.00	
2031/32	1,480,000.00	707,500.00	985,000.00	469,750.00	3,642,250.00	
2032/33	1,555,000.00	633,500.00	1,035,000.00	420,500.00	3,644,000.00	
2033/34	1,635,000.00	555,750.00	1,085,000.00	368,750.00	3,644,500.00	63.23%
2034/35	1,720,000.00	474,000.00	1,135,000.00	314,500.00	3,643,500.00	
2035/36	1,800,000.00	388,000.00	1,195,000.00	257,750.00	3,640,750.00	
2036/37	1,890,000.00	298,000.00	1,255,000.00	198,000.00	3,641,000.00	
2037/38	1,990,000.00	203,500.00	1,315,000.00	135,250.00	3,643,750.00	
2038/39	2,080,000.00	104,000.00	1,390,000.00	69,500.00	3,643,500.00	100.00%
<b>TOTAL</b>	<b>\$ 28,430,000.00</b>	<b>\$ 10,340,997.22</b>	<b>\$ 14,460,000.00</b>	<b>\$ 5,939,641.66</b>	<b>\$ 59,170,638.88</b>	

<sup>(A)</sup> Preliminary, subject to change.

<sup>(B)</sup> Interest on the Bonds has been projected at an assumed interest rate for illustration purposes only. Preliminary, subject to change.

Note: Table 12 does not include any potential funding the District may receive from the State of Texas. The District has not budgeted for the receipt of State financial assistance for debt service in year 2024/25 and received State financial assistance in the amount of \$23,667 for fiscal year ended August 31, 2024. The amount of State aid for debt service may substantially differ from year to year depending on a number of factors, including amounts, if any, appropriated for that purpose by the State Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 12 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 5 - Commitments Under Capital Leases").

**Table 13**  
**INTEREST & SINKING FUND BUDGET INFORMATION**

Tax Supported Debt Service Requirements, Fiscal Year Ending August 31, 2025.....		\$ 6,552,256 <sup>(A)</sup>
Interest and Sinking Fund Balance at August 31, 2024.....	\$ 1,319,741	
Capitalized Interest on the Bonds (Preliminary, subject to change).....	2,008	
Local Taxes and Other Revenues.....	<u>6,507,284</u>	<u>\$ 7,829,033</u>
Projected Interest and Sinking Fund Balance at August 31, 2025.....		<u>\$ 1,276,778</u>

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

**Table 14**  
**AUTHORIZED BUT UNISSUED BONDS**

After the issuance of the Bonds, the District will have no authorized but unissued bonds remaining from an election held on May 4, 2024. Except for possible refundings for debt service savings, the District does not anticipate the issuance of additional unlimited tax bonds within the next 12 months.

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

**Table 15**  
**TAX ADEQUACY - UNLIMITED TAX DEBT SERVICE REQUIREMENTS**

Year 2024/25 Principal And Interest Requirements.....	\$ 6,549,256	
\$0.2818 Tax Rate At 98.67% Collections Produces.....	\$ 6,550,904 <sup>(A)</sup>	
Year 2025/26 Principal And Interest Requirements.....	\$ 5,263,383	
\$0.2696 Tax Rate At 98.67% Collections Produces.....	\$ 5,265,133 <sup>(B)</sup>	
Maximum Principal And Interest Requirements, Year 2024/25.....	\$ 6,549,256	
\$0.2818 Tax Rate At 98.67% Collections Produces.....	\$ 6,550,904 <sup>(A)</sup>	

<sup>(A)</sup> Based upon 2024/25 taxable assessed valuation of \$2,355,999,054.

<sup>(B)</sup> Based upon 2025/26 taxable assessed valuation of \$1,979,266,609.

Note: Table 15 does not include any potential funding the District may receive from the State of Texas. The District has not budgeted for the receipt of State financial assistance for debt service in year 2024/25 and received State financial assistance in the amount of \$23,667 for fiscal year ended August 31, 2024. The amount of State aid for debt service may substantially differ from year to year depending on a number of factors, including amounts, if any, appropriated for that purpose by the State Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 15 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 5 - Commitments Under Capital Leases").

**Table 16**  
**COMBINED GENERAL FUND BALANCE SHEET**

	<b>Fiscal Years Ending August 31, 2020 - 2024</b>				
	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Assets:</b>					
Cash and Temporary Investments	\$ 8,467,671	\$ 10,423,036	\$ 8,971,418	\$ 12,710,195	\$ 9,737,686
Taxes Receivable, Net	369,543	356,571	380,218	272,947	279,580
Due from Other Governments	-	-	21,606	-	76,440
Accrued Interest	9,854	37,308	8,014	6,549	15,471
Due from Other Funds	87,074	237,644	210,587	30,926	104,461
Prepayments	61,858	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 8,996,000</u></b>	<b><u>\$ 11,054,559</u></b>	<b><u>\$ 9,591,843</u></b>	<b><u>\$ 13,020,617</u></b>	<b><u>\$ 10,213,638</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>					
<i>Liabilities:</i>					
Accounts Payable	\$ 674,422	\$ 54,966	\$ 44,395	\$ 129,597	\$ 58,062
Accrued Wages Payable	278,968	248,325	213,078	200,108	194,868
Due to Other Funds	-	-	1,533	-	2,573
Due to Other Governments	406,472	954,425	647,298	856,971	223,860
Accrued Expenditures	5,932	5,209	4,485	4,214	4,041
Unearned Revenue	206,469	54,665	-	2,083,695	-
<b>Total Liabilities</b>	<b><u>\$ 1,572,263</u></b>	<b><u>\$ 1,317,590</u></b>	<b><u>\$ 910,789</u></b>	<b><u>\$ 3,274,585</u></b>	<b><u>\$ 483,404</u></b>
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenue - Property Taxes	\$ 369,543	\$ 356,571	\$ 380,218	\$ 272,947	\$ 279,580
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 369,543</u></b>	<b><u>\$ 356,571</u></b>	<b><u>\$ 380,218</u></b>	<b><u>\$ 272,947</u></b>	<b><u>\$ 279,580</u></b>
<i>Fund Balances:</i>					
Non-Spendable Fund Balance:					
Prepayments	\$ 61,858	\$ -	\$ -	\$ -	\$ -
Committed Fund Balance:					
Construction	3,500,000	3,500,000	3,500,000	3,500,000	3,000,000
Equipment	1,000,000	1,000,000	1,000,000	1,000,000	500,000
Unassigned Fund Balance:	2,492,336	4,880,398	3,800,836	4,973,085	5,950,654
<b>Total General Fund Balances <sup>(A)</sup></b>	<b><u>\$ 7,054,194</u></b>	<b><u>\$ 9,380,398</u></b>	<b><u>\$ 8,300,836</u></b>	<b><u>\$ 9,473,085</u></b>	<b><u>\$ 9,450,654</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 8,996,000</u></b>	<b><u>\$ 11,054,559</u></b>	<b><u>\$ 9,591,843</u></b>	<b><u>\$ 13,020,617</u></b>	<b><u>\$ 10,213,638</u></b>

<sup>(A)</sup> The District estimates that its Total General Fund Balance as of August 31, 2025 will be approximately \$8,358,000.  
Source: District's Audited Financial Statements and District records.

**Table 17**  
**COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES**

	<b>Fiscal Years Ending August 31, 2020 - 2024</b>				
	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Beginning General Fund Balance</b>	<b><u>\$ 9,380,398</u></b>	<b><u>\$ 8,300,836</u></b>	<b><u>\$ 9,473,085</u></b>	<b><u>\$ 9,450,654</u></b>	<b><u>\$ 7,540,348</u></b>
<b><u>Revenues:</u></b>					
Local and Intermediate Sources	\$ 18,840,944	\$ 19,565,680	\$ 9,567,478	\$ 12,496,436	\$ 12,395,509
State Program Revenues	556,083	780,677	527,685	534,018	2,840,988
Federal Program Revenues	400,509	369,578	375,884	197,192	387,339
<b>Total Revenues</b>	<b><u>\$ 19,797,536</u></b>	<b><u>\$ 20,715,935</u></b>	<b><u>\$ 10,471,047</u></b>	<b><u>\$ 13,227,646</u></b>	<b><u>\$ 15,623,836</u></b>
<b><u>Expenditures:</u></b>					
Instruction	\$ 3,979,827	\$ 3,138,466	\$ 3,061,868	\$ 3,034,356	\$ 3,165,360
Instructional Resources and Media Services	42,477	46,571	41,702	40,721	36,964
Curriculum and Staff Development	26,514	27,175	27,908	30,166	27,446
Instructional Leadership	7,968	2,316	-	350	12,003
School Leadership	540,429	408,945	338,359	313,790	313,649
Guidance, Counseling and Evaluation Services	154,662	144,619	139,734	142,838	130,696
Health Services	91,166	85,238	83,009	82,570	83,959
Student Transportation	207,570	196,642	210,441	132,344	684,208
Food Services	469,082	452,582	368,358	325,363	362,314
Extracurricular Activities	613,862	565,889	647,022	632,417	640,817
General Administration	441,420	418,543	413,725	360,041	380,673
Facilities Maintenance and Operations	1,238,661	1,353,495	1,359,676	795,075	872,096
Security and Monitoring Services	174,992	25,641	3,474	5,827	26,534
Data Processing Services	366,847	247,548	249,580	224,170	225,405
Community Services	708	3,004	594	975	-
Facilities Acquisition and Construction	2,104,976	-	-	-	-
Contracted Instructional Services Between Schools	11,363,901	12,197,469	4,409,863	6,824,303	6,517,638
Payments to Fiscal Agent/Member Districts of SSA	101,824	132,046	128,440	112,977	112,678
Other Intergovernmental Charges	196,854	190,184	159,543	146,932	130,090
<b>Total Expenditures</b>	<b><u>\$ 22,123,740</u></b>	<b><u>\$ 19,636,373</u></b>	<b><u>\$ 11,643,296</u></b>	<b><u>\$ 13,205,215</u></b>	<b><u>\$ 13,722,530</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (2,326,204)</u>	<u>\$ 1,079,562</u>	<u>\$ (1,172,249)</u>	<u>\$ 22,431</u>	<u>\$ 1,901,306</u>
<b><u>Other Resources and (Uses):</u></b>					
Other Resources	\$ -	\$ -	\$ -	\$ -	\$ 9,000
Other Uses	-	-	-	-	-
<b>Total Other Resources (Uses)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,000</u></b>
Net Change in General Fund Balance	<u>\$ (2,326,204)</u>	<u>\$ 1,079,562</u>	<u>\$ (1,172,249)</u>	<u>\$ 22,431</u>	<u>\$ 1,910,306</u>
<b>Ending General Fund Balance <sup>(A)(B)</sup></b>	<b><u>\$ 7,054,194</u></b>	<b><u>\$ 9,380,398</u></b>	<b><u>\$ 8,300,836</u></b>	<b><u>\$ 9,473,085</u></b>	<b><u>\$ 9,450,654</u></b>

(A) Ending General Fund Balance includes Non-Spendable, Committed and Unassigned Fund Balance.

(B) The District estimates that its Ending General Fund Balance as of August 31, 2025 will be approximately \$8,358,000.

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

**Table 18**  
**CHANGE IN NET POSITION <sup>(A)</sup>**

	<b>Fiscal Years Ending August 31, 2020 - 2024</b>				
	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Revenues:</b>					
<b>Program Revenues</b>					
Charges for Services	\$ 100,644	\$ 99,385	\$ 78,411	\$ 72,450	\$ 84,469
Operating Grants and Contributions	2,272,390	1,776,071	1,109,195	852,422	1,187,187
Total Program Revenues	\$ 2,373,034	\$ 1,875,456	\$ 1,187,606	\$ 924,872	\$ 1,271,656
<b>General Revenues</b>					
Maintenance and Operations Taxes	\$ 17,857,877	\$ 18,717,292	\$ 9,391,735	\$ 12,270,000	\$ 12,084,238
Debt Service Taxes	7,215,143	9,751,746	4,493,011	5,852,343	5,741,967
State Aid - Formula Grants	164,562	452,105	234,077	252,525	2,545,491
Grants and Contributions Not Restricted	94,012	62,600	42,304	6,730	85,642
Investment Earnings	929,398	1,096,175	205,561	161,321	328,276
Miscellaneous	285,158	23,990	62,150	17,796	119,307
Total General Revenues	\$ 26,546,150	\$ 30,103,908	\$ 14,428,838	\$ 18,560,715	\$ 20,904,921
<b>Total Revenues.....</b>	<b>\$ 28,919,184</b>	<b>\$ 31,979,364</b>	<b>\$ 15,616,444</b>	<b>\$ 19,485,587</b>	<b>\$ 22,176,577</b>
<b>Expenses</b>					
Instruction	\$ 5,295,040	\$ 4,328,350	\$ 4,077,387	\$ 3,937,984	\$ 4,269,330
Instruction Resources and Media Services	54,808	57,651	51,369	51,224	48,917
Curriculum and Staff Development	83,520	86,537	75,998	89,941	110,887
Instructional Leadership	246,429	35,812	-	456	15,097
School Leadership	613,956	478,053	395,038	392,928	413,667
Guidance, Counseling and Evaluation Services	513,319	188,143	149,439	173,088	163,285
Health Services	99,128	93,320	89,005	99,593	109,055
Student Transportation	211,207	222,603	235,799	160,113	269,085
Food Services	516,895	504,688	402,247	393,046	456,048
Extracurricular Activities	717,672	718,560	752,801	791,415	816,252
General Administration	519,419	483,164	469,607	445,352	491,229
Facilities Maintenance and Operations	1,307,056	1,538,193	1,480,721	951,602	1,054,357
Security and Monitoring Services	146,069	40,952	4,053	7,001	23,959
Data Processing Services	322,430	279,894	273,743	270,262	273,451
Community Services	794	3,448	693	1,171	-
Debt Service - Interest on Long-Term Debt	184,498	231,835	498,473	754,257	711,911
Debt Service - Bond Issuance Cost and Fees	7,575	7,230	3,000	7,213	121,565
Contracted Instructional Services Between Schools	11,363,901	12,197,469	4,409,863	6,824,303	6,517,638
Payments to Fiscal Agent/Member Districts of SSA	101,824	132,046	128,440	112,977	112,678
Other Intergovernmental Charges	196,854	190,184	159,543	146,932	130,090
<b>Total Expenses.....</b>	<b>\$ 22,502,394</b>	<b>\$ 21,818,132</b>	<b>\$ 13,657,219</b>	<b>\$ 15,610,858</b>	<b>\$ 16,108,501</b>
Increase/(Decrease) in Net Position	\$ 6,416,790	\$ 10,161,232	\$ 1,959,225	\$ 3,874,729	\$ 6,068,076
Beginning Net Position	38,292,441	28,131,209	26,171,984	22,297,255	16,184,606
Prior Period Adjustment	-	-	-	-	44,573 <sup>(B)</sup>
<b>Ending Net Position.....</b>	<b>\$ 44,709,231</b>	<b>\$ 38,292,441</b>	<b>\$ 28,131,209</b>	<b>\$ 26,171,984</b>	<b>\$ 22,297,255</b>

<sup>(A)</sup> Financial operations for all governmental activities in accordance with GASB Statement Number 34.

<sup>(B)</sup> Prior Period Adjustment due to the adoption of GASB Statement Number 84 by the District.

Source: District's Audited Financial Statements.



**APPENDIX B**

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

## GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

The Plains Independent School District (the “District”) is located in Yoakum County approximately 70 miles southwest of Lubbock. Encompassing an area of approximately 598 square miles, the District includes the City of Plains, which is the county seat of Yoakum County. The economy is primarily based on oil and gas production and agriculture.

The District is governed by a seven-member Board of Trustees (the “Board”). The members of the Board serve three-year staggered terms with at-large elections conducted annually. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

The District owns and operates three instructional facilities which are fully accredited by the Texas Education Agency. The number and types of instructional facilities are as follows:

Elementary Schools	1
Middle Schools	1
High Schools	<u>1</u>
<b>Total</b>	<b><u>3</u></b>

## DISTRICT ENROLLMENT INFORMATION

### SCHOLASTIC ENROLLMENT HISTORY

<u>YEAR</u>	<u>ENROLLMENT</u>	<u>INCREASE/ (DECREASE)</u>	<u>PERCENT CHANGE</u>
2014/15	457	(9)	(1.93%)
2015/16	467	10	2.19%
2016/17	459	(8)	(1.71%)
2017/18	448	(11)	(2.40%)
2018/19	479	31	6.92%
2019/20	482	3	0.63%
2020/21	431	(51)	(10.58%)
2021/22	412	(19)	(4.41%)
2022/23	431	19	4.61%
2023/24	421	(10)	(2.32%)
2024/25 <sup>(A)</sup>	420	(1)	(0.24%)

<sup>(A)</sup> Enrollment as of June 30, 2025.

Source: District records.

### PROJECTED STUDENT ENROLLMENT

<u>YEAR</u>	<u>ENROLLMENT</u>	<u>INCREASE/ (DECREASE)</u>	<u>PERCENT CHANGE</u>
2025/26	420	0	0.00%
2026/27	420	0	0.00%
2027/28	414	(6)	(1.43%)
2028/29	415	1	0.24%
2029/30	413	(2)	(0.48%)

Source: District projections.

**STUDENT ENROLLMENT BY GRADES – YEARS 2014/15 – 2024/25**

<u>YEAR</u>	<u>EE</u>	<u>PK</u>	<u>K</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>TOTAL</u>
2014/15	2	16	28	45	36	34	36	43	33	29	32	31	36	24	32	457
2015/16	2	20	27	31	44	35	32	38	41	38	32	35	36	31	25	467
2016/17	3	22	30	27	32	46	36	31	38	41	36	26	31	26	34	459
2017/18	2	25	34	29	27	28	41	39	32	41	38	36	24	27	25	448
2018/19	5	24	36	34	30	29	35	37	47	35	43	40	33	23	28	479
2019/20	3	19	36	41	37	27	37	34	35	47	39	39	35	30	23	482
2020/21	1	11	21	34	33	31	22	32	35	36	40	32	41	32	30	431
2021/22	2	21	20	24	32	29	31	24	31	35	30	39	31	37	26	412
2022/23	5	21	28	24	30	31	31	33	29	36	31	32	38	32	30	431
2023/24	0	24	30	25	22	30	29	33	31	30	33	33	35	37	29	421
2024/25 <sup>(A)</sup>	0	27	29	34	28	26	30	29	31	32	30	33	25	33	33	420

<sup>(A)</sup> Enrollment as of June 30, 2025.

Source: District records.

**STUDENT ENROLLMENT BY SCHOOL TYPE**

<u>YEAR</u>	<u>ELEMENTARY SCHOOL (GRADES EE-5)</u>	<u>MIDDLE SCHOOL (GRADES 6-8)</u>	<u>HIGH SCHOOL (GRADES 9-12)</u>	<u>TOTAL ENROLLMENT</u>
2014/15	240	94	123	457
2015/16	229	111	127	467
2016/17	227	115	117	459
2017/18	225	111	112	448
2018/19	230	125	124	479
2019/20	234	121	127	482
2020/21	185	111	135	431
2021/22	183	96	133	412
2022/23	203	96	132	431
2023/24	193	94	134	421
2024/25 <sup>(A)</sup>	203	93	124	420

<sup>(A)</sup> Enrollment as of June 30, 2025.

Source: District records.

**EMPLOYMENT OF THE DISTRICT**

<u>STAFF INFORMATION</u>	<u>DISTRICT EMPLOYEES</u>	
	<u>NUMBER</u>	<u>PERCENTAGE</u>
Teachers	41	48.81%
Administrators	6	7.14%
Teacher Aides & Secretaries	16	19.05%
Auxiliary Staff	18	21.43%
Other	3	3.57%
<b>Total Number of Employees</b>	<b><u>84</u></b>	<b><u>100.00%</u></b>

The District employs a staff of approximately 84. Beginning with the 2024/25 school year, entry level teachers without advanced degrees earn \$44,917 annually. Teachers with longevity or advanced degrees can earn between \$44,917 and \$67,477 annually. All teachers receive life and health insurance benefits worth approximately \$475 monthly.

Source: District records.

## PRESENT SCHOOL FACILITIES

<u>LOCATION</u>	<u>GRADES SERVED</u>	<u>FUNCTIONAL CAPACITY<sup>(A)</sup></u>	<u>PRESENT ENROLLMENT<sup>(B)</sup></u>	<u>FUNCTIONAL CAPACITY LESS PRESENT ENROLLMENT</u>
Plains High School	9 – 12	<u>190</u>	<u>124</u>	<u>66</u>
<b>HIGH SCHOOL TOTAL</b>		<b><u>190</u></b>	<b><u>124</u></b>	<b><u>66</u></b>
Plains Middle School	6 – 8	<u>190</u>	<u>93</u>	<u>97</u>
<b>MIDDLE SCHOOL TOTAL</b>		<b><u>190</u></b>	<b><u>93</u></b>	<b><u>97</u></b>
Plains Elementary School	EE – 5	<u>300</u>	<u>203</u>	<u>97</u>
<b>ELEMENTARY SCHOOL TOTAL</b>		<b><u>300</u></b>	<b><u>203</u></b>	<b><u>97</u></b>
<b>TOTALS</b>		<b><u>680</u></b>	<b><u>420</u></b>	<b><u>260</u></b>

<sup>(A)</sup> Includes student capacity of any portable buildings on this campus.

<sup>(B)</sup> Enrollment as of June 30, 2025.

Source: District records.

## YOAKUM COUNTY, TEXAS DEMOGRAPHIC AND ECONOMIC INFORMATION

### General

Yoakum County (the “County”) is located on the South Plains of West Texas about 70 miles southwest of Lubbock bordering New Mexico and has an estimated 2024 population of 7,581. The County covers 800 square miles of nearly level terrain composed of sandy soils that support prairie grasses and some mesquite, yucca, shinnery oak, and sand sagebrush. The area is drained by Sulphur Springs Draw, which runs through the center of the County. The County is traversed by U.S. Highways 82 and 380, State Highways 83 and 214, and three farm-to-market roads. The County is a major mineral producing county of the Permian Basin and is a productive agricultural area. Principal sources of agricultural income include cotton, peanuts, watermelons, grain sorghum, wheat, chili peppers, and beef cattle.

Source: U.S. Census Bureau and Texas State Historical Association.

### Comparative Unemployment Rates

<u>Entity</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025<sup>(A)</sup></u>
Yoakum County	13.1%	8.1%	4.2%	3.4%	3.5%	3.9%
State of Texas	7.7	5.6	3.9	4.0	4.1	4.1
United States of America	8.1	5.3	3.6	3.6	4.0	4.4

<sup>(A)</sup> As of June 2025.

Source: Labor Market Information Department, Texas Workforce Commission.

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

*An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the  
Bonds, assuming no material changes in facts or law.*

PLAINS INDEPENDENT SCHOOL DISTRICT  
UNLIMITED TAX SCHOOL BUILDING BONDS,  
SERIES 2025, DATED AUGUST 1, 2025,  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$\_\_\_\_\_

---

AS BOND COUNSEL FOR THE ISSUER (the “Issuer”) of the Bonds described above (the “Bonds”), we have examined into the legality and validity of the Bonds, which mature and bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, with the Bonds being subject to redemption prior to maturity, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond No. TR-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to governmental immunity, federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, which rights may be limited by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, without legal 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 thereof 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 or corporate 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 compliance by the Issuer with, certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith, 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. We call your attention to the fact that if such representations are determined to be inaccurate or upon failure by the Issuer 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.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

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 a result and are not binding on the Internal Revenue Service (the "Service"). Rather, our 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 as to 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 Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, might 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 Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and 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 any 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 Issuer, 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 Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Very truly yours,



## **APPENDIX D**

### **EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2024**

The information contained in this Appendix consists of excerpts from the Plains Independent School District Annual Financial Report for the Year Ended August 31, 2024, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Annual Financial Report for further information.

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**Independent Auditor's Report**

**UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS**

Board of School Trustees  
Plains Independent School District  
Plains, 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 Plains 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 Plains Independent School District, as of August 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

GAAP requires that the management's discussion and analysis on pages 4-9, budgetary comparison information on page 46, and pension and other post-employment benefit (OPEB) related information on pages 47-51 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 GAAS, 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 combining non-major fund financial statements 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 GAAS. In our opinion, the combining non-major fund financial statements 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 Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

December 12, 2024

# **PLAINS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **INTRODUCTION**

Our discussion and analysis of the Plains Independent School District's (the District) financial performance provides an overview of the District's financial performance for the year ended August 31, 2024. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

This Management's Discussion and Analysis (MD&A) is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

## **FINANCIAL HIGHLIGHTS**

- The net position of the District increased by \$6,416,790 or 16.76% as of August 31, 2024. The District's Statement of Activities showed total revenues were \$28,919,184 and expenses totaled \$22,502,394.
- The District ended the year, August 31, 2024, with total net position of \$44,709,231, including unrestricted net position of \$4,066,559. The balance of cash and temporary investments at August 31, 2024, was \$9,897,300, which does not include the fiduciary cash and investment accounts since these funds are not for District operations.
- The total general fund expenditures were \$22,123,740 for the year ended August 31, 2024, and this compares with general fund expenditures of \$19,636,373 for the year ended August 31, 2023. This increase is due to schoolwide roofing projects completed during the current year.
- The District's total revenues on the fund financial statements decreased from \$31,922,628 in 2022-23 to \$29,072,379 in 2023-24. This decrease is due to significant decreases in the M&O and I&S property tax rates.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

The combining statements for nonmajor funds contain information about the District's individual nonmajor funds.

The sections labeled Required Texas Education Agency Schedules and Federal Financial Assistance Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## **Reporting the District as a Whole**

### ***Government-Wide Financial Statements***

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined in the GASB Statement No. 34.

· Governmental Activities – All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's two fund types—governmental and fiduciary—use different accounting approaches.

· Governmental Funds – Most of the District's basic services are included in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.

· Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities, as well as for a scholarship fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

**Table I**  
**Plains Independent School District**  
**Net Position**  
**August 31, 2024 and 2023**

	August 31,	
	2024	2023
Cash and Temporary Investments	\$ 9,897,300	\$ 14,470,136
Receivables	926,723	1,205,660
Other Assets	61,858	
Capital Assets	38,860,391	37,502,005
Total Assets	<u>\$ 49,746,272</u>	<u>\$ 53,177,801</u>
Deferred Outflows of Resources	\$ 2,132,143	\$ 2,388,011
Total Deferred Outflows	<u>\$ 2,132,143</u>	<u>\$ 2,388,011</u>
Current Liabilities	\$ 1,634,507	\$ 3,239,559
Long-Term Liabilities	3,330,581	11,600,530
Total Liabilities	<u>\$ 4,965,088</u>	<u>\$ 14,840,089</u>
Deferred Inflows of Resources	\$ 2,204,096	\$ 2,433,282
Total Deferred Inflows	<u>\$ 2,204,096</u>	<u>\$ 2,433,282</u>
Net Position		
Net Investment in Capital Assets	\$ 38,860,391	\$ 27,533,198
Restricted for Federal and State Programs	293,155	303,336
Restricted for Debt Service	1,489,126	4,130,515
Unrestricted	4,066,559	6,325,392
Total Net Position	<u>\$ 44,709,231</u>	<u>\$ 38,292,441</u>

### Changes in Net Position

The District's net position increased by \$6,416,790 during the year ended August 31, 2024 (see Table II). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased \$2,258,833 from \$6,325,392 in 2023 to \$4,066,559 in 2024, and is due to decreases in property tax rates.

**Table II**  
**Plains Independent School District**  
**Changes in Net Position**  
**For the Years Ended August 31, 2024 and 2023**

	August 31,	
	2024	2023
Revenues:		
Program Revenues:		
Charges For Services	\$ 100,644	\$ 99,385
Operating Grants and Contributions	2,272,390	1,776,071
General Revenues:		
Maintenance and Operations Taxes	17,857,877	18,717,292
Debt Service Taxes	7,215,143	9,751,746
State Formula Aid	164,562	452,105
Investment Earnings	929,398	1,096,175
Miscellaneous	379,170	86,590
Total Revenue	<u>\$ 28,919,184</u>	<u>\$ 31,979,364</u>
Expenses:		
Instruction and Instructional-Related Services	\$ 5,433,368	\$ 4,472,538
Instructional and School Leadership	860,385	513,865
Student Support Services	612,447	281,463
Student Transportation	211,207	222,603
Food Services	516,895	504,688
Extracurricular Activities	717,672	718,560
General Administration	519,419	483,164
Facilities Maintenance and Security & Monitoring Services	1,453,125	1,579,145
Data Processing	322,430	279,894
Community Services	794	3,448
Debt Service	192,073	239,065
Contracted Instructional Services Between Schools	11,363,901	12,197,469
Other Payments	298,678	322,230
Total Expenses	<u>\$ 22,502,394</u>	<u>\$ 21,818,132</u>
Change in Net Position	<u>\$ 6,416,790</u>	<u>\$ 10,161,232</u>

The District's total revenues decreased from \$31,979,364 in fiscal year 2023 to \$28,919,184 in fiscal year 2024, a decrease of \$3,060,180. This decrease was attributable to decreases in property tax rates. The total expenses of the District increased by \$684,262 from \$21,818,132 to \$22,502,394 and was attributable to salary and staffing increases mainly due to the District taking over the fiscal agent of a special education shared service arrangement.

Other factors impacting the District's financial position include the following:

- The District's total property tax rate decreased from \$1.3455 in 2023 to \$0.9817 in 2024, a decrease of \$0.3638 per 100 dollars of valuation. The District's tax rates for 2024 were M&O tax rate of \$0.6992 and an I&S rate of \$0.2825. The District's appraised valuation of taxable property increased from \$2,105,334,778 to \$2,545,801,430, an increase of \$440,466,652 or 21%. This increase is related primarily to increases in mineral values. The total school property taxes assessed for school year 2024 were \$24,992,133. This is a decrease of \$3,335,146 from the \$28,327,279 assessed in 2023.



- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA went from 388.350 in 2023 to 385.795 in 2024. State revenues decreased \$287,543 from \$452,105 in 2023 to \$164,562 in 2024, which is primarily attributable to the decrease in the Per Capita rate from the Available School Fund.

## **Fund Balances**

The District's total Governmental Funds fund balance was \$8,712,446. This fund balance is reported in the various Governmental funds as follows:

### General Fund

Unassigned – \$2,492,336. This balance is available for current spending; it has been the practice of the District to try and maintain a fund balance that is at least several months of operating expenses.

Committed for Construction and Equipment – \$4,500,000. This represents amounts the Board of Trustees has earmarked for future facilities construction and equipment purchases.

Non-Spendable - \$61,858. This represents amounts paid for expenditures or obligations that will be recognized in a subsequent period.

### Debt Service Fund

Restricted for Retirement of Long-Term Debt – \$1,319,741. These funds are restricted by debt service covenants to fund the principal and interest payments of the bond issue.

### Other Funds

Restricted for Federal and State Programs - \$293,155. The District serves as the fiscal agent for the Four County Shared Service Arrangement (FCSSA), which is a special education shared service arrangement. This balance is restricted for use for special education services in the FCSSA.

Assigned – \$45,356. This represents amounts that management has assigned for the use of Campus Activity Funds.

## **Budgetary Highlights**

Over the course of the year, the Board of Trustees should have revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses. There were no individually significant amendments, while most amendments were to reclassify expenditures in various functions. During the year, expenditures exceeded appropriations in the data processing services and facilities acquisition and construction functions in the general fund.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### Capital Assets

As of August 31, 2024, the District had \$38,860,391 of capital assets, net of accumulated depreciation. Financial statement footnote No. 6 discloses the capital asset activity of the District for the year ended August 31, 2024.

### Debt

During the year, the District extinguished \$6,855,000 of debt early through in-substance defeasances. As of August 31, 2024, the District currently has no debt outstanding. Subsequent to year end, the District issued \$28,430,000 in Unlimited Tax School Building Bonds. Financial statement footnote No. 9 discloses the debt activity of the District for the year ended August 31, 2024.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District has adopted a deficit budget in the general fund for 2024-2025.

The District has budgeted \$17,242,488 in general fund revenues for fiscal year 2024-2025. This is down \$2,555,048 from the \$19,797,536 actual general fund revenue for the 2022-2023 fiscal year. This is related to anticipated decreases in property values.

The District has budgeted \$18,146,093 in general fund expenditures for 2024-2025. This is down \$3,977,647 from the actual 2023-2024 general fund expenditures of \$22,123,740 and is due to decreases in construction projects and decreases in recapture payments to the state in anticipation of lower property tax collections.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Plains Independent School District, 811 Cowboy Way, Plains, Texas 79355.

## **BASIC FINANCIAL STATEMENTS**

PLAINS INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION  
AUGUST 31, 2024

Data Control Codes		Primary Government	Governmental Activities
	ASSETS:		
1110	Cash and Temporary Investments	\$	9,897,300
1220	Property Taxes - Delinquent		580,585
1230	Allowance for Uncollectible Taxes		(41,657)
1240	Due from Other Governments		377,941
1250	Accrued Interest		9,854
1410	Prepayments		61,858
	Capital Assets:		
1510	Land		121,759
1520	Buildings and Improvements, Net		37,995,652
1530	Furniture and Equipment, Net		319,673
1540	Vehicles, Net		423,307
1000	Total Assets	\$	49,746,272
	DEFERRED OUTFLOWS OF RESOURCES:		
1705	Deferred Outflow Related to TRS Pension Liability	\$	1,145,043
1706	Deferred Outflow Related to TRS OPEB Liability		987,100
1700	Total Deferred Outflows of Resources	\$	2,132,143
	LIABILITIES:		
2110	Accounts Payable	\$	674,422
2160	Accrued Wages Payable		337,864
2180	Due to Other Governments		406,472
2200	Accrued Expenses		9,280
2300	Unearned Revenue		206,469
	Noncurrent Liabilities:		
2540	Net Pension Liability (District's Share)		2,255,891
2545	Net OPEB Liability (District's Share)		1,074,690
2000	Total Liabilities	\$	4,965,088
	DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to TRS Pension Liability	\$	264,321
2606	Deferred Inflow Related to TRS OPEB Liability		1,939,775
2600	Total Deferred Inflows of Resources	\$	2,204,096
	NET POSITION:		
3200	Investment in Capital Assets	\$	38,860,391
3820	Restricted for Federal and State Programs		293,155
3850	Restricted for Debt Service		1,489,126
3900	Unrestricted		4,066,559
3000	Total Net Position	\$	44,709,231

The accompanying notes are an integral part of this financial statement.

PLAINS INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Total Governmental Activities
0011	Instruction	\$ 5,295,040	\$ 954,272	\$ (4,340,768)
0012	Instructional Resources and Media Services	54,808	8,179	(46,629)
0013	Curriculum and Instructional Staff Development	83,520	52,482	(31,038)
0021	Instructional Leadership	246,429	223,233	(23,196)
0023	School Leadership	613,956	34,194	(579,762)
0031	Guidance, Counseling, and Evaluation Services	513,319	335,379	(177,940)
0033	Health Services	99,128	2,210	(96,918)
0034	Student Transportation	211,207	89,501	(121,706)
0035	Food Services	516,895	12,840	(187,599)
0036	Extracurricular Activities	717,672	32,704	(650,252)
0041	General Administration	519,419	39,125	(480,294)
0051	Facilities Maintenance and Operations	1,307,056	55,100	(1,220,830)
0052	Security and Monitoring Services	146,069	123,085	(22,984)
0053	Data Processing Services	322,430	4,765	(317,665)
0061	Community Services	794		(794)
0072	Interest on Long-Term Debt	184,498	23,667	(160,831)
0073	Bond Issuance Cost and Fees	7,575		(7,575)
0091	Contracted Instructional Services Between Schools	11,363,901		(11,363,901)
0093	Payments to Shared Service Arrangements	101,824		(101,824)
0099	Other Intergovernmental Charges	196,854		(196,854)
TP	Total Primary Government	\$ 22,502,394	\$ 100,644	\$ 2,272,390

Data  
Control  
Codes

General Revenues:

MT	Property Taxes, Levied for General Purposes	\$ 17,857,877
DT	Property Taxes, Levied for Debt Service	7,215,143
SF	State Aid Formula Grants	164,562
GC	Grants and Contributions not Restricted	94,012
IE	Investment Earnings	929,398
MI	Miscellaneous Local and Intermediate Revenue	285,158
TR	Total General Revenues	\$ 26,546,150
CN	Change in Net Position	\$ 6,416,790
NB	Net Position - Beginning	38,292,441
NE	Net Position - Ending	\$ 44,709,231

The accompanying notes are an integral part of this financial statement.

PLAINS INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2024**

Data Control Codes		Major Funds		Other Governmental Funds	98 Total Governmental Funds
		10 General Fund	50 Debt Service Fund		
	<b>ASSETS:</b>				
1110	Cash and Temporary Investments	\$ 8,467,671	\$ 1,319,741	\$ 109,888	\$ 9,897,300
1220	Property Taxes - Delinquent	405,178	175,407		580,585
1230	Allowance for Uncollectible Taxes	(35,635)	(6,022)		(41,657)
1240	Due from Other Governments			377,941	377,941
1250	Accrued Interest	9,854			9,854
1260	Due from Other Funds	87,074		202,537	289,611
1410	Prepayments	61,858			61,858
1000	Total Assets	<u>\$ 8,996,000</u>	<u>\$ 1,489,126</u>	<u>\$ 690,366</u>	<u>\$ 11,175,492</u>
	<b>LIABILITIES:</b>				
2110	Accounts Payable	\$ 674,422	\$	\$	\$ 674,422
2160	Accrued Wages Payable	278,968		58,896	337,864
2170	Due to Other Funds			289,611	289,611
2180	Due to Other Governments	406,472			406,472
2200	Accrued Expenditures	5,932		3,348	9,280
2300	Unearned Revenue	206,469			206,469
2000	Total Liabilities	<u>\$ 1,572,263</u>	<u>\$ 0</u>	<u>\$ 351,855</u>	<u>\$ 1,924,118</u>
	<b>DEFERRED INFLOWS OF RESOURCES:</b>				
2601	Unavailable Revenue - Property Taxes	\$ 369,543	\$ 169,385	\$	\$ 538,928
2600	Total Deferred Inflows	<u>\$ 369,543</u>	<u>\$ 169,385</u>	<u>\$ 0</u>	<u>\$ 538,928</u>
	<b>FUND BALANCES:</b>				
	Non-Spendable for:				
3430	Prepayments	\$ 61,858	\$	\$	\$ 61,858
	Restricted for:				
3450	Federal and State Programs			293,155	293,155
3480	Retirement of Long-Term Debt		1,319,741		1,319,741
	Committed for:				
3510	Construction	3,500,000			3,500,000
3530	Equipment	1,000,000			1,000,000
	Assigned for:				
3590	Campus Activity Funds			45,356	45,356
3600	Unassigned	2,492,336			2,492,336
3000	Total Fund Balances	<u>\$ 7,054,194</u>	<u>\$ 1,319,741</u>	<u>\$ 338,511</u>	<u>\$ 8,712,446</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 8,996,000</u>	<u>\$ 1,489,126</u>	<u>\$ 690,366</u>	<u>\$ 11,175,492</u>

The accompanying notes are an integral part of this financial statement.

PLAINS INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
AUGUST 31, 2024

Data  
Control  
Codes

	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 8,712,446
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$52,456,668 and the accumulated depreciation was (\$14,954,663). In addition, long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in these funds. The long-term debt was (\$9,968,807). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	27,533,198
2	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statement, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2024 capital outlays \$2,585,794 and debt principal payments \$9,460,000 is to increase net position.	12,045,794
3	Premium amortization, loss due to refunding amortization, and change in accrued interest are not financial resources and therefore not reported in governmental funds. The net effect of including the premium amortization \$565,742, loss due to refunding amortization (\$74,164), and change in accrued interest \$17,229 is to increase net position.	508,807
4	The 2024 depreciation expense and loss on disposal of assets increases accumulated depreciation. The net effect of the current year's depreciation and loss on disposal of assets is to decrease net position.	(1,227,408)
5	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liabilities required by GASB 68 in the amount of (\$2,255,891), a Deferred Resource Inflow related to TRS in the amount of (\$264,321), and a Deferred Resource Outflow related to TRS in the amount of \$1,145,043. This amounted to a decrease in net position.	(1,375,169)
6	Included in the items related to debt is the recognition of the District's proportionate share of the OPEB liabilities required by GASB 75 in the amount of (\$1,074,690), a Deferred Resource Inflow related to TRS in the amount of (\$1,939,775), and a Deferred Resource Outflow related to TRS in the amount of \$987,100. This amounted to a decrease in net position.	(2,027,365)
7	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes recognizing deferred property tax revenue of \$538,928 as revenue. The effect of this reclassification is to increase net position.	538,928
29	Net Position of Governmental Activities (Exhibit A-1)	\$ <u>44,709,231</u>

The accompanying notes are an integral part of this financial statement.

## PLAINS INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2024**

Data Control Codes		Major Funds		Other Governmental Funds	98 Total Governmental Funds
		10	50		
		General Fund	Debt Service Fund		
REVENUES:					
5700	Local and Intermediate Sources	\$ 18,840,944	\$ 7,503,951	\$ 676,982	\$ 27,021,877
5800	State Program Revenues	556,083	23,667	198,746	778,496
5900	Federal Program Revenues	<u>400,509</u>	<u></u>	<u>871,497</u>	<u>1,272,006</u>
5020	Total Revenues	\$ <u>19,797,536</u>	\$ <u>7,527,618</u>	\$ <u>1,747,225</u>	\$ <u>29,072,379</u>
EXPENDITURES:					
0011	Instruction	\$ 3,979,827	\$	\$ 878,247	\$ 4,858,074
0012	Instructional Resources and Media Services	42,477		6,523	49,000
0013	Curriculum and Instructional Staff Development	26,514		52,482	78,996
0021	Instructional Leadership	7,968		214,684	222,652
0023	School Leadership	540,429		17,928	558,357
0031	Guidance, Counseling, and Evaluation Services	154,662		329,895	484,557
0033	Health Services	91,166			91,166
0034	Student Transportation	207,570		85,870	293,440
0035	Food Services	469,082			469,082
0036	Extracurricular Activities	613,862		32,784	646,646
0041	General Administration	441,420		29,969	471,389
0051	Facilities Maintenance and Operations	1,238,661		13,510	1,252,171
0052	Security and Monitoring Services	174,992		119,804	294,796
0053	Data Processing Services	366,847		500	367,347
0061	Community Services	708			708
0071	Principal on Long-Term Debt		9,460,000		9,460,000
0072	Interest on Long-Term Debt		693,305		693,305
0073	Bond Issuance Cost and Fees		7,575		7,575
0081	Facilities Acquisition and Construction	2,104,976			2,104,976
0091	Contracted Instructional Services Between Schools	11,363,901			11,363,901
0093	Payments to Shared Service Arrangments	101,824			101,824
0099	Other Intergovernmental Charges	<u>196,854</u>	<u></u>	<u></u>	<u>196,854</u>
6030	Total Expenditures	\$ <u>22,123,740</u>	\$ <u>10,160,880</u>	\$ <u>1,782,196</u>	\$ <u>34,066,816</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>(2,326,204)</u>	\$ <u>(2,633,262)</u>	\$ <u>(34,971)</u>	\$ <u>(4,994,437)</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	\$ <u></u>	\$ <u></u>	\$ <u>22,500</u>	\$ <u>22,500</u>
7080	Total Other Financing Sources	\$ <u>0</u>	\$ <u>0</u>	\$ <u>22,500</u>	\$ <u>22,500</u>
1200	Net Change in Fund Balance	\$ (2,326,204)	\$ (2,633,262)	\$ (12,471)	\$ (4,971,937)
0100	September 1 - Fund Balance	<u>9,380,398</u>	<u>3,953,003</u>	<u>350,982</u>	<u>13,684,383</u>
3000	August 31 - Fund Balance	\$ 7,054,194	\$ 1,319,741	\$ 338,511	\$ 8,712,446

The accompanying notes are an integral part of this financial statement.



PLAINS INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2024

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3) \$ (4,971,937)

Amounts reported for governmental activities in the Statement of Activities (Exhibit B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$2,585,794 exceeded depreciation and loss on disposal of assets (\$1,227,408) in the current period. 1,358,386

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount by which deferred property tax revenue changed between the current year \$538,928 and the prior year (\$534,083). 4,845

Repayment of bond principal of \$9,460,000 is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 9,460,000

Premium amortization, loss due to refunding amortization, and change in accrued interest are not financial resources and therefore not reported in governmental funds. The net effect of including the premium amortization \$565,742, loss due to refunding amortization (\$74,164), and change in accrued interest \$17,229 is to increase net position. 508,807

Current year changes due to GASB 68 increased revenues in the amount of \$184,856 and increased expenses in the amount of (\$328,378) resulting in a decrease in the change in ending net position of (\$143,522). (143,522)

Current year changes due to GASB 75 decreased revenues in the amount of (\$365,396) and decreased expenses in the amount of \$565,607 resulting in an increase in the change in ending net position of \$200,211. 200,211

Change in Net Position of Governmental Activities (Exhibit B-1) \$ 6,416,790

The accompanying notes are an integral part of this financial statement.

PLAINS INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2024

	Private Purpose Trust Fund	Custodial Funds
ASSETS:		
Cash and Temporary Investments	\$ 16,540	\$ 55,692
Total Assets	\$ 16,540	\$ 55,692
NET POSITION:		
Unrestricted Net Position	\$	\$ 55,692
Restricted Net Position	16,540	
Total Net Position	\$ 16,540	\$ 55,692

The accompanying notes are an integral part of this financial statement.

PLAINS INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2024

	Private Purpose Trust Fund	Custodial Funds
ADDITIONS:		
Interest Income	\$ 727	\$
Other Revenues		58,501
Total Additions	\$ 727	\$ 58,501
DEDUCTIONS:		
Scholarships	\$ 5,480	\$
Student Activities		57,805
Total Deductions	\$ 5,480	\$ 57,805
Change in Net Position	\$ (4,753)	\$ 696
Net Position - September 1 (Beginning)	21,293	54,996
Net Position - August 31 (Ending)	\$ 16,540	\$ 55,692

The accompanying notes are an integral part of this financial statement.

**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Plains Independent School District's (the District) is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) applicable to governmental units. The District also complies with the appropriate version of the 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. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**A. REPORTING ENTITY**

The Board of School Trustees (the Board), a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to TEA or to the 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 in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

**B. BASIS OF ACCOUNTING AND PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District currently has no business-type activities.

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

## **PLAINS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or Statement of Net Position. The District currently does not have any long-term debt or obligations other than pension and OPEB liabilities.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The charges for services column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. The operating grants and contributions column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

### **FUND FINANCIAL STATEMENTS**

Separate financial statements are provided for governmental funds and fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

## PLAINS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

Revenues from local sources consist primarily of property taxes. Amounts have been recorded for property tax revenues collected through August 31, 2024. State revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

The fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Fiduciary funds are not included in the government-wide statements.

#### GOVERNMENTAL FUND TYPES

The District reports the following major governmental funds:

**General Fund** – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund, and unassigned fund balances are considered resources available for current operations.

The District accounts for its Food Service Fund in the general fund. Students are not charged for meals, and when necessary, the general fund subsidizes the Food Service Fund for all amounts required in excess of amounts received from the National School Lunch and Breakfast Programs.

**Debt Service Fund** – This fund is used to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which tax has been dedicated. This is a budgeted fund and any unused sinking fund balances will be transferred to the general fund after all of the related debt obligations have been met.

Additionally, the District reports the following fund types:

**Special Revenue Funds** – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Unused balances are returned to the grantor at the close of specified project periods.

#### FIDUCIARY FUND TYPES

**Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated may be used for purposes that benefit parties outside the District. The District's Private Purpose trust funds are scholarship funds.

**PLAINS INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**Custodial Funds** – The District accounts for resources held for others in a custodial capacity in custodial funds. These funds are used to account for activities of student groups. Student activity organizations exist with the explicit approval from the Board and are subject to revocation.

**C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS**

Capital assets, which include land, buildings and improvements, furniture and equipment, and vehicles are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' useful lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are recorded as expenditures when purchased.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. The District does have a policy to pay a portion of the accumulated benefit when employees separate from service with the District. There is no liability recorded for unpaid accumulated sick leave since the amount was determined to be immaterial.

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

The Data Control Codes refer to the account code structure prescribed by TEA in the FASRG. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a Statewide database for policy development and funding plans.

**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**D. BUDGETARY DATA**

The official budget was prepared on the modified accrual basis of accounting, which is consistent with GAAP, for the general fund and debt service fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20<sup>th</sup> of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1<sup>st</sup>. The operating 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 10 days public notice of the meeting must be given.
- c. Prior to September 1<sup>st</sup>, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact and they are reflected in the official minutes of the Board. During the year, expenditures exceeded appropriations in the data processing services and facilities acquisition and construction functions in the general fund.

**E. ENCUMBRANCE ACCOUNTING**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31<sup>st</sup>, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2024.

**F. FUND BALANCES**

Fund balances of the governmental funds are classified as follows:

Non-Spendable – Amounts that are legally or contractually required to be maintained intact, and are generally not expected to be converted to cash.

Restricted – Amounts that can be spent only for specific purposes because of restrictions by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of Trustees, the highest level of decision-making authority.



**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

Assigned – Amounts that can be used for a specific purpose as expressed by the authorized administrator, the Superintendent.

Unassigned – Amounts not included in other spendable classifications.

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 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.

**G. NET POSITION ON THE STATEMENT OF NET POSITION**

Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets – This component of net position represents the difference between capital assets less accumulated depreciation.

Restricted for Federal and State Programs – This component of net position represents assets and liabilities of the Four County Shared Service Arrangement (SSA) for special education services that consists of assets with constraints placed on their use by the state.

Restricted for Debt Service – This component of net position represents the difference between assets and liabilities of the debt service fund that consists of assets with constraints placed on their use by creditors.

Unrestricted – This component of net position represents the difference between assets and liabilities that is not reported in one of the previous categories.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**H. PENSIONS**

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

**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**I. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

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.

**J. MANAGEMENT'S USE OF ESTIMATES**

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

**2. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) (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 investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A", (4) no load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated not lower than "AA-" or the equivalent, (8) public investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

PLAINS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits and investments in certificates of deposit, because they are all covered by depository insurance and pledged securities held by a third party in the District's name.
- b. Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2024, all of the District's investments are in external investment pools and as such the District has no risk.
- c. Credit Risk – The risk that an issuer of another counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2024, the District was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2024 approximates fair value and consisted of the following with respective maturities and credit rating:

	Amount	Percent	Maturity in Less than 1 Year	Credit Rating
Cash in Bank	\$ 5,748,257	57.66%	\$ 5,748,257	N/A
Certificates of Deposit	4,221,275	42.34%	4,221,275	N/A
	<u>\$ 9,969,532</u>	<u>100.00%</u>	<u>\$ 9,969,532</u>	

**PLAINS INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**3. PROPERTY TAXES**

Property taxes are levied by October 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. All property taxes remaining uncollected after ten years are provided for in the allowance for uncollectible 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. DUE FROM/TO OTHER GOVERNMENTS**

The amount due from other governments consisted of \$377,941 for unreimbursed grant expenditures of \$309,504 and member contributions due to the SSA of \$68,437.

The amount due to other governments represents the 2023-24 remaining recapture amount due to the state of \$406,472.

**5. INTERFUND BALANCES**

Interfund balances are a result of normal operations and are cleared out periodically. Management intends to pay out these balances within one year. Interfund balances at August 31, 2024 consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund		
Special Revenue Funds	\$ 87,074	\$ 0
Special Revenue Funds		
General Fund	\$	\$ 87,074
Special Revenue Funds	202,537	202,537
	\$ 202,537	\$ 289,611
	\$ 289,611	\$ 289,611

PLAINS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

6. CAPITAL ASSETS

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

	9/1/2023	Additions and Transfers	Deletions	8/31/2024
Capital Assets:				
Land	\$ 121,759	\$	\$	\$ 121,759
Building and Improvements	48,728,068	2,368,635	74,560	51,022,143
Furniture and Equipment	2,133,783	180,455	104,698	2,209,540
Vehicles	1,392,279	117,483		1,509,762
Construction in Progress	80,779	(80,779)		0
	<u>\$ 52,456,668</u>	<u>\$ 2,585,794</u>	<u>\$ 179,258</u>	<u>\$ 54,863,204</u>
Accumulated Depreciation:				
Buildings and Improvements	\$ 12,012,244	\$ 1,069,718	\$ 55,471	\$ 13,026,491
Furniture and Equipment	1,933,787	60,778	104,698	1,889,867
Vehicles	1,008,632	77,823		1,086,455
	<u>\$ 14,954,663</u>	<u>\$ 1,208,319</u>	<u>\$ 160,169</u>	<u>\$ 16,002,813</u>
Total Net Capital Assets	<u>\$ 37,502,005</u>	<u>\$ 1,377,475</u>	<u>\$ 19,089</u>	<u>\$ 38,860,391</u>

Depreciation expense of \$1,208,319 and loss on disposal of assets of \$19,089 were charged to functions of the primary government as follows:

Instruction	\$ 588,144
Instruction Resources and Media Services	5,932
Curriculum and Instructional Staff Development	9,564
Instructional Leadership	26,955
School Leadership	67,598
Guidance, Counseling, and Evaluation Services	58,663
Health Services	11,037
Student Transportation	35,525
Food Services	56,790
Extracurricular Activities	78,287
General Administration	57,069
Facilities Maintenance and Operations	151,595
Security and Monitoring Services	35,690
Data Processing Services	44,473
Community Services	86
	<u>\$ 1,227,408</u>

**PLAINS INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

Capital assets are being depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15 - 40 years
Furniture and Equipment	5 - 15 years
Vehicles	5 - 10 years

**7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Outflows on the Statement on Net Position consists of the District's proportionate share of TRS pension deferred outflows of \$1,145,043 (See Note 12) and the District's proportionate share of TRS OPEB deferred outflows of \$987,100 (See Note 13).

Deferred Inflows on the Statement on Net Position consists of the District's proportionate share of TRS pension deferred inflows of \$264,321 (See Note 12) and the District's proportionate share of TRS OPEB deferred inflows of \$1,939,775 (See Note 13).

Deferred Inflows on the Balance Sheet – Governmental Funds consists of:

	General Fund	Debt Service Fund	Total
Property Taxes - Delinquent	\$ 405,178	\$ 175,407	\$ 580,585
Less: Allowance for Uncollectible Taxes	(35,635)	(6,022)	(41,657)
Total Deferred Inflows (Exhibit C-1)	<u>\$ 369,543</u>	<u>\$ 169,385</u>	<u>\$ 538,928</u>

**8. UNEARNED REVENUE**

Unearned revenue is associated with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unearned revenues of \$206,469 consisted of State Foundation overpayments.

PLAINS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

9. LONG-TERM DEBT

General Obligation Bonds

A summary of bonds payable as of August 31, 2024 is as follows:

Description	Interest Rate	Amount Originally Issued	Interest Current Year	Due Within One Year
2017 Unlimited Tax Refunding Bonds	2.00% - 4.00%	\$ 8,710,000	\$ 579,591	\$
2020 Unlimited Tax Refunding Bonds	4.00% - 5.00%	6,745,000	113,714	
		<u>\$ 34,265,000</u>	<u>\$ 693,305</u>	<u>\$ 0</u>

A summary of changes in bonds and notes payable for the year ended August 31, 2024 is as follows:

Description	Amount Outstanding 9/1/2023	Issued Current Year	Retired Current Year	Amount Outstanding 8/31/2024
2017 Unlimited Tax Refunding Bonds	\$ 7,335,000	\$	\$ 7,335,000	\$ 0
2020 Unlimited Tax Refunding Bonds	2,125,000		2,125,000	0
	<u>\$ 9,460,000</u>	<u>\$ 0</u>	<u>\$ 9,460,000</u>	<u>\$ 0</u>

In October 2017, the District issued \$8,710,000 in Unlimited Tax Refunding Bonds, Series 2017, with an average interest rate of 3.57%. Interest expenditures on this bonded debt totaled \$579,591 for the year ended August 31, 2024. During the current year, the District extinguished \$6,495,000 of this debt through an in-substance defeasance. This bond was fully paid off in the current year.

In May 2020, the District issued \$6,745,000 in Unlimited Tax Refunding Bonds, Series 2020, with an average interest rate of 4.50%. Interest expenditures on this bonded debt totaled \$113,714 for the year ended August 31, 2024. During the current year, the District extinguished \$360,000 of this debt through an in-substance defeasance. This bond was fully paid off in the current year.

Subsequent to year end, the District issued \$28,430,000 in Unlimited Tax School Building Bonds with an average interest rate of 5.00% and annual maturities through August 2039.

PLAINS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes, Penalties, Interest, and Other Tax-Related Income	\$ 17,844,905	\$ 7,223,270	\$	\$ 25,068,175
Food Sales	12,840			12,840
Interest Income	632,737	280,681	15,980	929,398
SSA Member Contributions			600,139	600,139
Co-Curricular Student Activities	32,704		60,863	93,567
Rent	55,100			55,100
Insurance Recovery	262,658			262,658
	<u>\$ 18,840,944</u>	<u>\$ 7,503,951</u>	<u>\$ 676,982</u>	<u>\$ 27,021,877</u>

11. GENERAL FUND FEDERAL SOURCED REVENUES

The District recognized revenues from certain federal programs in the general fund. These programs are reimbursement-type programs. E-Rate and SHARS reimbursement amounts are not subject to the Single Audit Act under Uniform Guidance. Reimbursement revenues received during the year ended August 31, 2024 are as follows:

	Assistance Listing Number	Current Year Revenues
School Breakfast Program	10.553	\$ 110,698
National School Lunch Program	10.555	172,030
Texas Department of Agriculture - Supply Chain Assistance	10.555	22,661
Texas Department of Agriculture - Contract Warehouse Private Storage Delivery	10.560	1,108
Universal Service Fund (E-Rate)	N/A	70,631
School Health & Related Services (SHARS)	N/A	23,381
General Fund - Federal Source Revenues		<u>\$ 400,509</u>



-31-  
**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**12. DEFINED BENEFIT PENSION PLAN**

**Plan Description**

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

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

**Pension Plan Fiduciary Net Position**

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

The information provided in the Notes to the Financial Statements in the 2023 and 2022 Annual Comprehensive Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2023 and 2022:

Net Pension Liability	2023	2022
Total Pension Liability	\$ 255,860,886,500	\$ 243,553,045,455
Less: Plan Fiduciary Net Position	(187,170,535,558)	(184,185,617,196)
Net Pension Liability	<u>\$ 68,690,350,942</u>	<u>\$ 59,367,428,259</u>
Net Position as Percentage of Total Pension Liability	73.15%	75.62%

**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 five 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 five years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

-32-  
**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

Texas Government Code, Title 8, Section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS's 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 System's actuary.

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provided gradual contribution increases from the State, participating employers, and active employees for the fiscal years 2019 through 2024.

**Contributions**

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 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 through 2025.

The following table shows contribution rates by type of contributor for the fiscal years 2023 and 2024, and the contributions by type reported by TRS which were received by TRS during the measurement year (TRS FY 2023). These are included in the calculation of the District's proportionate share of the net pension liability.

	Contribution Rates	
	2023	2024
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
TRS FY 2023 Employer Contributions	\$	168,813
TRS FY 2023 Member Contributions		345,980
TRS FY 2023 NECE On-Behalf Contributions		241,365

The actual contributions made by the District during their 2024 fiscal year were \$246,821 for the District and \$451,363 made by the plan members employed by the District.

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

**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO 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, including public schools, are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-education and general, or local funds.

In addition to the employer contributions listed above, there are additional surcharges 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. The surcharge for fiscal year 2023 is 1.8%.
- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**Actuarial Assumptions**

Roll Forward – The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the total pension liability to August 31, 2023.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the four-year period ending August 31, 2021 and adopted in July 2022.

The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale (U-MP). The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

**PLAINS INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

The following table discloses the assumptions that were applied to the measurement period:

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

The actuarial methods and assumptions 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 TRS actuarial valuation report dated November 22, 2022.

**Discount Rate**

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the 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 increasing to 9.56% in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all 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-estimate 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.

PLAINS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

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

(a) - Absolute Return includes Credit Sensitive Investments

(b) - Target allocations are based on the FY 2023 policy model

(c) - Capital Market Assumptions come from Aon Hewitt (as of 6/30/2023)

(d) - 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 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 one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's Proportionate Share of the Net Pension Liability	\$ <u>3,372,681</u>	\$ <u>2,255,891</u>	\$ <u>1,327,279</u>

PLAINS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

**Pension Liabilities and Pension Expense**

At August 31, 2024, the District reported a liability of \$2,255,891 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$	2,255,891
State's Proportionate Share that is Associated with the District		<u>3,225,427</u>
Total	\$	<u><u>5,481,318</u></u>

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

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.003284% which was a decrease of 0.000246% from its proportion measured as of August 31, 2022.

For the year ended August 31, 2024, the District recognized pension expense of \$487,012 and revenue of \$241,365 for support provided by the State in the Government-Wide Statement of Activities.

**Changes Since the Prior Actuarial Valuation**

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

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September 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 COLA to retirees which was approved during the November 2023 election which was paid in January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

**PLAINS INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 80,378	\$ 27,316
Changes in Actuarial Assumptions	213,363	52,215
Difference Between Projected and Actual Investment Earnings	328,287	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	276,194	184,790
Contributions Paid to TRS Subsequent to the Measurement Date	246,821	
Total	<u>\$ 1,145,043</u>	<u>\$ 264,321</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

	Pension (Benefit) Expense
2025	\$ 128,748
2026	84,867
2027	317,928
2028	107,266
2029	(4,908)
Thereafter	-

**13. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN**

**Plan Description**

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

**PLAINS INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**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 at <https://www.trs.texas.gov>; 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 and 2022 are as follows:

<u>Net OPEB Liability</u>	<u>2023</u>	<u>2022</u>
Total OPEB Liability	\$ 26,028,070,267	\$ 27,061,942,520
Less: Plan Fiduciary Net Position	(3,889,765,203)	(3,117,937,218)
Net OPEB Liability	<u>\$ 22,138,305,064</u>	<u>\$ 23,944,005,302</u>
Net Position as Percentage of Total OPEB Liability	14.94%	11.52%

**Benefits Provided**

TRS-Care provides health insurance coverage to all retirees from public schools 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.

The General Appropriations Act passed by the 86<sup>th</sup> Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86<sup>th</sup> Legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$336,000,000 as of August 31, 2023.

The premium rates for retirees are presented below:

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



**PLAINS INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**Contributions**

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2023.

The following table shows contribution rates by type of contributor for the fiscal years 2023 and 2024, and the contributions by type reported by TRS which were received by TRS during the measurement year (TRS FY 2023). These are included in the calculation of the District's proportionate share of the net OPEB liability.

	Contribution Rates	
	2023	2024
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
TRS FY 2023 Employer Contributions	\$	42,111
TRS FY 2023 Member Contributions		28,111
TRS FY 2023 NECE On-Behalf Contributions		50,813

The actual contributions made by the District during their 2024 fiscal year were \$55,952 for the District and \$35,561 made by the plan members employed by the District.

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS-Care OPEB program). When employers hire a TRS retiree, they are required to pay 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 87<sup>th</sup> 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.

**PLAINS INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**Actuarial Assumptions**

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

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

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

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 were as follows:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	4.13% as of August 31, 2023
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Salary Increases	2.95% to 8.95%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

The election rates for normal retirement were 62% participation rate prior to age 65 and 25% participation rate after age 65. For pre-65 retirees, it is assumed that 30% will discontinue coverage at age 65.

The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for non-Medicare retirees. There was an initial prescription drug trend rate of 7.75% for all retirees. The initial trend rates decreased to an ultimate trend rate of 4.25% over a period of 12 years.

## PLAINS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

#### Discount Rate

A single discount rate of 4.13% was used to measure the total OPEB liability. This was an increase of 0.22% in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

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

#### Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District's Proportionate Share of the Net OPEB Liability	\$ 1,265,761	\$ 1,074,690	\$ 918,771

#### Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 884,953	\$ 1,074,690	\$ 1,318,786

#### OPEB Liabilities and OPEB Expense

At August 31, 2024, the District reported a liability of \$1,074,690 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 1,074,690
State's Proportionate Share that is Associated with the District	1,296,778
Total	\$ 2,371,468

PLAINS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

At August 31, 2023, the employer's proportion of the collective net OPEB liability was 0.004854% compared to the 0.005197% as of August 31, 2022. This is a decrease of 0.000342%.

For the year ended August 31, 2024, the District recognized OPEB expense of \$277,224 and revenue of \$50,813 for support provided by the State.

**Changes Since the Prior Actuarial Valuation**

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.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 48,622	\$ 904,148
Changes in Actuarial Assumptions	146,687	658,061
Difference Between Projected and Actual Investment Earnings	464	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	735,375	377,566
Contributions Paid to TRS Subsequent to the Measurement Date	55,952	
Total	\$ 987,100	\$ 1,939,775

**PLAINS INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

The net amounts of the employer's balances of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to OPEBs will be recognized in OPEB expense as follows:

	OPEB (Benefit) Expense
2025	\$ (234,725)
2026	(185,433)
2027	(118,701)
2028	(157,370)
2029	(143,369)
Thereafter	(169,029)

**14. RISK MANAGEMENT**

The District's risk management program includes coverage, through various third-party insurance providers, to protect the District against losses related to torts, errors, and omissions, theft and damage or destruction of property, employee health, and natural disasters. For the year ended August 31, 2024, there were no significant reductions in insurance coverage from the previous year.

**15. HEALTH CARE COVERAGE**

During the year ended August 31, 2024, employees of the District were covered by a health insurance plan through TRS Active Care. The District contributed \$374 of the employee-only premium per month and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

Additionally, payments made on behalf of the District by the State for Medicare Part D fringe benefits and salaries amounted to \$28,370 and \$22,601 for the years ended August 31, 2024 and 2023.

**16. COMMITMENTS AND CONTINGENCIES**

Federal and State Funding

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

**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**17. LITIGATION**

Management represents there is no litigation pending against the District which would have a material effect on the financial statements.

**18. EMPLOYEE DEFINED CONTRIBUTION PLAN**

The District participates in a matching annuity plan for the benefit of employees. The District matches employees' contributions to the maximum of four percent. The percentage contributed by the District is determined annually by the Board of Trustees. The District contributed \$146,181 for the year ended August 31, 2024.

**19. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS**

The District is the fiscal agent for a shared service arrangement (SSA) and provides many of the special education services for member districts. According to guidance provided in the FAR, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund 437, SSA – Special Education, and uses Model 3 in the SSA section of the FASRG.

The District also acts as the fiscal agent in a shared service arrangement with various districts for IDEA Part B, Formula and for IDEA Part B, Preschool. The District receives program funds from the granting agency and remits a portion of the grant funds to participating member districts. The District accounts for these grants in Special Revenue Funds 313 and 314, respectively, according to Model 1 in the SSA section of the FASRG.

Expenditures of the shared service arrangements for the year ended August 31, 2024, are as follows:

	Special Education	IDEA B - Formula	IDEA B - Preschool
Loop ISD	\$ 39,745	\$ 41,643	\$ 1,349
New Home ISD	126,760	115,674	2,284
O'Donnell ISD	109,358	96,240	2,157
Plains ISD	109,355	137,234	4,230
Seagraves ISD	173,167	162,551	17,212
Wellman-Union ISD	86,153	67,571	1,529
	<u>\$ 644,538</u>	<u>\$ 620,913</u>	<u>\$ 28,761</u>

The District, as fiscal agent, is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the member districts. The fiscal agent is responsible for all financial activities of the SSA.

**PLAINS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**20. SUBSEQUENT EVENTS**

The District's management has evaluated subsequent events through December 12, 2024, the date which the financial statements were available for issue.

Subsequent to year end, the District issued \$28,430,000 in Unlimited Tax School Building Bonds, as discussed in Note 9.

## **APPENDIX E**

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



## 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)”).

	<b>Annual Distributions to the Available School Fund<sup>(1)</sup></b>									
<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>
SBOE Distribution Rate <sup>(1)</sup>	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 Corporation 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, 2024	August 31, 2023	Amount of Increase (Decrease)	Percent Change
Equity				
Domestic Small Cap	\$3,651.3	\$ 2,975.1	\$ 676.2	22.7%
Domestic Large Cap	<u>8,084.6</u>	<u>7,896.5</u>	<u>188.1</u>	<u>2.4%</u>
Total Domestic Equity	11,735.9	10,871.6	864.3	8.0%
International Equity	<u>4,131.1</u>	<u>7,945.5</u>	<u>(3,814.4)</u>	<u>(48.0%)</u>
Total Equity	15,867.0	18,817.1	(2,950.1)	(15.7%)
Fixed Income				
Domestic Fixed Income	-	5,563.7	-	-
U.S. Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market Debt	-	<u>869.7</u>	-	-
Total Fixed Income	13,415.2	8,602.5	4,812.7	55.9%
Alternative Investments				
Absolute Return	3,106.0	3,175.8	(69.8)	(2.2%)
Real Estate	6,101.0	6,525.2	(424.2)	(6.5%)
Private Equity	8,958.8	8,400.7	558.1	6.6%
Emerging Manager Program	-	134.5	-	-
Real Return	-	1,663.7	-	-
Private Credit	2,257.9	-	-	-
Real Assets	<u>4,648.1</u>	<u>4,712.1</u>	<u>(64.0)</u>	<u>(1.4%)</u>
Total Alternative Investments	25,071.8	24,612.0	459.8	1.9%
Unallocated Cash	<u>2,583.2</u>	<u>348.2</u>	<u>2,235</u>	<u>641.9%</u>
Total PSF(CORP) Investments	56,937.2	\$ 52,379.8	\$ 4,557.4	8.7%

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

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

<b>Investment Schedule – PSF(SLB)<sup>(1)</sup></b>	
	<u>Fair Value (in millions) August 31, 2024</u>
<u>Investment Type</u>	<u>As of</u>
Investments in Real Assets	<u>8-31-24</u>
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>	—
Total Investments & Cash in State 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 SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

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

<b>Changes in SBOE-determined multiplier for State Capacity Limit</b>	
<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, a division of Standard & Poor’s Financial Services LLC, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF “Aaa,” “AAA” and “AAA,” respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district’s underlying rating and the enhanced rating applied to a given series of bonds.

#### **Valuation of the PSF and Guaranteed Bonds**

<b>Permanent School Fund Valuations</b>		
<b>Fiscal Year Ended 8/31</b>	<b>Book Value<sup>(1)</sup></b>	<b>Market Value<sup>(1)</sup></b>
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.

<b>Permanent School Fund Guaranteed Bonds</b>	
<u>At 8/31</u>	<u>Principal Amount<sup>(1)</sup></u>
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.

<b>Permanent School Fund Guaranteed Bonds by Category<sup>(1)</sup></b>						
<u>School District Bonds</u>			<u>Charter District Bonds</u>		<u>Totals</u>	
<u>Fiscal Year</u> <u>Ended 8/31</u>	<u>Number</u> <u>of Issues</u>	<u>Principal</u> <u>Amount</u>	<u>Number</u> <u>of Issues</u>	<u>Principal</u> <u>Amount</u>	<u>Number</u> <u>of Issues</u>	<u>Principal</u> <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 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](http://texaspsf.org).

In addition, the SLB and GLO have established processes and controls over the administration of real estate transactions and are subject to provisions of the Texas Natural Resources Code and internal procedures in administering real estate transactions for Fund assets it manages.

As of August 31, 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 “Appendix E – 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 under 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.