

NEW ISSUE – Book-Entry-Only

Dated August 21, 2025

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

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS

\$2,059,992*
CORSICANA INDEPENDENT SCHOOL DISTRICT
(Freestone and Navarro Counties, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2025

Dated: September 1, 2025

Due: As shown on page 2 herein

Interest Accretes from Delivery Date (defined below)

PAYMENT TERMS . . . The \$2,059,992* Corsicana Independent School District Unlimited Tax Refunding Bonds, Series 2025 (the "Bonds") will be issued as premium capital appreciation bonds maturing on February 15, 2026, as shown on page 2 hereof. Interest on the Bonds will accrete from the Delivery Date, will be payable only at maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of, premium, if any, and accreted/compounded interest on the Premium Capital Appreciation Bonds (the "Maturity Amount") is payable only at maturity. The Bonds will be issued in denominations of integral multiples of \$5,000 of the Maturity Amount. 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 authorized denominations thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Maturity Amount of the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System"). The initial Paying Agent/Registrar is Regions Bank, Dallas, Texas or its assigns (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207 of the Texas Government Code, as amended, and an order (the "Order") to be passed by the Board of Trustees of the District (the "Board") on August 25, 2025. The Bonds are direct obligations of the District, payable from an ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding debt described in Schedule I hereto for debt service savings and (ii) for the payment of the costs associated with the issuance of the Bonds. See "PLAN OF FINANCING – Purpose".

MATURITY SCHEDULE - See Schedule on page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriter identified below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about September 23, 2025*.

RAYMOND JAMES

* Preliminary, subject to change.

MATURITY SCHEDULE***CUSIP Prefix:** _____ ⁽¹⁾

<u>Maturity</u>	<u>Principal Amount</u>	<u>Initial Offering Price per \$5,000 Maturity Amount</u>	<u>Initial Yield to Maturity</u>	<u>Total Payment at Maturity</u>	<u>CUSIP Suffix ⁽¹⁾</u>
2/15/2026	\$ 2,059,992.00	\$		\$ 2,200,000	

(Interest to accrete from the Delivery Date)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the District, the Municipal Advisor, the Underwriter (defined herein) or their agents or counsel assume responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

NO REDEMPTION. . . The Bonds are not subject to redemption prior to maturity.

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

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter 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 or the Underwriter. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Municipal Advisor or the Underwriter. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See “CONTINUING DISCLOSURE INFORMATION” for a description of the undertakings of the District, respectively, to provide certain information on a continuing basis.

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 respective responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF THE DISTRICT, ITS MUNICIPAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

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

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 “OTHER INFORMATION – FORWARD-LOOKING STATEMENTS DISCLAIMER” HEREIN.

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The cover page hereof, this page, the schedules and appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT	The Corsicana Independent School District (the “District”) is a political subdivision located in Navarro and Freestone Counties, Texas. The District is approximately 226 square miles in area (see “INTRODUCTION - Description of the District”).
THE BONDS	The \$2,059,992* Corsicana Independent School District Unlimited Tax Refunding Bonds, Series 2025 (the “Bonds”) are issued as Premium Capital Appreciation Bonds maturing on February 15, 2026 (see “THE BONDS - Description of the Bonds”).
PAYMENT OF INTEREST	Interest on the Bonds will accrete from the date of their delivery to the Underwriter and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The accreted and compounded interest on the Premium Capital Appreciation Bonds is payable only at maturity (see “THE BONDS - Description of the Bonds”).
AUTHORITY FOR ISSUANCE	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207 of the Texas Government Code, as amended, and an order to be passed by the Board of Trustees of the District (the “Board”) on August 25, 2025 (see “THE BONDS - Authority for Issuance”).
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District (see “THE BONDS - Security and Source of Payment”).
NO PERMANENT SCHOOL FUND GUARANTEE	The Bonds will not be guaranteed by the Permanent School Fund of the State of Texas.
NO REDEMPTION	The Bonds are not subject to redemption prior to maturity.
QUALIFIED TAX-EXEMPT OBLIGATIONS	The Bonds will be designated as “Qualified Tax-Exempt Obligations” for financial institutions.
TAX EXEMPTION	In the opinion of Bond Counsel to the District, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District’s outstanding debt described in Schedule I hereto for debt service savings and (ii) for the payment of the costs associated with the issuance of the Bonds. See “PLAN OF FINANCING – Purpose.”
RATINGS	<u>The Bonds will not be rated.</u> However, the presently outstanding tax supported debt of the District is currently rated “A1” by Moody’s Investors Service, Inc. (“Moody’s”) and “A+” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without regard to credit enhancement. The District makes no representation as to the appropriateness of any such rating (see “OTHER INFORMATION - Ratings”).
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 in Maturity Amount of Premium Capital Appreciation Bonds or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, the Maturity Amount of the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
PAYMENT RECORD	The District has never defaulted in the payment of its bonded indebtedness.

* Preliminary, subject to change.

For additional information regarding the District, please contact:

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Corsicana Independent School District
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Corsicana, Texas 75110
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Hilltop Securities Inc.
717 N. Harwood, Suite 3400
Dallas, Texas 75201
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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Board of Trustees</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Brad Farmer President, Place 7	3 Years	2028	Local Business Owner
Dr. Seth Brown Vice President, Place 1	6 Years	2026	Pharmacist
Kamar Chambers Secretary, Place 2	4 Years	2026	Local Business Owner
Cathy Branch Member, Place 4	7 Years	2027	Homemaker
Melissa Castillo Member, Place 6	1 Year	2028	Executive Director (Non-Profit Organization)
Chris Meankins Member, Place 3	1 Year	2027	Insurance Sales
Jamie Roman Member, Place 5	6 Years	2028	Talent Acquisitions Manager

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service in Current Position</u>	<u>Total School District Service</u>
Stephanie Howell	Superintendent	(1)	20 Years
Sean Kays	Executive Director of Finance	1	19 Years

(1) Mrs. Howell was hired as Superintendent on May 1, 2025, and has been a District administrator since 2009 in various capacities.

CONSULTANTS AND ADVISORS

Auditors Patillo, Brown & Hill, L.L.P.
Waco, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Municipal Advisor Hilltop Securities Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$2,059,992*
CORSICANA INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2025

INTRODUCTION

This Preliminary Official Statement, which includes the Schedules and Appendices hereto, provides certain information regarding the issuance of \$2,059,992* Corsicana Independent School District (the "District") Unlimited Tax Refunding Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Municipal Advisor, Hilltop Securities Inc., Dallas, Texas.

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 deposited with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . District is a political subdivision located in Navarro and Freestone Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"), the members of which serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 226 square miles in Navarro and Freestone Counties, encompassing the City of Corsicana.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding debt described in Schedule I (the "Refunded Bonds") for debt service savings and (ii) for the payment of the costs associated with the issuance of the Bonds.

REFUNDED BONDS . . . The Refunded Bonds are being called for redemption on September 23, 2025 (the "Redemption Date"). The principal and interest due on the Refunded Bonds are to be paid on the Redemption Date from funds to be deposited with Regions Bank, Dallas, Texas, the paying agent/registrar for the Refunded Bonds (the "Refunded Bonds' Paying Agent"). The Order provides that proceeds from the sale of the Bonds will be irrevocably deposited with the Refunded Bonds' Paying Agent in an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds on the Redemption Date. Such funds will be held uninvested by the Refunded Bonds' Paying Agent pending their disbursement to redeem the Refunded Bonds on the Redemption Date. By the deposit of Bond proceeds with the Refunded Bonds' Paying Agent, the District will have effected the defeasance of all the Refunded Bonds in accordance with applicable law. The Refunded Bonds' Paying Agent will execute a certificate (the "Sufficiency Certificate") stating that the amount initially deposited therewith is sufficient to pay the principal of and interest on the Refunded Bonds on the Redemption Date. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds, together with available District funds, if any, will be applied approximately as follows:

<u>Sources of Funds</u>	
Par Amount of the Bonds	\$ -
Reoffering Premium	-
Total Sources of Funds	<u>\$ -</u>
<u>Uses of Funds</u>	
Deposit with Refunded Bonds' Paying Agent	\$ -
Underwriters' Discount and Costs of Issuance	-
Total Uses of Funds	<u>\$ -</u>

* Preliminary, subject to change.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated September 1, 2025. Interest on the Bonds will accrete from the delivery date to the Underwriter (the “Delivery Date”) and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of the Bonds, the initial premium thereon, if any, and accreted/compounded interest to maturity (the “Maturity Amount”) is payable only at maturity. The Bonds will mature on February 15, 2026, in the Maturity Amount, and interest will accrete thereon at the approximate yields based upon the initial offering prices to the public, all of which are set forth on page 2 of this Official Statement. A table of Accreted Values (as defined below) of the Bonds per \$5,000 Maturity Amount based on (i) the initial offering prices and (ii) the approximate yields set forth on page 2 of this Official Statement is presented in Schedule II attached hereto, and such table of Accreted Values is provided for informational purposes only and may not reflect the prices for the Bonds in the secondary market.

The term “Accreted Value” as used in this Official Statement means the original principal amount of a Bond plus the initial premium, if any, paid therefor with interest thereon compounded to February 15, 2026, at the respective yields stated on page 2 of this Official Statement and, with respect to each \$5,000 Maturity Amount, as set forth in the Accreted Value table attached hereto as Schedule II. For any day other than a February 15, the Accreted Value of a Bond is determined by a straight-line interpolation between the values for the applicable semiannual compounding dates (based on 30-day months).

The Maturity Amount of the Bonds is payable at maturity upon their presentation and surrender to 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 “THE BONDS - Book-Entry-Only System” herein. If the date for the payment of the Maturity Amount of the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Bonds will be issued only in fully registered form and 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. The Bonds will be issued in denominations of \$5,000 of Maturity Amount or any integral multiple thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Maturity Amount of the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS - Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued and the tax levied for their payment pursuant to authority conferred by the Constitution and the laws of the State of Texas (the “State”), including Chapter 1207 of the Texas Government Code, as amended, and the Order.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal and interest on the Bonds.

NO PERMANENT SCHOOL FUND GUARANTEE . . . The Bonds will not be guaranteed under the Permanent School Fund Guarantee Program of the State of Texas.

NO REDEMPTION . . . The Bonds are not subject to redemption prior to maturity.

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 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 a majority of Maturity Amount of the 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 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 Maturity Amount payable on any outstanding Bonds; (iv) modifying the terms of payment of Maturity Amount on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount

of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when payment of the Maturity Amount of the Bonds on their due date is provided by irrevocably depositing with a paying agent or other authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that the term “Defeasance Securities” means any securities and Bonds now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District approves the proceedings authorizing the issuance of refunding 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 on the date the governing body of the District approves the proceedings authorizing the issuance of refunding bonds have been refunded and that on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding 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 the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. 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. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal and Maturity Amount of, premium, if any, are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds or any 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 any 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 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 Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each stated maturity of the Bonds, each in the aggregate principal amount or Maturity 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 of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry 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, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

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.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Regions Bank, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a bank or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any 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.

Principal and Maturity Amount of the Bonds will be paid to the registered owner at the stated maturity 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 "THE BONDS - Book-Entry-Only System" herein. If the date for any payment on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer 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. So provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, payments of principal and Maturity Amount of the Bonds will be made as described in "THE BONDS - Book-Entry-Only System" above.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only should be discontinued, printed Bond certificates will be delivered to registered owners and thereafter the Bonds may be transferred, registered and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal amount for any one maturity and for a like aggregate principal amount or Maturity Amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

YIELD ON PREMIUM CAPITAL APPRECIATION BONDS. . . The approximate yields of the Bonds as set forth on page 2 of this Official Statement are based upon the initial offering price therefor set forth on page 2 of this Official Statement. Such offering prices include the principal amount of such Bonds plus premium, if any, equal to the amount by which such offering prices exceed the principal amount of such Bonds. The respective yields on the Bonds to a particular purchaser may differ depending upon the prices paid by the purchaser. **For various reasons, securities that do not pay interest periodically, such as the Bonds, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.**

BONDHOLDERS' REMEDIES . . . The Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of Maturity Amount on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity, and therefore, 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 Maturity Amount on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of another 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 and may be limited by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

LITIGATION RELATING TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM...On seven occasions in the last thirty years, the Texas Supreme Court (the “Court”) has issued decisions assessing the constitutionality of the Texas public school finance system (the “Finance System”). The litigation has primarily focused on whether the Finance System, as amended by the Texas Legislature (the “Legislature” or “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 & Student Fairness Coal., et al.*, 490 S.W.3d 826 (Tex. 2016) (“Morath”). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the 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 “despite 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 would be adversely affected by any such legislation (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” herein).

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

OVERVIEW

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

Local funding for school districts is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: (i) a maintenance and operations (“M&O”) tax to pay current expenses and (ii) an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax rate for the purpose of creating a surplus in M&O tax revenues for the purpose of paying the school district’s debt service. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein). Because property values

vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district's M&O tax rate.

2025 LEGISLATIVE SESSION

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

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature 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 \$2,500 to \$125,000. Additionally, both houses of the Legislature passed and the Governor signed legislation that would authorize roughly \$8.5 billion in funding for public schools and would provide districts with a \$55 per-student increase to their base funding, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account 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 District is still in the process of reviewing legislation passed during the 89th Regular Session and cannot make any representations as to the full impact of such legislation.

The Governor called for a special session on June 23, 2025, which began on July 21, 2025, , , and ended on August 15, 2025. A second special session was called and began on August 15, 2025, and may last no longer than 30 days (the "Second Special Session"). The Governor identified nineteen (19) agenda items that will be considered in the Second Special Session. Among the items being considered is "legislation to eliminate the STAAR test and replace it with effective tools to assess student progress and ensure school district accountability" and "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." The District is unable to predict the ultimate scope or the substance of such legislation or the effect, if any, it will have on the District's finances or operations.

Additional special sessions may be called by the Governor. During such time, the Legislature may enact laws that materially change current law as it relates to funding public school, including the District and its finances. The District can make no representations or predictions regarding the scope of legislation that may be considered in the 2025 Legislative Session or future session of the Legislature, or the potential impact of such legislation, but it intends to monitor applicable legislation related thereto.

LOCAL FUNDING FOR SCHOOL DISTRICTS

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

State Compression Percentage. The "State Compression Percentage" (the "SCP") is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The 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 "State Compression Percentage" (as discussed above) 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 MCR is equal to the prior year's

MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2025-2026 school year, the Legislature reduced the maximum MCR, establishing \$0.6322 as the maximum rate and \$0.5689 as the floor.

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

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

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

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

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

STATE FUNDING FOR SCHOOL DISTRICTS

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

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district 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 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 for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”). The Basic Allotment is revised downward if a school district’s Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, the demographics of students in ADA 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 school districts with a Tier One Tax Rate lower than the school district’s MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at \$55. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school district), (iii) a college, career and military readiness allotment to further the State’s goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation and retention in disadvantaged or rural school districts. A school district’s total Tier One funding divided by the district’s Basic Allotment is a school district’s measure of students in “Weighted Average Daily Attendance” (“WADA”), which serves to calculate Tier Two funding.

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

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 2026-27 State fiscal biennium, school districts are guaranteed a yield of \$49.72 per student in WADA for each Copper Penny levied.

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

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. During the 2025 Legislative Session, the Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-26 fiscal year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

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. Reference is made to Title 1 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") collectively responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Freestone Central Appraisal District and the Navarro Central Appraisal District (collectively, the "Appraisal District") in which the District is located. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District as of January 1 of each year and 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.

Unless extended by the Legislature, through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2025 tax year, the maximum property value was increased to \$5,160,000.

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”).

STATE MANDATED HOMESTEAD EXEMPTIONS. . . During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Subject to the Governor’s signing of the relevant legislation and contingent on voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000.

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

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

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption described in (1), above, that was granted in tax year 2022 through December 31, 2027.

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

The total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is 65 years old or older or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the MCR of the M&O taxes imposed for those purposes on the homestead.

PERSONAL PROPERTY. . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session would provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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 state taxation.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15% to 100% 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. Section 11.35 of the Tax Code further provides that “damage” for purposes of such statute is limited to “physical damages.” For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

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

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

TAX LIMITATION AGREEMENTS. . . The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district’s property that is not fully taxable is excluded from the school district’s taxable property values. Therefore, a school district was not subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts”). The 87th Texas Legislature did not take action to extend this program, which expired by its terms effective December 31, 2022.

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

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

In the 88th Legislative Session, House Bill 5 (“HB 5” or “The Texas Jobs, Energy, Technology, and Innovation Act”) was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code (“Chapter 403”) and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project’s construction period. Taxable valuation for purposes of the debt services taxes securing bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

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

Owners of certain property with (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) 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.

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

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

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

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

DISTRICT APPLICATION OF THE PROPERTY TAX CODE . . . As required by law, the District grants the State mandated residential general homestead exemption of \$100,000 and the State mandated residence homestead exemption of \$10,000 for persons 65 years of age or over and the disabled. However, the District does not grant any part of the local-option additional exemption of up to 20% of the market value of residence homesteads; minimum exemption of \$5,000. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 LEGISLATIVE SESSION” herein for a discussion of a potential increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

See Table 1 for a listing of the amounts of the exemptions described above.

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

The District does not tax nonbusiness personal property, and the District collects its own taxes.

The District does not permit split payments of taxes, and discounts for early payment of taxes are not allowed.

The District does not tax freeport property.

The District has not adopted a tax abatement policy.

The District does not participate in any tax increment financing districts.

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 October 15, 1955, pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended (“Article 2784e-1”).

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

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

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

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

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.

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2025/26 Market Valuation Established by the Appraisal Districts (excluding totally exempt property)		\$ 4,806,472,208
Less Exemptions/Reductions at 100% Market Value ⁽¹⁾ :		
State Mandated Residential Homestead Exemptions	\$ 521,412,882	
State Mandated Over 65 Homestead Exemptions	17,099,296	
State Mandated Disabled Exemptions	967,855	
Disabled or Deceased Veterans and Survivors Exemptions	24,738,638	
Pollution Control Exemptions	14,382,330	
Productivity Loss	639,157,827	
Capped Value Loss	209,174,784	
Freeze Value Loss	<u>116,665,909</u>	<u>(1,543,599,521)</u>
2025/26 Taxable Assessed Valuation		\$ 3,262,872,687
Unlimited Tax Debt Payable from Ad Valorem Taxes (as of 9/23/25)		
Unlimited Tax Bonds ⁽²⁾	\$ 69,508,221	
The Bonds ⁽³⁾	<u>2,059,992</u>	
Total Unlimited Tax Debt Payable from Ad Valorem Taxes (as of 9/23/25)		\$ 71,568,213
Ratio Unlimited Tax Debt to Taxable Assessed Valuation		2.19%
Current Estimated Population - 31,188		
Per Capita Taxable Assessed Valuation - \$104,619		
Per Capita Debt Payable from Ad Valorem Taxes - \$2,295		

(1) Valuation shown includes the \$100,000 State-mandated general residence homestead exemption and the \$10,000 State-mandated homestead exemption of persons sixty-five (65) years of age or older. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 LEGISLATIVE SESSION" herein for a discussion of a potential increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

(2) Projected, excludes the Refunded Bonds.

(3) Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,571,524,662	32.70%	\$ 1,541,749,665	34.00%	\$ 1,537,052,855	33.97%
Real, Residential, Multi-Family	78,034,717	1.62%	77,593,980	1.71%	82,084,324	1.81%
Real, Vacant Lots/Tracts	126,194,893	2.63%	129,148,661	2.85%	94,413,276	2.09%
Real, Acreage (Land Only)	654,598,466	13.62%	523,260,677	11.54%	595,179,376	13.15%
Real, Farm and Ranch Improvements	371,908,791	7.74%	339,682,531	7.49%	341,880,007	7.56%
Real, Commercial & Industrial	842,419,827	17.53%	868,640,896	19.15%	920,345,786	20.34%
Real, Oil, Gas and Other Mineral Reserves	444,620	0.01%	834,224	0.02%	1,015,320	0.02%
Real and Tangible Personal, Utilities	368,032,820	7.66%	322,665,660	7.11%	303,220,680	6.70%
Tangible Personal, Commercial	141,809,080	2.95%	121,245,300	2.67%	114,852,766	2.54%
Tangible Personal, Industrial	582,690,610	12.12%	549,421,620	12.11%	484,220,500	10.70%
Tangible Personal, Mobile Homes	32,346,202	0.67%	32,113,982	0.71%	29,666,438	0.66%
Residential, Inventory	17,971,260	0.37%	10,828,230	0.24%	4,162,630	0.09%
Special Inventory	18,496,260	0.38%	17,981,380	0.40%	16,925,600	0.37%
Total Appraised Value Before Exemptions	\$ 4,806,472,208	100.00%	\$ 4,535,166,806	100.00%	\$ 4,525,019,558	100.00%
Less: Exemptions/Reductions	(1,543,599,521) ⁽¹⁾		(1,619,411,761)		(1,456,725,092)	
Adjustments	-		-		(308,402,993)	
Taxable Assessed Value	<u>\$ 3,262,872,687</u>		<u>\$ 2,915,755,045</u>		<u>\$ 2,759,891,473</u>	

Category	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,028,662,459	31.75%	\$ 837,038,987	30.13%
Real, Residential, Multi-Family	66,412,615	2.05%	61,939,260	2.23%
Real, Vacant Lots/Tracts	50,831,026	1.57%	38,027,999	1.37%
Real, Acreage (Land Only)	425,276,503	13.13%	321,986,011	11.59%
Real, Farm and Ranch Improvements	252,047,995	7.78%	184,142,232	6.63%
Real, Commercial & Industrial	537,303,542	16.58%	512,645,144	18.45%
Real, Oil, Gas and Other Mineral Reserves	906,060	0.03%	658,740	0.02%
Real and Tangible Personal, Utilities	303,143,900	9.36%	283,155,500	10.19%
Tangible Personal, Commercial	100,829,460	3.11%	98,688,620	3.55%
Tangible Personal, Industrial	435,134,990	13.43%	410,835,790	14.79%
Tangible Personal, Mobile Homes	19,891,325	0.61%	14,236,881	0.51%
Residential, Inventory	1,999,720	0.06%	781,050	0.03%
Special Inventory	17,426,680	0.54%	13,935,080	0.50%
Total Appraised Value Before Exemptions	\$ 3,239,866,275	100.00%	\$ 2,778,071,294	100.00%
Less: Exemptions/Reductions	(796,393,357)		(616,067,035)	
Adjustments	34,084,397		-	
Taxable Assessed Value	<u>\$ 2,477,557,315</u>		<u>\$ 2,162,004,259</u>	

(1) Valuation shown includes the \$100,000 State-mandated general residence homestead exemption and the \$10,000 State-mandated homestead exemption of persons sixty-five (65) years of age or older. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 LEGISLATIVE SESSION" herein for a discussion of a potential increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Limited Tax Debt Outstanding at Fiscal Year End	Ratio of Limited Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2022	31,685	\$ 2,162,004,259	\$ 68,234	\$ 77,960,304	3.61%	\$ 2,460
2023	31,259	2,477,557,315	79,259	76,219,659	3.08%	2,438
2024	31,412	2,759,891,473	87,861	74,734,534	2.71%	2,379
2025	31,188	2,915,755,045	93,490	71,568,221	2.45%	2,295
2026	31,188	3,262,872,687	104,619	69,225,000 ⁽³⁾	2.12% ⁽³⁾	2,220 ⁽³⁾

(1) Source: Municipal Advisory Council of Texas.

(2) As reported by the Appraisal District on the District's annual State Property Tax Reports and is subject to change during the ensuring year. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 LEGISLATIVE SESSION" herein for a discussion of a potential increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

(3) Projected, includes the Bonds but excludes the Refunded Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Year Ended 8/31	Local Maintenance	Interest and Sinking	Total Rate	Tax Levy	TAX COLLECTIONS	
					% Current Collections	% Total Collections
2021	\$ 0.9664	\$ 0.3131	\$ 1.2795	\$ 26,552,024	99.97%	100.90%
2022	0.9634	0.2809	1.2443	26,901,819	99.76%	101.21%
2023	0.9067	0.2553	1.1620	28,789,216	95.64%	96.99%
2024	0.6692	0.1951	0.8643	23,853,742	97.33%	98.83%
2025	0.6669	0.1951	0.8620	25,097,245	98.09% ⁽¹⁾	100.96% ⁽¹⁾

(1) Unaudited collections as of August 11, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/25 ⁽¹⁾ Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Pactiv-Foam	Food Packaging/Processing	\$ 135,012,140	4.63%
Seaway Crude Pipeline LP	Oil & Gas Pipeline	81,504,250	2.80%
Russell Stover Chocolates LLC	Retail Store	61,779,450	2.12%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	59,913,950	2.05%
Tremco	Developer	46,544,040	1.60%
True Value Co.	Wholesale Supplier/Distribution Center	41,491,830	1.42%
Permian Express Partners	Oil & Gas Pipeline	40,510,130	1.39%
BP Solar Holdings LLC	Equipment	37,647,290	1.29%
Corsicana BTS LLC	Commercial Building	33,280,530	1.14%
Pisgah Ridge Solar LLC	Solar Energy Plant	29,846,000	1.02%
		<u>\$ 567,529,610</u>	<u>19.46%</u>

(1) The District's 2025/26 ten largest taxpayers are not yet available.

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

<u>Taxing Jurisdiction</u>	<u>Total Tax Supported Debt As Of 9/23/2025</u>	<u>Estimated % Applicable</u>	<u>District's Total Overlapping Tax Supported Debt As Of 9/23/2025</u>
Corsicana ISD	\$ 71,568,213 ⁽¹⁾	100.00%	\$ 71,568,213 ⁽¹⁾
City of Corsicana	46,535,000	93.65%	43,580,028
Freestone County	0	0.22%	0
Navarro County	4,412,000	45.24%	1,995,989
Total Direct and Overlapping Tax Supported Debt			\$ 117,144,229
Per Capita Total Overlapping Tax Supported Debt			\$ 3,756
Ratio of Total Overlapping Tax Supported Debt to Taxable Assessed Valuation			3.59%

(1) Projected, includes the Bonds but excludes the Refunded Bonds. Preliminary, subject to change.

DEBT INFORMATION

TABLE 7 – PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Outstanding Unlimited Tax Debt ⁽¹⁾			The Bonds ⁽²⁾			Total Debt Service Requirements	% of Principal Retired
8/31	Principal	Interest	Total	Principal	Interest	Total		
2026	\$ 283,221	\$ 4,595,146	\$ 4,878,367	\$ 2,059,992	\$ 140,008	\$ 2,200,000	\$ 7,078,367	3.27%
2027	2,395,000	1,566,336	3,961,336	-	-	-	3,961,336	6.62%
2028	3,120,000	1,520,647	4,640,647	-	-	-	4,640,647	10.98%
2029	3,310,000	1,465,952	4,775,952	-	-	-	4,775,952	15.60%
2030	3,425,000	1,408,340	4,833,340	-	-	-	4,833,340	20.39%
2031	3,525,000	1,346,679	4,871,679	-	-	-	4,871,679	25.32%
2032	3,595,000	1,280,913	4,875,913	-	-	-	4,875,913	30.34%
2033	3,725,000	1,209,355	4,934,355	-	-	-	4,934,355	35.54%
2034	2,070,000	1,140,576	3,210,576	-	-	-	3,210,576	38.44%
2035	3,540,000	1,072,675	4,612,675	-	-	-	4,612,675	43.38%
2036	3,620,000	997,053	4,617,053	-	-	-	4,617,053	48.44%
2037	3,700,000	916,806	4,616,806	-	-	-	4,616,806	53.61%
2038	3,785,000	831,006	4,616,006	-	-	-	4,616,006	58.90%
2039	3,875,000	739,952	4,614,952	-	-	-	4,614,952	64.31%
2040	3,970,000	643,197	4,613,197	-	-	-	4,613,197	69.86%
2041	4,085,000	537,006	4,622,006	-	-	-	4,622,006	75.57%
2042	4,195,000	423,156	4,618,156	-	-	-	4,618,156	81.43%
2043	4,310,000	306,213	4,616,213	-	-	-	4,616,213	87.45%
2044	4,430,000	186,038	4,616,038	-	-	-	4,616,038	93.64%
2045	4,550,000	62,563	4,612,563	-	-	-	4,612,563	100.00%
	<u>\$ 69,508,221</u>	<u>\$ 22,249,606</u>	<u>\$ 91,757,827</u>	<u>\$ 2,059,992</u>	<u>\$ 140,008</u>	<u>\$ 2,200,000</u>	<u>\$ 93,957,827</u>	

(1) Excludes the Refunded Bonds. Preliminary, subject to change.

(2) Interest shown purposes of illustration only. Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 8/31/25		\$ 4,965,664
Interest and Sinking Fund Balance, Fiscal Year Ending 8/31/24	\$ 6,682,780	
Budgeted Interest and Sinking Fund Tax Levy	<u>5,875,831</u>	<u>\$ 12,558,611</u>
Estimated Fund Balance, Fiscal Year Ending 8/31/25		<u>\$ 7,592,947</u>

TABLE 9 -AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

The District does not have any authorized but unissued unlimited tax bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL UNLIMITED TAX DEBT . . . Although the District does not have any current plans to issue additional unlimited tax bonds within the next 12 months, the District has called a \$203 million bond election for November 4, 2025, and if such election passes, the District likely will issue additional unlimited tax bonds in calendar year 2026.

TABLE 10 - OTHER OBLIGATIONS

Maintenance Tax Notes

During 2016, the District issued \$1,300,000 Maintenance Tax Notes, Series 2016 (the “Notes”) due in 10 installments of approximately \$150,000 each at the rate of 2.12%. The final payment on the Notes is due February 15, 2026.

EMPLOYEE RETIREMENT PLAN . . . 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. For more information please see “Excerpts from the District’s Annual Financial Report – Note 2.E.

POST-EMPLOYMENT BENEFIT PLAN . . . The District records its proportionate share of the net OPEB liability of the Teacher Retirement System of Texas (TRS) Care Plan. 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. For more information please see “Excerpts from the District’s Annual Financial Report – Note 2.F.”.

FINANCIAL INFORMATION

TABLE 11 – CHANGES IN NET POSITION

	Fiscal Year Ended August 31				
	2024	2023	2022	2021	2020
<u>Program Revenues:</u>					
Charges for Services	\$ 645,588	\$ 682,891	\$ 518,552	\$ 332,310	\$ 554,444
Operating Grants & Contributions	19,950,148	16,150,794	18,651,825	15,650,392	15,081,496
<u>General Revenues:</u>					
Property Taxes	24,463,813	28,677,084	27,584,481	27,098,587	26,043,390
Grants & Contributions-Not Restricted	37,549,213	32,373,374	32,829,895	34,021,263	31,040,731
Investment Earnings	1,678,721	1,239,732	153,024	48,196	290,370
Miscellaneous	3,231,628	974,684	1,098,323	781,123	626,765
Total Revenues	<u>\$ 87,519,111</u>	<u>\$ 80,098,559</u>	<u>\$ 80,836,100</u>	<u>\$ 77,931,871</u>	<u>\$ 73,637,196</u>
<u>Expenses:</u>					
Instruction	\$ 40,508,500	\$ 39,922,440	\$ 38,932,472	\$ 43,702,449	\$ 44,478,588
Instructional Resources & Media Services	588,585	571,378	526,110	537,282	748,578
Curriculum & Staff Development	772,900	581,428	623,874	816,436	1,105,932
Instructional Leadership	2,366,576	2,507,906	2,739,476	2,887,032	2,982,915
School Leadership	3,623,954	3,377,625	3,514,915	3,634,703	3,700,771
Guidance & Counseling Services	2,778,738	2,560,686	2,809,853	3,068,344	2,880,361
Social Work Services	158,154	118,156	104,414	113,402	122,320
Health Services	656,523	604,917	601,267	652,975	726,131
Student Transportation (Pupil)	2,535,272	2,460,297	2,128,787	2,076,174	2,157,563
Food Services	6,538,781	5,881,128	5,156,216	4,431,239	4,349,595
Extracurricular Activities	2,382,739	2,449,713	2,141,461	1,857,000	1,790,558
General Administration	1,652,179	1,326,123	1,116,531	1,225,064	1,441,486
Plant Maintenance & Operations	9,520,802	7,721,857	7,152,426	6,948,286	7,041,147
Security and Monitoring Services	2,293,385	1,744,030	1,733,140	1,173,726	1,462,012
Data Processing Services	2,077,826	2,457,307	5,222,909	1,882,230	1,639,405
Community Services	46,453	80,181	165,510	164,956	127,249
Interest on Long-Term Debt	2,179,277	2,387,774	2,249,554	2,238,922	2,926,118
Bond Issuance Cost and Fees	4,131	13,251	12,081	11,844	720,220
Payments Related to Shared Service Arrangements	94,572	95,738	84,988	292,577	60,383
Other Intergovernmental Charges	495,404	490,158	450,198	447,586	422,545
Total Expenses	<u>\$ 81,274,751</u>	<u>\$ 77,352,093</u>	<u>\$ 77,466,182</u>	<u>\$ 78,162,227</u>	<u>\$ 80,883,877</u>
Increase (decrease) in Net Position	\$ 6,244,360	\$ 2,746,466	\$ 3,369,918	\$ (230,356)	\$ (7,246,681)
Beginning Net Position	(16,950,468)	(23,096,934)	(26,466,852)	(28,033,082)	(20,786,401)
Prior Period Adjustment	-	3,400,000	-	1,796,586	0
Ending Net Position	<u>\$ (10,706,108)</u>	<u>\$ (16,950,468)</u>	<u>\$ (23,096,934)</u>	<u>\$ (26,466,852)</u>	<u>\$ (28,033,082)</u>

Source: The District’s audited financial statements.

TABLE 11-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended August 31,				
	2024	2023	2022	2021	2020
Revenues:					
Local and Intermediate Sources	\$ 22,890,945	\$ 23,841,600	\$ 22,267,979	\$ 21,394,517	\$ 21,046,306
State Sources	40,879,219	35,365,754	35,726,989	36,891,353	32,813,722
Federal Sources	284,965	1,125,738	807,440	719,913	451,526
Total Revenues	<u>\$ 64,055,129</u>	<u>\$ 60,333,092</u>	<u>\$ 58,802,408</u>	<u>\$ 59,005,783</u>	<u>\$ 54,311,554</u>
Expenditures:					
Instruction and Instructional-Related Services	\$ 34,690,053	\$ 33,688,525	\$ 33,554,044	\$ 32,722,267	\$ 33,495,588
Instructional and School Leadership	5,959,140	5,620,067	5,650,550	5,641,176	4,732,618
Support Services - Student (Pupil)	7,768,361	7,068,190	6,354,317	6,197,608	6,693,561
Administrative Support Services	1,607,532	1,298,693	1,078,311	1,090,182	1,236,191
Support Services - Nonstudent Based	12,427,659	10,418,683	10,170,334	8,792,331	8,710,599
Ancillary Services	-	-	2,273	3,680	2,394
Debt Service	624,481	945,048	746,025	464,773	410,196
Capital Outlay	-	-	26,100	80,995	1,337,627
Intergovernmental Charges	589,976	585,896	535,186	751,312	422,545
Total Expenditures	<u>\$ 63,667,202</u>	<u>\$ 59,625,102</u>	<u>\$ 58,117,140</u>	<u>\$ 55,744,324</u>	<u>\$ 57,041,319</u>
Other Resources and (Uses)	\$ -	\$ 2,476,788	\$ -	\$ (303,620)	\$ -
Excess (Deficiency) of					
Revenues Over Expenditures	\$ 387,927	\$ 3,184,778	\$ 685,268	\$ 2,957,839	\$ (2,729,765)
Beginning Fund Balance on					
September 1	<u>\$ 22,201,574</u>	<u>\$ 19,016,796</u>	<u>\$ 18,331,528</u>	<u>\$ 15,373,689</u>	<u>\$ 18,103,454</u>
Ending Fund Balance on					
August 31 ⁽¹⁾	<u>\$ 22,589,501</u>	<u>\$ 22,201,574</u>	<u>\$ 19,016,796</u>	<u>\$ 18,331,528</u>	<u>\$ 15,373,689</u>

(1) For Fiscal Year Ended 2025, the District expects an estimated fiscal year ending balance of approximately \$20.8 million.

Source: The District's audited financial statements.

FINANCIAL POLICIES

Summary of Significant Accounting Policies . . . The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation . . . *Government-wide financial statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service fund activity is eliminated to avoid overstatement of revenues and expenses. The statements distinguish between governmental and business-type activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major governmental aid fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting . . . Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

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

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

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the susceptible to accrual concept. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. For state entitlements, the District has adopted a budgetary basis of accounting for Foundation School Program revenues. Such entitlements are recorded as received.

Interest revenue and building rentals are recorded when earned since they are measurable and available. Other revenues such as fees, tuition, local food service revenue, and miscellaneous revenues are accounted for on the cash basis.

Expenditures are recognized in the accounting period in which the fund liability is incurred when measurable, except expenditures for debt service including unmatured interest on long-term debt. Expenditures for principal and interest on long-term debt are recognized when due.

Budgetary Data . . . Budgets are presented on the modified accrual basis of accounting for the General and Debt Service funds. The budget is prepared and controlled at the function level.

The official school budget is prepared for adoption for required governmental funds prior to August 21 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The Board formally adopts the budget at a public meeting held at least ten days after public notice has been given. Once adopted, the budget can be amended by subsequent Board action.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the District is authorized to invest in obligations meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange

Commission Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (12), or, if applicable, corporate bonds as described below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with Federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (15) for bond proceeds, guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District is also authorized to purchase, sell, and invest its funds in corporate bonds, but only if the District has formally amended its investment policy to authorize such investments. "Corporate bond" is defined as a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm (does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years from the date the corporate bonds were purchased. The District may not (1) invest more than 15 percent of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service), in corporate bonds; or (2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The District must sell corporate bonds if they are rated "AA-" or its equivalent and are either downgraded or placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. The District has not taken the required steps to authorize the investment of District funds in corporate bonds.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (8) and (12) through (14) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

An eligible political subdivision such as the District may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used by the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations. The political subdivision's cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition cost, a project cost, or a construction expense.

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

INVESTMENT POLICIES . . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, ending market value and fully accrued interest for the reporting period for each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest District funds without express written authority from the Board of Trustees.

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

TABLE 12 - CURRENT INVESTMENTS

As of July 31, 2025, the District's investable funds were invested in the following categories:

Description of Investment	Percent	Market Value
LOGIC	38.849%	\$ 7,726,911
Lone Star-First Public	34.322%	6,826,453
Texas CLASS	25.109%	4,994,101
TexPool	1.324%	263,366
TexStar	0.395%	78,552
Total	100.000%	\$ 19,889,382

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 Bond Counsel's Opinion."

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate and (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. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the facilities financed or refinanced with the 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 a 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 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 statutes, regulations, published rulings and court decisions, all of which are 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.

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.

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.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District will designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE INFORMATION

The offering of the Bonds qualifies for an exemption to provide ongoing annual financial information pursuant to subsection (d)(3) of SEC Rule 15c2-12, because the Bonds have a stated maturity of 18 months or less. However, in the Order, the District will undertake to provide notice of certain specified events, as described below. Reference is made to the Order for the complete provisions governing the District's ongoing disclosure obligations summarized herein.

NOTICE OF CERTAIN EVENTS . . . The District will 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, 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. Neither the Bonds nor the Order make any provision for a trustee, liquidity enhancement, credit enhancement or debt service reserves.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or

governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

For the events listed in clause (15) and (16) above, the term “financial obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of either (A) or (B). The term “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

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.

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

The 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.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . 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.

OTHER INFORMATION

RATINGS

The Bonds will not be rated. However, the presently outstanding tax supported debt of the District is currently rated “A1” by Moody’s Investors Service, Inc. (“Moody’s”) and “A+” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without regard to credit enhancement. The District makes no representation as to the appropriateness of any such rating.

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.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any jurisdiction. The District assumes no responsibility for 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 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. 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. In accordance with the PFIA, the Bonds must be rated not less than "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to be authorized to invest in the Bonds, except for purchases for interest and sinking funds of such entities. See "OTHER INFORMATION – Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State that have adopted investment policies and guidelines in accordance with the PFIA may have other, more stringent requirements for purchasing securities, including the Bonds.

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

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property in the District and the approving legal opinion of Bond Counsel. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Bond Counsel was engaged by, and only represents, the District. 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 and subcaptions "PLAN OF FINANCING – Refunded Bonds," "THE BONDS" (except under the subcaptions "Book-Entry-Only System," "Yield on Premium Capital Appreciation Bonds," and "Bondholders' Remedies"), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only), "TAX MATTERS," "CONTINUING DISCLOSURE INFORMATION (except under the subcaption "Compliance with Prior Undertakings"), and the subcaptions "Registration and Qualification of Bonds for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" (except for the last three sentences of the second paragraph thereof) under the caption "OTHER INFORMATION", and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions 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. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, whose legal fees are contingent upon the sale and delivery of the Bonds.

The 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 that 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.

MUNICIPAL ADVISOR

Hilltop Securities Inc., is employed as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Municipal Advisor has agreed, in its Municipal Advisory contract, not to bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. Hilltop Securities Inc., in its capacity as Municipal 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 Municipal Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Municipal 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 Municipal Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District at a price equal to the initial offering price to the public, as shown on page 2 hereof, less an underwriting discount of \$_____. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

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 respective responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included 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 will prove to be accurate.

MISCELLANEOUS

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

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, the Rule.

In the Order, the Board will approve the form and content of this Official Statement, and any addenda, supplement or amendment hereto, and the Underwriter's use of this Official Statement in connection with the public offering and sale of the Bonds.

SCHEDULE I - SCHEDULE OF REFUNDED BONDS
(preliminary, subject to change)

**Corsicana Independent School District
Unlimited Tax Refunding Bonds, Series 2013**

Original Dated Date	Original Maturity (2/15)	Interest Rate	Principal Amount			Redemption Date
			<u>Outstanding</u>	<u>Refunded</u>	<u>Remaining</u>	
February 1, 2013	2034	3.000%	<u>\$ 3,965,000</u>	<u>\$ 2,060,000</u>	<u>\$ 1,905,000</u>	September 23, 2025
			\$ 3,965,000	\$ 2,060,000	\$ 1,905,000	

SCHEDULE II - SCHEDULE OF ACCRETED VALUES OF PREMIUM CAPITAL APPRECIATION BONDS
(preliminary, subject to change)

Accretion Date	Bonds Maturing 2/15/2026
9/23/2025	\$ -
2/15/2026	-

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APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT . . . The Corsicana Independent School District (the “District”) is located in Navarro and Freestone Counties, encompassing the City of Corsicana, and covers an area of approximately of 226 square miles. The District has a 100-year history of academics, athletics and special programs for community young people. The District provides its students with a challenging curriculum and opportunities to grow socially, intellectually, emotionally and physically.

CAMPUS INFORMATION

Campus	Number of Schools	Capacity	Number of Portables
Elementary Schools	6	3,563	5
Middle Schools	1	1,100	0
High Schools	1	1,631	0
Totals	8	6,294	5

EMPLOYEE AND TEACHER INFORMATION

Number of teachers holding doctorates degrees	2
Number of teachers holding masters degrees	78
Number of teachers holding bachelors degrees	305
Employee Information	
Number of Employees	923
Number of Teachers	392
District Pupil/Teacher ratios:	15/1

HISTORICAL ENROLLMENT

School Year	Total Enrollment	Average Daily Attendance
2020/21	6,059	5,464
2021/22	6,006	5,328
2022/23	6,096	5,531
2023/24	6,075	5,439
2024/25	5,998	5,345

LABOR FORCE ESTIMATES

	Annual Averages				
	2025 ⁽¹⁾	2024	2023	2022	2021
Freestone County					
Civilian Labor Force	7,444	7,209	6,972	6,726	6,694
Total Employment	7,107	6,868	6,634	6,387	6,239
Unemployment	337	341	338	339	455
Percent Unemployment	4.5%	4.7%	4.8%	5.0%	6.8%
Navarro County					
Civilian Labor Force	23,127	23,393	23,532	23,193	23,237
Total Employment	22,058	22,338	22,517	22,217	21,978
Unemployment	1,069	1,055	1,015	976	1,259
Percent Unemployment	4.6%	4.5%	4.3%	4.2%	5.4%
State of Texas					
Civilian Labor Force	15,850,114	15,608,932	15,217,552	14,741,150	14,319,776
Total Employment	15,210,514	14,971,373	14,608,665	14,159,995	13,512,599
Unemployment	639,600	637,559	608,887	581,155	807,177
Percent Unemployment	4.0%	4.1%	4.0%	3.9%	5.6%

(1) As of June 2025.

Source: Texas Workforce Commission.

APPENDIX B

EXCERPTS FROM THE
CORSICANA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2024

The information contained in this Appendix consists of excerpts from the Corsicana Independent School District Annual Financial Report (the "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 Report for further information.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Corsicana Independent School District
Corsicana, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Corsicana 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 Corsicana Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Corsicana 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Corsicana Independent School 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.

Emphasis of Matter – Accounting Change

As described in the notes to the financial statements, in fiscal year 2024 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Corsicana Independent School 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibility 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 Corsicana Independent School 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 Corsicana Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Corsicana Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corsicana Independent School District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 13, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Corsicana Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2024. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position on financial statement exhibit A-1 was (\$10,706,108) at August 31, 2024.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$6,244,360 less than the \$87,519,111 generated in taxes and other revenues for governmental activities.
- Total governmental expenditures for the District, presented on financial statement exhibit C-3 increased \$6,775,301 from last year.
- The General Fund reported a fund balance this year on financial statement exhibit C-3 of \$22,589,501. The District began the current year with a fund balance in the amount of \$22,201,574.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three *parts* - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide* financial statements that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements provide information about for-profit activities.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

The District has the following kinds of funds:

- **Governmental Funds** - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- **Fiduciary funds** - The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.
- **Proprietary funds** - The District's workman's compensation insurance is accounted for in an internal service fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

The District's combined net position was (\$10,706,108) at August 31, 2024. (See Table A-1).

TABLE A-1
CORSICANA INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities		Total Percentage Change
	2024	2023	
Current assets:			
Cash and cash equivalents	\$ 30,151,048	\$ 23,100,607	30.52%
Due from other governments	6,589,269	9,995,396	-34.08%
Inventories	58,782	58,782	0.00%
Other receivables	1,031,099	4,475,090	-76.96%
Total current assets	<u>37,830,198</u>	<u>37,629,875</u>	0.53%
Noncurrent assets:			
Capital assets	178,039,311	173,337,198	2.71%
Right to use	-	477,234	-100.00%
Less accumulated depreciation	<u>(106,020,116)</u>	<u>(101,199,518)</u>	4.76%
Total noncurrent assets	<u>72,019,195</u>	<u>72,614,914</u>	-0.82%
Total Assets	<u>109,849,393</u>	<u>110,244,789</u>	-0.36%
Deferred Outflows of Resources	<u>18,524,266</u>	<u>18,402,430</u>	0.66%
Current liabilities:			
Accounts payable and accrued liabilities	4,387,891	5,652,972	-22.38%
Deferred revenue	<u>21,637</u>	<u>19,207</u>	12.65%
Total current liabilities	<u>4,409,528</u>	<u>5,672,179</u>	-22.26%
Long-term liabilities:			
Noncurrent liabilities due in one year	3,616,037	4,699,989	-23.06%
Noncurrent liabilities due in more than 1 yr	76,973,131	80,503,290	-4.39%
Net Pension Liability	22,998,335	19,511,420	17.87%
Net OPEB Liability	<u>10,556,974</u>	<u>11,262,918</u>	-6.27%
Total long-term liabilities	<u>114,144,477</u>	<u>115,977,617</u>	
Total Liabilities	<u>118,554,005</u>	<u>121,649,796</u>	-2.54%
Deferred Inflows of Resources	<u>20,525,762</u>	<u>23,947,891</u>	-14.29%
Net Position:			
Net invested in capital assets	(967,425)	(4,976,437)	-80.56%
Restricted	8,127,057	7,001,962	16.07%
Unrestricted	<u>(17,865,740)</u>	<u>(18,975,993)</u>	-5.85%
Total Net Position	<u>\$ (10,706,108)</u>	<u>\$ (16,950,468)</u>	-36.84%

The District has \$8,127,057 in restricted net position that represents \$6,830,055 proceeds for debt service, \$258,618 for campus activities, and \$1,038,384 for federal and state programs. These proceeds, when spent, are restricted for the above purposes. The (\$17,865,740) of unrestricted net position represents a deficit of resources to be available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$87,519,111. A significant portion, 28%, of the District's revenue comes from taxes. (See Table A-2). 23% comes from operating grants and contributions, and 43% relates to grants and contributions not restricted to specific programs.

The total cost of all programs and services was \$81,274,751; 50% of these costs are for governmental activities associated with instructional and student services.

TABLE A-2
CORSICANA INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities		Total
	2024	2023	Percentage Change
REVENUES			
Program revenues:			
Charges for services	\$ 645,588	\$ 682,891	-5.46%
Operating grants and contributions	19,950,148	16,150,794	23.52%
General revenues:			
Property taxes	24,463,813	28,677,084	-14.69%
State aid - formula	37,549,213	32,373,374	15.99%
Investment earnings	1,678,721	1,239,732	35.41%
Other	3,231,628	974,684	231.56%
Total revenues	<u>87,519,111</u>	<u>80,098,559</u>	9.26%
EXPENSES			
Instruction	40,508,500	39,922,440	1.47%
Instructional resources and media services	588,585	571,378	3.01%
Curriculum dev. and instructional staff development	772,900	581,428	32.93%
Instructional leadership	2,366,576	2,507,906	-5.64%
School leadership	3,623,954	3,377,625	7.29%
Guidance, counseling and evaluation services	2,778,738	2,560,686	8.52%
Social work services	158,154	118,156	33.85%
Health services	656,523	604,917	8.53%
Student (pupil) transportation	2,535,272	2,460,297	3.05%
Food services	6,538,781	5,881,128	11.18%
Co-curricular/extra curricular activities	2,382,739	2,449,713	-2.73%
General administration	1,652,179	1,326,123	24.59%
Plant maintenance and operations	9,520,802	7,721,857	23.30%
Security and monitoring services	2,293,385	1,744,030	31.50%
Data processing services	2,077,826	2,457,307	-15.44%
Community services	46,453	80,181	-42.06%
Debt services	2,183,408	2,401,025	-9.06%
Payments to fiscal agent/member dist. - SSA	94,572	95,738	-1.22%
Other	495,404	490,158	1.07%
Total expenses	<u>81,274,751</u>	<u>77,352,093</u>	5.07%
EXTRAORDINARY ITEM	-	3,400,000	100.00%
CHANGE IN NET POSITION	6,244,360	6,146,466	1.59%
NET POSITION, BEGINNING	<u>(16,950,468)</u>	<u>(23,096,934)</u>	-26.61%
NET POSITION, ENDING	<u>\$ (10,706,108)</u>	<u>\$ (16,950,468)</u>	-36.84%

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

The cost of all governmental activities this year was \$81,274,751. However, the amount that our taxpayers paid for these activities through property taxes was only \$24,463,813. Some of the cost, \$645,588, was paid by those who directly benefited from the programs, or by grants and contributions of \$19,950,148.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$88,781,459, while the previous year it was \$82,080,164. The increase in local revenues is a result of changed valuations. The increase in federal revenues is due to the change in federal program revenue distributed through other agencies.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Actual expenditures were \$2,049,102 less than final budget amounts in the General Fund.

Additionally, revenues were \$356,673 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the District had invested \$72,019,195 in a broad range of capital assets, including land, equipment, buildings, vehicles, and right to use assets. (See Table A-4.)

TABLE A-4
DISTRICT'S CAPITAL ASSETS
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2024	2023	
Land	\$ 1,517,186	\$ 1,517,186	0.00%
Buildings and improvements	159,055,017	155,209,769	2.48%
Equipment	10,102,186	10,102,186	0.00%
Vehicles	7,364,922	6,508,057	13.17%
Right to use	-	477,234	-100.00%
Totals at historical cost	<u>178,039,311</u>	<u>173,814,432</u>	2.43%
Total accumulated depreciation	<u>(106,020,116)</u>	<u>(101,199,518)</u>	4.76%
Net capital assets	<u>\$ 72,019,195</u>	<u>\$ 72,614,914</u>	-0.82%

More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Liabilities

At year-end the District had \$114.144 million in bonds, net pension and OPEB liability, and notes outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Bond Ratings. The District's bonds presently carry "AAA" ratings with underlying ratings as follows: Moody's Investor Services "A3" and Standard & Poors "A".

TABLE A-5
DISTRICT'S LONG-TERM LIABILITIES

	Governmental Activities		Total Percentage Change
	2024	2023	
Bonds payable	\$ 79,335,625	\$ 83,485,365	-4.97%
Bond premium	512,015	536,397	-4.55%
Tax maintenance notes	295,000	435,000	-32.18%
Notes payable	-	83,318	-100.00%
Loan - SECO	446,528	663,199	-32.67%
Net pension liability	22,998,335	19,511,420	17.87%
Net OPEB liability	<u>10,556,974</u>	<u>11,262,918</u>	-6.27%
Total long-term liabilities	<u>\$ 114,144,477</u>	<u>\$ 115,977,617</u>	-1.58%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following indicators were taken into account when adopting the general fund budget for 2025:

- Appraised value used for the 2025 budget preparation is \$2,975,842,514, an increase of 3.0% from 2024.
- General operating fund spending per student increased in the 2025 budget from \$10,716 to \$11,780. This is an 9.9% increase.
- The District's 2025 refined average daily attendance is expected to be 5,520, a decrease of less than 1%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corsicana Independent School District's Business Services Department at 2200 W. 4th Ave., Corsicana, Texas 75110 or phone number 903-602-8129.

BASIC FINANCIAL STATEMENTS

CORSICANA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2024

<u>Data Control Codes</u>		<u>Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 30,151,048
1225	Property taxes receivables (net)	1,011,433
1240	Due from other governments	6,589,269
1290	Other receivables	19,666
1300	Inventories	58,782
	Capital assets:	
1510	Land	1,517,186
1520	Buildings and improvements, net	68,756,370
1530	Furniture and equipment, net	1,745,639
1000	Total assets	<u>109,849,393</u>
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred loss on bond refunding	6,051,064
1705	Deferred outflow related to pensions	8,746,312
1706	Deferred outflow related to OPEB	3,726,890
1700	Total deferred outflows of resources	<u>18,524,266</u>
LIABILITIES		
2110	Accounts payable	564,976
2140	Interest payable	76,571
2160	Accrued wages payable	3,116,480
2165	Accrued liabilities	591,624
2180	Due to other governments	38,240
2300	Unearned revenue	21,637
	Noncurrent liabilities:	
2501	Due within one year	3,616,037
2502	Due in more than one year	76,973,131
2540	Net pension liability	22,998,335
2545	Net OPEB liability	10,556,974
2000	Total liabilities	<u>118,554,005</u>
DEFERRED INFLOWS OF RESOURCES		
2601	Deferred revenue-deferred gain on refunding	541,799
2605	Deferred inflow related to pensions	2,563,259
2606	Deferred inflow related to OPEB	17,420,704
2600	Total deferred inflows of resources	<u>20,525,762</u>
NET POSITION		
3200	Net investment in capital assets	(967,425)
	Restricted for:	
3820	Federal and state programs	1,038,384
3850	Debt service	6,830,055
3870	Campus activities	258,618
3900	Unrestricted	<u>(17,865,740)</u>
3000	Total net position (deficit)	<u>\$ (10,706,108)</u>

CORSICANA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expenses) Revenue and Changes in in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	
					6 Governmental Activities
Primary government:					
Governmental activities:					
11	Instruction	\$40,508,500	\$ -	\$ 5,555,195	\$ (34,953,305)
12	Instructional resources and media services	588,585	-	60,040	(528,545)
13	Curriculum and staff development	772,900	-	263,167	(509,733)
21	Instructional leadership	2,366,576	-	734,882	(1,631,694)
23	School leadership	3,623,954	-	346,997	(3,276,957)
31	Guidance, counseling, and evaluation services	2,778,738	-	640,256	(2,138,482)
32	Social work services	158,154	-	156,497	(1,657)
33	Health services	656,523	-	302,854	(353,669)
34	Student transportation	2,535,272	-	88,029	(2,447,243)
35	Food service	6,538,781	254,121	6,078,397	(206,263)
36	Cocurricular/extracurricular activities	2,382,739	268,717	95,052	(2,018,970)
41	General administration	1,652,179	-	43,140	(1,609,039)
51	Facilities maintenance and operations	9,520,802	122,750	4,209,464	(5,188,588)
52	Security and monitoring services	2,293,385	-	520,733	(1,772,652)
53	Data processing services	2,077,826	-	90,626	(1,987,200)
61	Community services	46,453	-	34,868	(11,585)
72	Interest on long-term debt	2,179,277	-	729,951	(1,449,326)
73	Bond issuance costs and fees	4,131	-	-	(4,131)
93	Payments for shared services arrangements	94,572	-	-	(94,572)
99	Other intergovernmental charges	495,404	-	-	(495,404)
TG	Total governmental activities	<u>\$81,274,751</u>	<u>\$645,588</u>	<u>\$19,950,148</u>	<u>\$ (60,679,015)</u>
General revenues:					
MT	Property taxes, levied for general purposes				18,640,079
DT	Property taxes, levied for debt service				5,823,734
	Grants and contributions not restricted				
GC	to specific programs				37,549,213
IE	Investment earnings				1,678,721
MI	Miscellaneous				3,231,628
TR	Total general revenues				<u>66,923,375</u>
CN	Change in net position				<u>6,244,360</u>
NB	Net position, beginning				<u>(16,950,468)</u>
NE	Net position, ending				<u>\$ (10,706,108)</u>

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

CORSICANA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2024

Data Control Codes		10	50
		General Fund	Debt Service Fund
ASSETS			
1110	Cash and cash equivalents	\$ 19,869,064	\$ 5,844,506
1220	Property taxes receivable	1,308,896	376,825
1230	Allowance for uncollectible taxes	(523,558)	(150,730)
1240	Due from other governments	3,603,885	8,500
1260	Due from other funds	3,152,111	865,765
1290	Other receivables	-	-
1300	Inventories	-	-
1000	Total assets	<u>27,410,398</u>	<u>6,944,866</u>
LIABILITIES			
2110	Accounts payable	201,501	-
2160	Accrued wages payable	2,678,731	-
2170	Due to other funds	1,140,286	-
2180	Due to other governments	-	38,240
2200	Accrued expenditures	9,314	-
2300	Unearned revenues	<u>13,441</u>	<u>-</u>
2000	Total liabilities	<u>4,043,273</u>	<u>38,240</u>
DEFERRED INFLOWS OF RESOURCES			
2600	Deferred revenue-property taxes	<u>777,624</u>	<u>223,846</u>
2600	Total deferred inflows of resources	<u>777,624</u>	<u>223,846</u>
FUND BALANCES			
3410	Non-spendable - inventories	-	-
	Restricted:		
3450	Federal and state programs	-	-
3470	Capital acquisitions & contractual obligations	-	-
3480	Retirement of long-term debt	-	6,682,780
3490	Campus activities	-	-
3600	Unassigned	<u>22,589,501</u>	<u>-</u>
3000	Total fund balances	<u>22,589,501</u>	<u>6,682,780</u>
4000	Total liabilities, deferred inflows		
4000	and fund balances	\$ <u>27,410,398</u>	\$ <u>6,944,866</u>

Other Governmental Funds	Total Governmental Funds
\$ 4,355,266	\$ 30,068,836
-	1,685,721
-	(674,288)
2,976,884	6,589,269
-	4,017,876
19,666	19,666
58,782	58,782
<u>7,410,598</u>	<u>41,765,862</u>
363,475	564,976
437,749	3,116,480
3,152,111	4,292,397
-	38,240
-	9,314
8,196	21,637
<u>3,961,531</u>	<u>8,043,044</u>
-	1,001,470
-	1,001,470
58,782	58,782
1,038,384	1,038,384
2,093,283	2,093,283
-	6,682,780
258,618	258,618
-	22,589,501
<u>3,449,067</u>	<u>32,721,348</u>
\$ <u>7,410,598</u>	\$ <u>41,765,862</u>

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CORSICANA INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

AUGUST 31, 2024

Total fund balances - governmental funds	\$ 32,721,348
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	72,019,195
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,001,470
The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	(225,577)
Long-term liabilities, including bonds and notes payable, are note due and payable in the current period and are not reported in the funds.	(75,079,903)
Payables for bond interest which are not due in the current period are not reported in the funds.	(76,571)
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to pensions included a deferred resource outflow in the amount of \$8,746,312, a deferred resource inflow in the amount of \$2,563,259, and a net pension liability in the amount of \$22,998,335. This resulted in a decrease in net position.	(16,815,282)
Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit liability required by GASB 75. The net position related to the TRS included a deferred resource outflow in the amount of \$3,726,890, a deferred resource inflow in the amount of \$17,420,704, and a net OPEB liability in the amount of \$10,556,974. This resulted in a decrease in net position.	(24,250,788)
Net position of governmental activities	\$ (10,706,108)

CORSICANA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		10	50
		General Fund	Debt Service Fund
	REVENUES		
5700	Local and intermediate sources	\$ 22,890,945	\$ 6,147,595
5800	State program revenues	40,879,219	729,951
5900	Federal program revenues	284,965	-
5020	Total revenues	<u>64,055,129</u>	<u>6,877,546</u>
	EXPENDITURES		
	Current:		
0011	Instruction	34,690,053	-
0012	Instructional resources and media services	528,564	-
0013	Curriculum and staff development	495,682	-
0021	Instructional leadership	1,664,109	-
0023	School leadership	3,270,785	-
0031	Guidance, counseling and evaluation services	2,095,930	-
0032	Social work services	-	-
0033	Health services	582,800	-
0034	Student transportation	3,239,470	-
0035	Food services	-	-
0036	Cocurricular/extracurricular activities	1,850,161	-
0041	General administration	1,607,532	-
0051	Facilities maintenance and operations	9,023,823	-
0052	Security and monitoring services	1,710,374	-
0053	Data processing services	1,693,462	-
0061	Community services	-	-
	Debt service:		
0071	Principal on long term debt	599,149	4,260,000
0072	Interest on long term debt	25,332	1,787,439
0073	Bond issuance costs and fees	-	4,131
	Intergovernmental:		
0093	Payments to Shared Service Arrangements	94,572	-
0099	Other intergovernmental charges	495,404	-
6030	Total expenditures	<u>63,667,202</u>	<u>6,051,570</u>
1200	NET CHANGE IN FUND BALANCES	387,927	825,976
0100	FUND BALANCE, BEGINNING, AS PREVIOUSLY REPORTED	22,201,574	5,856,804
	ADJUSTMENTS		
	Change within the financial reporting entity - formerly a major fund	<u>-</u>	<u>-</u>
0100	FUND BALANCES, BEGINNING, AS RESTATED	<u>22,201,574</u>	<u>5,856,804</u>
3000	FUND BALANCES, ENDING	<u>\$ 22,589,501</u>	<u>\$ 6,682,780</u>

***Formally a major fund**

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ESSER III*	Other Governmental Funds	Total Governmental Funds
	\$ 1,087,888	\$ 30,126,428
	2,259,586	43,868,756
	<u>14,501,310</u>	<u>14,786,275</u>
	<u>17,848,784</u>	<u>88,781,459</u>
	4,208,916	38,898,969
	42,919	571,483
	251,089	746,771
	580,260	2,244,369
	216,830	3,487,615
	570,872	2,666,802
	156,524	156,524
	49,755	632,555
	10,618	3,250,088
	6,264,966	6,264,966
	423,731	2,273,892
	1,693	1,609,225
	3,995,985	13,019,808
	565,219	2,275,593
	57,834	1,751,296
	34,868	34,868
	-	4,859,149
	-	1,812,771
	-	4,131
	-	94,572
	-	495,404
	<u>17,432,079</u>	<u>87,150,851</u>
	416,705	1,630,608
-	3,032,362	31,090,740
-	-	-
-	<u>3,032,362</u>	<u>31,090,740</u>
<u>\$ -</u>	<u>\$ 3,449,067</u>	<u>\$ 32,721,348</u>

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CORSICANA INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2024

Net change in fund balances - total governmental funds	\$ 1,630,608
Amounts reported for governmental activities in the statement of activities are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(595,719)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(33,059)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,486,889
(Increase) decrease in accrued interest from beginning of period to end of period.	5,754
The net revenue (expense) of internal service funds is reported with governmental activities.	(140,329)
GASB 68 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,891,729. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$1,682,065. Finally, the proportionate share of the TRS pension expense on the plans as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,871,723. The net result is a decrease in the change in net position.	(1,662,059)
GASB 75 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$461,158. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$396,117. Finally, the proportionate share of the TRS OPEB expense on the plans as a whole had to be recorded. The net OPEB expense increased the change in net position by \$2,487,234. The net result is an increase in the change in net position.	<u>2,552,275</u>
Change in net position of governmental activities	<u>\$ 6,244,360</u>

CORSICANA INDEPENDENT SCHOOL DISTRICT**EXHIBIT D-1**

STATEMENT OF NET POSITION

AUGUST 31, 2024

	Internal Service Fund
	Public Entity Risk Pool
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 82,212
Due from other funds	<u>274,521</u>
Total current assets	<u>356,733</u>
Total assets	<u>356,733</u>
LIABILITIES	
Current liabilities:	
Accrued expenses	<u>582,310</u>
Total current liabilities	<u>582,310</u>
Total liabilities	<u>582,310</u>
NET POSITION	
Unrestricted	<u>(225,577)</u>
Total net position	<u>\$ (225,577)</u>

CORSICANA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

FOR THE YEAR ENDED AUGUST 31, 2024

	Internal Service Fund
	Public Entity Risk Pool
OPERATING REVENUES	
Local and intermediate sources	\$ 344,631
Total operating revenues	<u>344,631</u>
OPERATING EXPENSES	
Other operating costs	<u>484,960</u>
Total operating expenses	<u>484,960</u>
NET INCREASE (DECREASE) IN NET POSITION	(140,329)
NET POSITION, BEGINNING	<u>(85,248)</u>
NET POSITION, ENDING	<u>\$ (225,577)</u>

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CORSICANA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED AUGUST 31, 2024

	Nonmajor Internal Service Fund <u>Public Entity Risk Pool</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 344,631
Cash payments or other operating expenses	<u>(300,535)</u>
Net cash provided (used) by operating activities	<u>44,096</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,096
CASH AND CASH EQUIVALENTS, BEGINNING	<u>38,116</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>82,212</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(140,329)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Due from other funds	91,401
Accrued liabilities	<u>93,024</u>
Net cash provided (used) by operating activities	<u>\$ 44,096</u>

CORSICANA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

AUGUST 31, 2024

Data Control Codes		Private Purpose Trust Funds	Custodial Fund Student Activity
ASSETS			
1110	Cash and cash equivalents	\$ 25,883	\$ 191,711
1290	Other receivables	76,225	-
1810	Restricted cash and temporary investments	21,089,279	-
	Total assets	21,191,387	191,711
LIABILITIES			
	Current Liabilities:		
2400	Payable from restricted assets	34,943	3,542
	Total liabilities	34,943	3,542
NET POSITION			
	Restricted for:		
3800	Held in trust	21,156,444	-
3800	Student groups	-	188,169
3000	Total net position	\$ 21,156,444	\$ 188,169

CORSICANA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2024

	Private-Purpose Trust Funds	Custodial Fund
ADDITIONS		
Donations	\$ 6,100	\$ -
Investment income	519,346	-
Net increase in fair value of investments	2,425,819	-
Mineral income	223,921	-
Collections from student groups	-	368,989
Total additions	<u>3,175,186</u>	<u>368,989</u>
DEDUCTIONS		
Scholarship awards	519,596	-
Professional services	4,209	-
Administrative expenses	79,335	-
Payments on-behalf of student groups	-	396,287
Total deductions	<u>603,140</u>	<u>396,287</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	2,572,046	(27,298)
NET POSITION, BEGINNING	<u>18,584,398</u>	<u>215,467</u>
NET POSITION, ENDING	<u>\$ 21,156,444</u>	<u>\$ 188,169</u>

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CORSICANA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The basic financial statements of Corsicana Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. 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 are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accounts for the proceeds raised through the debt service tax rates and used to pay for bonded debt service.

In addition, the District reports the following fund types:

Governmental Funds:

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

Capital Projects Fund – These funds are used to account for resources accumulated and expenditures made on the District's capital projects.

Proprietary Funds:

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

Fiduciary Funds:

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

Custodial Fund - The District accounts for resources held for student activities in its custodial fund.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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

1. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

2. *Property Taxes*

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

3. Inventories

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

4. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Classification</u>	<u>Useful Life</u>
Buildings	50
Building improvements	20
Vehicles	5
Office equipment	5
Right to use	2-5

5. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

6. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

7. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

8. Data Control Codes

Data Control Codes appear in the rows above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA to ensure accuracy in building a statewide database for policy development and funding plans.

9. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically made through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

10. Net Position Flow Assumption

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

11. Fund Balance Flow Assumptions

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

12. Pensions

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

13. Other Post-Employment Benefits

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

14. Change in Accounting Principle

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, was adopted effective September 1, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

Cash deposits of the District include all amounts deposited at the District's depository bank, including all demand deposits and certificates of deposit. The District's cash deposits at August 31, 2024 and during the year ended August 31, 2024 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers' acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2024 are shown below.

Investment or Investment Type	Reported Value	Weighted Average Maturity (Days)	Rating	Rating Agency
Lone Star - First Public	\$ 2,801,580	39	AAAm	S & P
TexStar	57,641	29	AAAm	S & P
TexPool	193,421	36	AAAm	S & P
Logic	3,263,885	46	AAAm	S & P
Texas Class	<u>3,821,815</u>	35	AAAm	S & P
Total Investments	<u>\$ 10,138,342</u>			

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,517,186	\$ -	\$ -	\$ 1,517,186
Total capital assets, not being depreciated	1,517,186	-	-	1,517,186
Capital assets, being depreciated:				
Buildings and improvements	155,209,769	3,845,248	-	159,055,017
Equipment	10,102,186	-	-	10,102,186
Vehicles	6,508,057	856,865	-	7,364,922
Right to use	477,234	-	(477,234)	-
Total capital assets, being depreciated	172,297,246	4,702,113	-	176,522,125
Less accumulated depreciation for:				
Buildings and improvements	(85,218,970)	(5,080,237)	560	(90,298,647)
Equipment	(9,520,438)	(36,029)	-	(9,556,467)
Vehicles	(5,982,876)	(190,256)	8,130	(6,165,002)
Right to use	(477,234)	-	477,234	-
Total accumulated depreciation	(101,199,518)	(5,306,522)	485,924	(106,020,116)
Total governmental activities capital assets, net	\$ 72,614,914	\$ (604,409)	\$ 485,924	\$ 72,019,195

Depreciation was charged to functions as follows:

Governmental activities:	
Instruction	\$ 2,805,997
Instruction Resources & Media Services	38,683
Curriculum & Instructional Staff Development	43,481
Instructional Leadership	196,480
School Leadership	254,794
Guidance, Counseling & Evaluation Services	203,977
Social Work Services	7,454
Health Services	43,609
Student (Pupil) Transportation	151,658
Food Services	352,497
Extracurricular Activities	148,597
General Administration	78,487
Plant Maintenance & Operations	495,076
Security & Monitoring Services	122,945
Data Processing Services	351,202
Community Services	11,585
Total depreciation expense	\$ 5,306,522

C. Interfund Balances and Activities

Due To and From Other Funds

Balances due to and due from other funds at August 31, 2024, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General fund	Other governmental funds	\$ 3,152,111	Short-term loans
Debt service fund	General fund	865,765	Short-term loans
Internal service fund	General fund	274,521	Short-term loans
		\$ 4,292,397	

All amounts due are scheduled to be repaid within one year.

Interfund Transfers

The District did not report any interfund transfers for the year ended August 31, 2024.

D. Long-Term Obligations

Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2024, are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,850,000	\$ -	\$ 255,000	\$ 1,595,000	\$ 265,000
General obligation refunding bonds	74,325,000	-	1,195,000	73,130,000	1,260,000
General obligation refunding bonds - CAB	7,310,365	110,260	2,810,000	4,610,625	1,725,000
Tax maintenance notes	435,000	-	140,000	295,000	145,000
Loan - SECO	663,199	-	216,671	446,528	221,037
Notes payable	83,318	-	83,318	-	-
Premium on issuance of debt	536,397	-	24,382	512,015	-
Total long-term debt	85,203,279	110,260	4,724,371	80,589,168	3,616,037
Net pension liability	19,511,420	3,486,915	-	22,998,335	-
Net OPEB liability	11,262,918	-	705,944	10,556,974	-
Total long-term liabilities	<u>\$ 115,977,617</u>	<u>\$ 3,597,175</u>	<u>\$ 5,430,315</u>	<u>\$ 114,144,477</u>	<u>\$ 3,616,037</u>

General Obligation Bonds

General obligation school building bonds payable at August 31, 2024, with their outstanding balance are comprised of the following individual issues.

The District issued \$27,700,000 of Schoolhouse Series 2013 Refunding Bonds during the year ended August 31, 2013 for the purposes of refinancing. Interest rates vary from 1.25% to 5.0% with installments varying from \$405,000 to \$3,965,000. The total balance on this issue at August 31, 2024 is \$3,965,000.

The District issued \$42,165,000 of Schoolhouse Series 2015 Bonds during the year ended August 31, 2015 for the purposes of construction. Interest rates vary from 2.0% to 5.0% with installments varying from \$85,000 to \$300,000. The total balance on this issue at August 31, 2024 is \$1,595,000.

The District issued \$13,985,000 of Schoolhouse Series 2015 Refunding Bonds during the year ended August 31, 2016 for the purposes of refinancing. Interest rates vary from .28% to 1.75% with installments varying from \$1,130,000 to \$1,260,000. The total balance on this issue at August 31, 2024 is \$1,260,000.

The District issued \$71,244,927 of Unlimited Tax Refunding Bonds, Series 2020 during the year ended August 31, 2020 with interest rates ranging from .79% to 2.75% with installments varying from \$3,221 to \$4,550,000. The proceeds were used to advance refund \$71,245,000 of outstanding Series 2012, Series 2013 and Series 2015 bonds which had interest rates ranging from .28% to 5.0%. The total balance on this issue at August 31, 2024 is \$67,905,000.

Tax Maintenance Notes

During 2016 the District issued \$1,300,000 Maintenance Notes, Series 2016 due in 10 installments of approximately \$150,000 each at the rate of 2.12%. The balance at August 31, 2024 is \$295,000.

Loan

During the 2019 year, the District entered into an agreement with the Texas Comptroller of Public Accounts, through its State Energy Conservation Office for \$1,428,930. The balance at August 31, 2024 is \$446,528. The quarterly payment amount is \$57,079 including principal and accrued interest at a 2% interest rate. The last payment is August 31, 2026.

Notes Payable

During the 2019 year, the District entered into an agreement with Government Capital Corporation to purchase various vehicles and equipment. The annual payment amount is approximately \$90,000 including principal and accrued interest at a 3.94% interest rate. The last payment was made on December 7, 2023.

Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2024, are as follows:

Year Ended August 31,	Governmental Activities-Bonded Debt		
	Principal	Interest	Total Requirements
2025	\$ 3,250,000	\$ 1,715,664	\$ 4,965,664
2026	3,290,000	1,675,714	4,965,714
2027	3,320,000	1,646,967	4,966,967
2028	3,380,000	1,592,454	4,972,454
2029	3,460,000	1,534,405	4,994,405
2030-2034	18,700,000	6,672,242	25,372,242
2035-2039	18,520,000	4,557,491	23,077,491
2040-2044	20,990,000	2,095,610	23,085,610
2045	4,550,000	62,563	4,612,563
Totals	<u>\$ 79,460,000</u>	<u>\$ 21,553,110</u>	<u>\$ 101,013,110</u>

Subtract:

Future Accreted Interest on CABs (124,375)

Amount outstanding \$ 79,335,625

Year Ended August 31,	Governmental Activities-Tax maintenance notes		
	Principal	Interest	Total Requirements
2025	\$ 145,000	\$ 6,584	\$ 151,584
2026	<u>150,000</u>	<u>2,250</u>	<u>152,250</u>
Totals	<u>\$ 295,000</u>	<u>\$ 8,834</u>	<u>\$ 303,834</u>

Year Ended August 31,	Governmental Activities-Loan Payable - SECO		
	Principal	Interest	Total Requirements
2025	\$ 221,037	\$ 7,280	\$ 228,317
2026	<u>225,491</u>	<u>2,826</u>	<u>228,317</u>
Totals	<u>\$ 446,528</u>	<u>\$ 10,106</u>	<u>\$ 456,634</u>

The District's outstanding bonds and notes payable contain a provision that in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund. The District's outstanding bonds and notes payable contain a provision that in the event of default, outstanding amounts become immediately due.

Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2024, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

E. 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

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

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

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

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

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

	Contribution Rates	
	2023	2024
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Current fiscal year employer contributions		\$ 1,891,729
Current fiscal year member contributions		3,875,086
2023 measurement year NECE on-behalf contributions		2,391,020

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

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

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2022 actuarial valuation was rolled forward to August 31, 2023 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7%
Long-term expected Investment Rate of Return	7%
Municipal Bond Rate as of August 2023	4.13% - 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	2.3%
Salary Increases Including Inflation	2.95% to 8.95%
Ad Hoc Post-Employment Benefit Changes	None

Changes Since the Prior Actuarial Valuation. The actuarial assumptions and methods have been modified since the determination of the prior year's net pension liability. The new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

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

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

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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 ¹	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	4.60%	1.00%
Non-U.S. Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return	0.00%	3.60%	0.00%
Stable Value Hedge Funds	5.00%	4.10%	0.20%
Real Return			
Real Estate	15.00%	4.90%	1.10%
Energy, Natural Resources and Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
Risk Parity			
Risk Parity	8.00%	4.50%	0.40%
Leverage			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	-6.00%	4.40%	-0.10%
Inflation Expectation			2.30%
Volatility Drag ⁴			-0.90%
Expected Return	100.00%		8.00%

1) Absolute Return includes Credit Sensitive Investments.

2) Target allocations are based on the FY2023 policy model.

3) Capital Market Assumptions come from Aon Hewitt (as of 06/30/2024).

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the net pension liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate share of net pension liability	\$ 34,383,785	\$ 22,998,335	\$ 13,531,328

Change of Assumptions Since the Prior Measurement Date. The actuarial assumptions and methods are the same as used in the determination of the prior year's Net Pension Liability.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2024, the District reported a liability of \$22,998,335 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	22,998,335
State's proportionate share that is associated with the District		31,951,830
Total	\$	<u>54,950,165</u>

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

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.0334811728% which was an increase of .0006156430% from its proportion measured as of August 31, 2022.

For the year ended August 31, 2024, the District's pension expense was \$8,378,238 and revenue of \$4,824,450 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 819,438	\$ 278,485
Changes in actuarial assumptions	2,175,192	532,319
Differences between projected and actual investment earnings	3,346,816	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	513,137	1,752,455
Contributions paid to TRS subsequent to the measurement date	<u>1,891,729</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 8,746,312</u>	<u>\$ 2,563,259</u>

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

For the Year Ended August 31,	Pension Expense
2025	\$ 847,441
2026	274,263
2027	2,395,341
2028	655,970
2029	118,310
Thereafter	(1)

F. Defined Other Post-Employment Benefit Plans

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

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

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

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

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

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

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

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	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%
Current fiscal year employer contributions		\$ 461,158
Current fiscal year member contributions		305,310
2023 measurement year NECE on-behalf contributions		499,154

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

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

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2022. 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 developed in the experience study performed for TRS for the period ending August 31, 2021.

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, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2021.

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

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
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.
Payroll Growth Rate	3.00%
Projected Salary Increases	2.95% to 8.95%, including inflation
Healthcare Trend Rates	The initial medical trend rates were 7.75 percent for Medicare retirees and 7.00 percent for non-Medicare retirees. The initial prescription drug trend rate was 7.75 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Discount Rate.

A single discount rate of 4.13% was used to measure the total OPEB liability. This was an increase of .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% less than and 1% greater than the discount rate that was used (4.13%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
Proportionate share of net OPEB liability	\$ 12,433,917	\$ 10,556,974	\$ 9,025,344

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

At August 31, 2024, the District reported a liability of \$10,556,974 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	\$ 10,556,974
State's proportionate share that is associated with the District	<u>12,738,612</u>
Total	<u>\$ 23,295,586</u>

The Net OPEB Liability was measured as of August 31, 2023 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of August 31, 2022. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB 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 0.0476864603%, which was an increase of 0.0006478878% from its proportion measured as of August 31, 2022.

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 8,693,140	\$ 10,556,974	\$ 12,954,803

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

- The 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.

For the year ended August 31, 2024, the District recognized OPEB expense of (\$4,814,363) and revenue of \$(2,723,246) for support provided by the State.

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 477,623	\$ 8,881,694
Changes in actuarial assumptions	1,440,950	6,464,315
Differences between projected and actual investment earnings	4,561	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,342,598	2,074,695
Contributions paid to TRS subsequent to the measurement date	461,158	-
Total as of fiscal year-end	<u>\$ 3,726,890</u>	<u>\$ 17,420,704</u>

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

For the Year Ended August 31,	Amount
2025	\$ (2,952,265)
2026	(2,468,065)
2027	(1,812,543)
2028	(1,995,309)
2029	(1,943,403)
Thereafter	(2,983,387)

G. Health Care Coverage

During the year ended August 31, 2024, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$417 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third-party administrator is renewable September 1, 2024, and terms of coverage and premium costs are included in the contractual provisions. Other Districts and/or their employees contributed to the self-insurance pool which was operated under contractual provisions of Article 441 3(32c), Interlocal Cooperation Act.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Blue Cross and Blue Shield of Texas, FIRSTCARE and Scott and White HMO. Medco Health administers the prescription drug plan. The latest financial information on the statewide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800 223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us.

H. Medicare Part D – On-behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$249,526, \$231,447 and \$173,358 were recognized for the years ended August 31, 2024, 2023, and 2022, respectively, as equal revenues and expenditures.

I. Commitments and Contingencies

The District participates in 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 basic financial statements for such contingencies.

J. Chapter 313 Agreement

Under Chapter 313 of the Texas property tax code, an appraised value limitation is an agreement in which a taxpayer agrees to build or install property and create jobs in exchange for a 10-year limitation on the taxable property value for school district maintenance and operations tax (M&O) purposes. The minimum limitation value varies by school district. The application for a limitation on the appraised value for M&O purposes is submitted directly to the school district and requires an application fee that is established by each school district. As of August 31, 2024, the District has entered into a Chapter 313 agreement with a private company which reported a gross tax savings of \$1,314,969 for the year then ended.

K. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides services for the visual and mobile handicapped to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in fund 435 and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Hillsboro ISD	\$ 10,345
Eustace ISD	5,172
Blooming Grove ISD	1,724
Rice ISD	6,897
Wortham ISD	6,034
Dawson ISD	4,310
Frost ISD	3,448
Fairfield ISD	1,724
Ennis ISD	24,138
Malakoff ISD	9,483
Cross Roads ISD	1,724
Mount Calm ISD	1,724
Kemp ISD	6,034
Scurry Rosser ISD	2,586
Groesbeck ISD	1,724
Mexia ISD	8,621
LaPoynor ISD	3,448
Teague ISD	2,586
Aquilla	3,448
Covington	4,310
Itasca	1,724
Whitney	2,586
Cayuga	1,724
Athens	13,793
Ferris	8,621
Mabank	6,897
Connally	3,448
Rappoport (East Waco)	1,724
China Spring	7,759
La Vega	3,448
Buffalo	3,448
Hubbard	862
Corsicana ISD	431,983
Total	<u>\$ 597,497</u>

L. Self-Funded Workman's Compensation

The District utilizes a self-insurance plan for workers' compensation benefits as authorized by Section 504.011 of the Labor Code. Claims are paid by a third-party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of liabilities reported in the funds at August 31, 2024, are based on the requirements of Governmental Accounting Standards Board No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

	2024	2023
Statement of Change in Liability		
Unpaid (overpayment) claims at September 1	\$ 489,286	\$ 382,905
Net claims incurred or (adjusted) during the year	395,247	281,327
Payments of claims during the year	(302,223)	(174,946)
Unpaid claims at August 31	<u>\$ 582,310</u>	<u>\$ 489,286</u>

The above amount is reflected as a liability on the financial statements as of August 31, 2024.

M. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* - The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* - The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* - The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

Proposed Form of 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.

**CORSICANA INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2025**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____

AS BOND COUNSEL for the Corsicana Independent School District (the "District"), the issuer of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including executed Bond Number T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the District relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by governmental immunity and general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, without limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").



IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the District and covenants set forth in the order adopted by the District to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering our opinions 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 a result. We have not been requested to investigate or verify, and have not independently



investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

McLell, Parkhurst & Hirth L.L.P.

Municipal Advisory Services
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