

**PRELIMINARY OFFICIAL STATEMENT**  
**Dated January 14, 2026**



**Enhanced/Unenhanced Ratings:**  
Moody's: "Aaa" / "A2"  
PSF Guaranteed  
(See "OTHER INFORMATION - Ratings" and  
"THE PERMANENT SCHOOL FUND  
GUARANTEE PROGRAM" herein.)

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel (defined below) assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Code (defined herein) and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals (see "TAX MATTERS" herein).

**\$11,455,000\***  
**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
(A political subdivision of the State of Texas located in Cameron County, Texas)  
**UNLIMITED TAX REFUNDING BONDS,**  
**SERIES 2026**

**Dated Date: February 1, 2026**

**Due: February 15, as shown on page 2 hereof**

**Interest to Accrue from Date of Delivery (defined below)**

**PAYMENT TERMS** . . . Interest on the \$11,455,000\* La Feria Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") will accrue from their Date of Delivery (defined below) to the Underwriters (defined below), will be payable on August 15 and February 15 of each year, commencing August 15, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the 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). The initial Paying Agent/Registrar is Wilmington Trust (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207, as amended, Texas Government Code (the "Act") and an order (the "Order") adopted by the Board of Trustees (the "Board") of the La Feria Independent School District (the "District") on December 8, 2025 (see "THE BONDS - Authority for Issuance"). In the Order, as permitted by the Act, the Board delegated to certain District officials the authority to establish the final sale terms of the Bonds and to execute an approval certificate (the "Approval Certificate") to effectuate the sale of the Bonds.

**SECURITY** . . . The Bonds are 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"). **The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas** (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

**PURPOSE** . . . Proceeds from the sale of the Bonds will be utilized to (i) refund certain maturities of the District's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Bonds") in order to achieve debt service savings, and (ii) pay the costs of issuance of the Bonds (see "PLAN OF FINANCING - Purpose").

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**CUSIP PREFIX: 503012**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on Page 2**

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**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel (see APPENDIX C, "FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriters by their counsel, Jackson Walker LLP, Dallas, Texas.

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on or about Thursday, February 12, 2026 (the "Date of Delivery").

**TRB CAPITAL MARKETS**

**PNC CAPITAL MARKETS LLC**

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\* Preliminary, subject to change.

**MATURITY SCHEDULE\*****CUSIP No. Prefix: 503012<sup>(1)</sup>**

Principal Amount	Stated Maturity (February 15)	Interest Rate	Initial Yield	CUSIP No. Suffix <sup>(1)</sup>	Principal Amount	Stated Maturity (February 15)	Interest Rate	Initial Yield	CUSIP No. Suffix <sup>(1)</sup>
\$ 190,000	2027				1,120,000	2033			
400,000	2028				1,175,000	2034			
920,000	2029				1,235,000	2035			
960,000	2030				1,300,000	2036			
1,010,000	2031				1,365,000	2037			
1,065,000	2032				715,000	2038			

**(Interest accrues from the Date of Delivery)**

**REDEMPTION . . .** The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, \_\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, \_\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Any Term Bonds (defined herein) will also be subject to mandatory sinking fund redemption in accordance with the Order (see "THE BONDS - Redemption").

\* Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of The American Bankers Association and CUSIP numbers are included solely for the convenience of the registered owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Underwriters are responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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## USE OF INFORMATION

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

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

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

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

*The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.*

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

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

*The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.*

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

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

*[The remainder of this page intentionally left blank.]*

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

## 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 La Feria Independent School District (the “District”) is a political subdivision located in Cameron County and encompasses approximately 35.41 square miles in area (see “INTRODUCTION – Description of the District”).

**THE BONDS**..... The District is issuing its \$11,455,000\* Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”). The Bonds mature on February 15 in each of the years identified in the table appearing on page 2 hereof.

**PAYMENT OF INTEREST**..... Interest on the Bonds accrues from the date of initial delivery to the Underwriters (anticipated to occur on or about February 12, 2026), and is payable initially on August 15, 2026 and on each February 15 and August 15 thereafter until stated maturity or prior redemption (see “THE BONDS – Description of the Bonds” and “THE BONDS – Redemption”).

**AUTHORITY FOR ISSUANCE**..... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, Chapter 1207, as amended, Texas Government Code (the “Act”), and an order (the “Order”) adopted by the Board of Trustees of the District (the “Board”) on December 8, 2025. In the Order, pursuant to the Act, the Board delegated to certain District officials the authority to establish the final sale terms of the Bonds and to execute an approval certificate (the “Approval Certificate”) to effectuate the sale of the Bonds (see “THE BONDS - Authority for Issuance”).

**SECURITY FOR THE BONDS**..... The Bonds constitute direct obligations of the District payable from an 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”).

### PERMANENT SCHOOL FUND

**GUARANTEE**..... The District has received conditional approval from the Texas Education Agency (the “TEA”) for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas upon satisfaction of certain conditions (primarily being the Texas Attorney General’s approval of the Bonds) (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

**REDEMPTION**..... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, \_\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, \_\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Any Term Bonds will also be subject to mandatory sinking fund redemption (see “THE BONDS - Redemption”).

**TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law subject to the matters described under the caption “TAX MATTERS” herein (See “APPENDIX C – Form of Bond Counsel’s Opinion”).

**USE OF PROCEEDS**..... Proceeds from the sale of the Bonds will be utilized to (i) refund certain maturities of the District’s currently outstanding indebtedness as disclosed in Schedule I hereto (the “Refunded Bonds”) in order to achieve debt service savings, and (ii) pay the costs of issuance of the Bonds (see “PLAN OF FINANCING - Purpose”).

**RATINGS**..... The Bonds have been rated “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of the guarantee of the Permanent School Fund of the State of Texas (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). The Bonds and the presently outstanding tax supported debt of the District, are rated “A2” by Moody’s without regard to credit enhancement. The District has six issues outstanding, excluding the Bonds, which are rated “AAA” by Moody’s by virtue of the guarantee of the Permanent School Fund of the State of Texas. The District has one limited tax bond issue (the “Limited Tax Refunding Bonds”) that are neither further secured by nor subject to the Permanent School Fund Guarantee. The District has received conditional approval from the TEA for the Bonds to be guaranteed by the corpus of the Permanent School Fund (see “OTHER INFORMATION – Ratings” and “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

\* Preliminary, subject to change.

**BOOK-ENTRY-ONLY**

**SYSTEM** ..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the 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 on the payment of its general obligation tax-supported debt.

**DELIVERY** ..... When issued, anticipated on or about, February 12, 2026.

**LEGALITY** ..... The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas. See "APPENDIX C – Form of Bond Counsel's Opinion."

**SELECTED FINANCIAL INFORMATION**

Fiscal Year 6/30	Estimated District Population <sup>(1)</sup>	Per Capita Taxable Assessed Valuation <sup>(2)</sup>	Net Taxable Assessed Valuation	Unlimited Tax Supported Debt <sup>(3)</sup>	Limited Tax Supported Debt	Total Net Ad Valorem Tax Supported Debt	Capita Total Net Ad Valorem Tax Supported Debt	Net Ad Valorem Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	15,109	\$ 497,054,277	\$ 32,898	\$ 9,052,287	\$ 1,174,000	\$ 10,226,287	\$ 677	2.06%	96.52%
2023	14,924	522,654,062	35,021	10,301,617	1,137,000	11,438,617	766	2.19%	97.88%
2024	14,760	639,136,656	43,302	16,524,437	1,041,000	17,565,437	1,190	2.75%	90.94%
2025	14,557	750,885,144	51,582	28,880,571	946,000	29,826,571	2,049	3.97%	91.77% <sup>(4)</sup>
2026	14,702	789,672,730 <sup>(5)</sup>	53,712	26,838,426 <sup>(6)</sup>	848,000	27,686,426	1,883 <sup>(6)</sup>	3.51%	(6) N/A <sup>(7)</sup>

(1) Source: Municipal Advisory Council of Texas.

(2) Source: District Annual Comprehensive Financial Reports for years ending 2022 through 2024, and Cameron County Appraisal District's Certified Totals for Tax Years 2024 and 2025, subject to change during the ensuing year.

(3) Net of State Aid. For Fiscal Year 2026, approximately 16.986% of the District's annual debt service on its unlimited tax supported debt will be paid by the Instructional Facilities Allotment and Existing Debt Allotment received from the State.

(4) Unaudited.

(5) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - 2025 Legislative Session" herein for a discussion of the increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

(6) Includes the Bonds and excludes the Refunded Bonds. Projected, preliminary, subject to change.

(7) In process of collection.

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**CHANGES IN NET ASSETS CONSOLIDATED STATEMENT SUMMARY**

	Fiscal Year Ended June 30,				
	2025 <sup>(1)</sup>	2024	2023	2022	2021
Beginning Net Position	\$ 12,385,192	\$ 11,997,736	\$ 7,927,050	\$ 3,669,578	\$ 1,845,291
Total Revenue	43,036,575	46,373,786	47,976,905	45,896,868	42,541,107
Total Expenses	(41,434,290)	(45,986,330)	(43,906,219)	(41,639,396)	(40,716,820)
Prior Period Adjustment	166,177	-	-	-	-
Ending Net Position	<u><u>\$ 14,153,654</u></u>	<u><u>\$ 12,385,192</u></u>	<u><u>\$ 11,997,736</u></u>	<u><u>\$ 7,927,050</u></u>	<u><u>\$ 3,669,578</u></u>

(1) Unaudited.

**GENERAL FUND CONSOLIDATED STATEMENT SUMMARY**

	For Fiscal Year Ended June 30,				
	2025 <sup>(1)</sup>	2024	2023	2022	2021
Beginning Balance	\$ 9,347,014	\$ 10,271,388	\$ 9,994,426	\$ 8,831,377	\$ 7,132,004
Total Revenue	37,310,406	37,106,487	36,268,654	36,117,473	36,271,717
Total Expenditures	(36,522,475)	(38,030,861)	(35,722,119)	(34,954,424)	(34,572,344)
Net Funds Available	787,931	(924,374)	546,535	1,163,049	1,699,373
Other Resources and (Uses)	-	-	(269,573)	-	-
Prior Period Adjustment	-	-	-	-	-
Ending Balance	<u><u>\$ 10,134,945</u></u>	<u><u>\$ 9,347,014</u></u>	<u><u>\$ 10,271,388</u></u>	<u><u>\$ 9,994,426</u></u>	<u><u>\$ 8,831,377</u></u>

(1) Unaudited.

For additional information regarding the District, please contact:

Mr. Alejandro Cespedes  
Chief Financial Officer  
La Feria Independent School District  
203 E. Oleander Ave.  
La Feria, Texas 78559  
Telephone: 956-797-8300  
Fax: 956-797-3737  
[Alejandro.Cespedes@laferiasd.org](mailto:Alejandro.Cespedes@laferiasd.org)

or

Ms. Michelle Aragon  
Managing Director  
Hilltop Securities Inc.  
70 Northeast Loop 410, Suite 750  
San Antonio, Texas 78216  
Telephone: 210-308-2200  
Fax: 210-349-7585  
[michelle.aragon@hilltopsecurities.com](mailto:michelle.aragon@hilltopsecurities.com)

Mr. Andre Ayala  
Managing Director  
Hilltop Securities Inc.  
717 N Harwood St., Suite 3400  
Dallas, Texas 75201  
Telephone: 214-953-4184  
[andre.ayala@hilltopsecurities.com](mailto:andre.ayala@hilltopsecurities.com)

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## DISTRICT OFFICIALS, STAFF AND CONSULTANTS

### THE BOARD OF TRUSTEES

Board of Trustees	Length of Service	Term Expires	Occupation
Jane Castillo President, Place 1	4 Years, 6 Months	November 2028	Retired Educator
Lisa Montalvo Vice President, Place 4	10 Years, 6 Months	November 2026	Pharmacy Tech/Secretary
Katie Johnson Secretary, Place 6	10 Years, 6 Months	November 2026	Executive Administrative Assistant
Ruben Zambrano Board Member, Place 2	8 Years, 6 Months	November 2028	State Trooper
Alma Martinez Board Member, Place 3	4 Years, 6 Months	November 2028	Executive Assistant
Gloria Casas Board Member, Place 5	28 Years, 6 Months	November 2026	Retired
Juan Briones Board Member, Place 7	17 Years	November 2026	Physician Assistant

### SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Cynthia Torres	Superintendent	3 Years
Lillian Ramos	Asst. Superintendent of Student and Support Services	9 Years
Alejandro Cespedes	Chief Financial Officer	5 Months

### CONSULTANTS AND ADVISORS

Auditors .....	Carr, Riggs & Ingram Harlingen, Texas
Bond Counsel .....	Norton Rose Fulbright US LLP Austin, Texas
Financial Advisor.....	Hilltop Securities Inc. San Antonio, Texas

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## PRELIMINARY OFFICIAL STATEMENT

### RELATING TO

**\$11,455,000\***

**LA FERIA INDEPENDENT SCHOOL DISTRICT  
(A political subdivision of the State of Texas located in Cameron County)  
UNLIMITED TAX REFUNDING BONDS,  
SERIES 2026**

### INTRODUCTION

This Official Statement, which includes the cover page, maturity schedule, Schedule I, and the Appendices hereto, provides certain information pertaining to the \$11,455,000\* La Feria Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (defined herein), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the La Feria Independent School District (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 Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), San Antonio, Texas upon request by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

**DESCRIPTION OF THE DISTRICT . . .** The District is a political subdivision of the State of Texas (the "State") located in Cameron County, Texas. The District is governed by a seven-member Board of Trustees (the "Board") who serve staggered four-year terms with elections being held in November of even-numbered years. 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 35.41 square miles within Cameron County, Texas and includes the City of La Feria, Texas. For additional information regarding the District, see "APPENDIX A – General Information Regarding the District".

### PLAN OF FINANCING

**PURPOSE . . .** Proceeds from the sale of the Bonds shall be used to (i) refund certain maturities of the District's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Bonds") in order to achieve debt service savings, and (ii) pay the costs of issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Bonds.

**REFUNDED BONDS . . .** The Refunded Bonds, and interest due thereon, are to be paid on their respective scheduled redemption date or dates from funds to be deposited with Wilmington Trust (the "Escrow Agent") pursuant to an Escrow and Trust Agreement, dated as of December 8, 2025 (the "Escrow Agreement") between the District and the Escrow Agent.

The Order provides that the District will deposit certain proceeds of the sale of the Bonds along with other lawfully available funds of the District, if any, with the Escrow Agent in the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds shall be held by the Escrow Agent a separate escrow account (the "Escrow Fund"), and used to purchase direct obligations of the United States of America or other permitted defeasance securities (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

Public Finance Partners LLC (the "Verification Agent") will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds (see "OTHER INFORMATION - Verification of Mathematical Computations").

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\* Preliminary, subject to change.

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Public Finance Partners LLC (the "Verification Report"), the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

Upon the defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund.

## THE BONDS

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated February 1, 2026 and mature on February 15 in each of the years and in the principal amounts shown in the table appearing on page 2 hereof. Interest accrues from the Bonds' date of initial delivery to the Underwriters (expected to occur on or about February 12, 2026), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 of each year, commencing August 15, 2026 until stated maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the 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 being issued pursuant to the Constitution and general laws of the State, including Chapter 1207, as amended, Texas Government Code (the "Act") and an order (the "Order") adopted by the Board on December 8, 2025. In the Order, as permitted by the Act, the Board delegated to certain District officials the authority to establish the final sale terms of the Bonds and to execute an approval certificate (the "Approval Certificate") to effectuate the sale of the Bonds.

**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 of and interest on the Bonds.

**PERMANENT SCHOOL FUND GUARANTEE . . .** In connection with the sale of the Bonds, the District has received from the Texas Education Agency (the "TEA") conditional approval for guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code). Subject to satisfying certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

**TAX RATE LIMITATION . . .** For debt service of unlimited tax debt, there is no limitation on the tax rate (Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended); provided, however, with respect to "new debt", the District must demonstrate to the Attorney General of Texas the ability to pay all such "new debt" with a debt service tax not to exceed \$0.50 per \$100 assessed valuation in compliance with Section 45.0031, Texas Education Code, as amended. The Bonds are refunding bonds and are not, therefore, subject to the \$0.50 threshold tax rate test. For a more detailed description of the \$0.50 test, and the exceptions therefrom (see "TAX RATE LIMITATIONS" herein).

**REDEMPTION . . .** The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, \_\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, \_\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If two or more consecutive serial maturities of Bonds are grouped into a single maturity (the "Term Bonds") by the Underwriters, such Term Bonds will also be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order. The Official Statement will be updated to reflect payment terms of any Term Bonds.

If two or more consecutive serial maturities of Bonds are grouped into a single maturity (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order.

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

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

**AMENDMENTS . . .** The District, may, without the consent of or notice to any holders of the Bonds, from time to time and at any time, amend the Order in any manner not detrimental to the interests of the holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District may, with the written consent of holders of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; provided, however, that, without the consent of all holders of outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by holders for consent to any such amendment, addition, or rescission.

**DEFEASANCE . . .** The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) that 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, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The sufficiency of deposits as hereinbefore described shall be certified by an independent certified accountant, the District's Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that “Government Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. District officials are authorized to limit these eligible securities, as deemed necessary, in connection with the sale of the Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds (“Defeasance Proceeds”), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that, the District's right to redeem Bonds defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the

owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each stated maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest 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, 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" and, together with the Direct Participants, the "DTC Participants"). DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the District, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is Wilmington Trust. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District has covenanted 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 commercial bank or trust company organized under the laws of the State of Texas 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 has agreed to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions 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 long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on 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 System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender 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 its 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 for any one maturity and for a like aggregate principal 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). Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for determining the person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the month immediately preceding such Interest Payment Date.

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

**BONDHOLDERS' REMEDIES . . .** If the District defaults in the payment of principal or interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, 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 Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due). The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

**SOURCES AND USES OF FUNDS . . .** The proceeds from the sale of the Bonds and the District's contribution will be applied approximately as follows:

Sources of Funds:		
Principal Amount of Bonds	\$	-
Premium		-
District Contribution		
Total Sources of Funds	<u>\$</u>	<u>-</u>

  

Uses of Funds:		
Deposit to the Escrow Fund	\$	-
Underwriters' Discount		-
Cost of Issuance and Contingency		-
Total Uses of Funds	<u>\$</u>	<u>-</u>

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

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

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

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

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

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

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

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial

condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Bonds would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

## CURRENT PUBLIC SCHOOL FINANCE SYSTEM

**OVERVIEW...** The following language constitutes only a summary of the public school finance system as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

Local funding is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts may not increase their M&O tax rate for the purpose of creating a surplus to pay debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to \$1.50 per \$100 of taxable value. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district's M&O tax rate.

**2025 LEGISLATIVE SESSION...** The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded 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 may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a first special session, which began on July 21, 2025 and ended on August 15, 2025. The Governor called a second special session, which began on August 15, 2025 and ended on September 4, 2025 (any such special sessions, collectively with the 89th Regular Session, are referred to herein as the "2025 Legislative Sessions").

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by both houses of the Legislature and signed by the Governor will 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) effective January 1, 2026, 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.

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 Sessions 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" 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 ("MCR"). Beginning in the State fiscal year ending in 2021, 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 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 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 three alternative calculations: (1) the school district's current year 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 the MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the MCR multiplied by 90% so 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. Pursuant to voter approval at a Statewide election held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution increased (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 constitutional amendment take effect for the tax year beginning January 1, 2025.

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

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

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

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

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

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for such funding and that the 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 Legislature.

**Tier One.** Tier One funding is the basic level of programmatic funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the “Basic Allotment”) for each student in “Average Daily Attendance” (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated 20 days of instruction, defined herein as “ADA”). The Basic Allotment is revised downward if a school district’s Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, the demographics of students in ADA, and the education programs the students are served in, to make up most of a school district’s Tier One entitlement under the Foundation School Program.

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

The fast growth allotment weight changes 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 greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield of \$132.40 per student in WADA and in 2026 and \$140.62 per student in WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district’s Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield of \$49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

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

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the “EDA Yield”) is the lesser of (i) \$40 per student in ADA or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of \$60 million more than the EDA to which school districts would have been entitled to if the EDA Yield were \$35. The portion of a school district’s local debt service rate that qualifies for EDA assistance is limited to the first \$0.29 of its I&S tax rate (or a greater amount for any year provided by appropriation by the State Legislature). In general, a school district’s bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is

determined by the debt service taxes collected in the final year of the preceding biennium. A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

Since future-year IFA awards were not funded by the 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 89th Regular 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 as such state law existed on January 1, 2025, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

**LOCAL REVENUE LEVEL IN EXCESS OF ENTITLEMENT...** A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture", which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "Options for Local Revenue Levels in Excess of Entitlement". Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program (except for their Golden Pennies, if applicable), although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

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

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

## THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE LA FERIA INDEPENDENT SCHOOL DISTRICT

The District's wealth per student for the current school year is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options. As a district with wealth per student less than the equalized wealth value, the District has not in the past but 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 wealth per student must be tested for each future school year and, if it exceeds the equalized wealth level, the District must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted level in future school years, it will be required each year to exercise one or more of the wealth reduction options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable property to debt could become diluted. If the District were to detach property voluntary, 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.

### AD VALOREM PROPERTY TAXATION

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

*The District is currently evaluating legislation approved during the 2025 Legislative Sessions which may impact ad valorem taxation of property within the District. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" for information on legislation affecting ad valorem taxation exemptions.*

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

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

Unless extended by the Legislature, through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5.16 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – District and Taxpayer Remedies").

**STATE MANDATED HOMESTEAD EXEMPTIONS.** . . . State law grants, with respect to each school district in the State, (1) a \$140,000 exemption (as described below) of the appraised value of all homesteads, (2) a \$60,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first

responders killed or fatally wounded in the line of duty. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of the increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

**LOCAL OPTION HOMESTEAD EXEMPTIONS.** . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the 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 presentation of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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

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

**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. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the State Legislature and signed by the Governor during the 89th Regular Session will 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 (or, if the person leases such property, regardless of where the property is located in the taxing unit).

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

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

**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 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature recently amended Section 11.35, Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

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

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

**TAX LIMITATION AGREEMENTS.** . . The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district’s property that is not fully taxable is excluded from the school district’s taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts”). During the Regular Session of the 88th Texas Legislature, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code (“Chapter 403T”) was enacted into law. Chapter 403T is intended as a replacement of former Chapter 313, Texas Tax Code (“Chapter 313”), but it contains significantly different provisions than the prior program under Chapter 313. Under Chapter 403T, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403T also provides a 100% abatement of maintenance and operations taxes for eligible property during a project’s construction period. **Taxable valuation for purposes of the debt services taxes securing the Bonds cannot be abated under Chapter 403T.** 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.

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

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

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

**LEVY AND COLLECTION OF TAXES.** . . The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “AD VALOREM PROPERTY TAXATION - Temporary Exemption for Qualified Property Damaged by a Disaster” for further information related to a discussion of the applicability of this section of the Property Tax Code.

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

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

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

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

#### **TAX RATE LIMITATIONS**

**M&O TAX RATE LIMITATIONS.** . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on September 15, 1962 in accordance with the provisions of Texas Revised Civil Statutes Annotated Article 2784e-1, as amended.

The maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. 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. The Bonds are being issued as refunding bonds pursuant to Chapter 1207 and are not, therefore subject to the \$0.50 threshold tax rate test; however, taxes levied to pay debt service on the Bonds are included in the calculation of the 50-cent Test as applied to subsequent issues of "new debt". The District has not used projected property values or State assistance (other than EDA or IFA allotment funding) to satisfy this threshold test.

**PUBLIC HEARING AND VOTER-APPROVAL TAX RATE.** . . A school district's total tax rate is the combination of the M&O tax rate and the I&S tax rate. Generally, the highest rate at which a school district may levy taxes for any given year without holding an election to approve the tax rate is the "Voter-Approval Tax Rate", as described below.

A school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60<sup>th</sup>) 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 (71<sup>st</sup>) 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 (60<sup>th</sup>) 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 (71<sup>st</sup>) 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 (60<sup>th</sup>) 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 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. For the 2020 tax year, and subsequent years, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) \$0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

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

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

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004I 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.

**DISTRICT APPLICATION OF TAX CODE . . .** The District grants a State mandated exemption to the market value of the residence homestead of \$140,000.\*

The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$60,000; and the disabled are also granted an exemption of \$60,000.\*

The District has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

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

The District has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

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

The District does tax nonbusiness personal property, and the District uses the County Appraisal District (CAD) to collect taxes on behalf of the District and remits daily payments to the District.

The District does not permit split payments, and discounts are allowed.

The District does tax freeport property and has no tax abatement.

On November 29, 2011, the Board adopted to continue the District's taxation of goods-in-transit for the 2012 tax year and beyond.

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

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

2025/26 Market Valuation Established by Cameron County Appraisal District (excluding totally exempt property)	\$ 1,456,953,963
Less Exemptions/Reductions at 100% Market Value:	
Residential Homestead Exemptions (State Mandated) <sup>(1)</sup>	\$ 316,001,937
Over 65/Disabled Exemptions <sup>(1)</sup>	14,343,789
Disabled Veterans/Persons	14,373,860
Productivity Loss	108,733,284
Circuit Breaker Exemption	39,238,575
Value Loss to 10% Residential Cap	159,649,369
Freeport	3,329
Personal Property Vehicle	82,555
Value Loss to Freeze	<u>14,854,535</u>
	<u>667,281,233</u>
2025/26 Net Taxable Assessed Valuation	<u>\$ 789,672,730</u> <sup>(1)</sup>
Debt Payable from Ad Valorem Taxes as of November 30, 2025	
Unlimited Tax Debt <sup>(2)</sup>	\$ 21,880,000
The Bonds <sup>(3)</sup>	11,455,000
Limited Maintenance Tax Debt	<u>946,000</u>
Total Debt Payable from Ad Valorem Taxes	<u>\$ 34,281,000</u>
Less: State Aid <sup>(4)</sup>	<u>\$ 5,662,283</u>
Net Debt Payable from Ad Valorem Taxes	<u>\$ 28,618,717</u>
Interest and Sinking Fund as of November 30, 2025	\$ 1,620,397
Ratio Tax Supported Debt to Taxable Assessed Valuation	4.34%

2026 Estimated Population - 14,702  
 Per Capita Taxable Assessed Valuation - \$53,712  
 Per Capita Debt Payable from Ad Valorem Taxes - \$2,332

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

(2) Excludes the Refunded Bonds.

(3) Preliminary, subject to change.

(4) Reported by the Texas Education Agency at 16.986% of the currently outstanding unlimited tax debt, which receives Instructional Facilities Allotment ("IFA") and Existing Debt Allotment ("EDA") from the State.

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**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY<sup>(1)</sup>**

Category	Taxable Appraised Value for Fiscal Year Ended					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 866,438,540	59.47%	\$ 782,576,515	56.88%	\$ 643,508,169	56.32%
Real, Residential, Multi-Family	46,776,768	3.21%	39,175,215	2.85%	16,758,590	1.47%
Real, Vacant Lots/Tracts	46,335,327	3.18%	55,343,286	4.02%	42,076,234	3.68%
Real, Acreage (Land Only)	114,135,857	7.83%	124,176,367	9.03%	116,507,681	10.20%
Real, Farm and Ranch Improvements	165,123,227	11.33%	163,638,453	11.89%	142,110,599	12.44%
Real, Commercial	120,669,703	8.28%	104,349,710	7.58%	85,884,076	7.52%
Real, Industrial	2,024,950	0.14%	1,956,245	0.14%	1,696,005	0.15%
Real, Oil, Gas and Other Mineral Reserves	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	20,340,688	1.40%	20,942,779	1.52%	19,693,082	1.72%
Tangible Personal, Commercial	52,881,657	3.63%	46,980,716	3.41%	50,775,818	4.44%
Tangible Personal, Industrial	15,096,877	1.04%	17,794,186	1.29%	14,784,029	1.29%
Special Inventory	2,856,067	0.20%	6,811,583	0.50%	5,558,239	0.49%
Tangible Personal, Mobile Homes	4,274,302	0.29%	3,285,308	0.24%	3,309,629	0.29%
Other	-	0.00%	8,723,993	0.63%	-	0.00%
Total Appraised Value Before Exemptions	\$ 1,456,953,963	100.00%	\$ 1,375,754,356	100.00%	\$ 1,142,662,151	100.00%
Adjustment	-		(1,629,053)		(19,115,530)	
Less: Total Exemptions/Reductions	<u>(667,281,233)</u>		<u>(623,240,159)</u>		<u>(484,409,965)</u>	
<b>Taxable Assessed Value</b>	<b>\$ 789,672,730</b>		<b>\$ 750,885,144</b>		<b>\$ 639,136,656</b>	

Category	Taxable Appraised Value for Fiscal Year Ended					
	2023		2022			
	Amount	% of Total	Amount	% of Total		
Real, Residential, Single-Family	\$ 418,492,997	52.63%	\$ 382,819,959	52.76%		
Real, Residential, Multi-Family	12,566,100	1.58%	12,257,548	1.69%		
Real, Vacant Lots/Tracts	21,570,667	2.71%	21,626,848	2.98%		
Real, Acreage (Land Only)	94,863,569	11.93%	86,916,059	11.98%		
Real, Farm and Ranch Improvements	99,720,263	12.54%	78,152,739	10.77%		
Real, Commercial	68,437,630	8.61%	68,774,908	9.48%		
Real, Industrial	1,687,279	0.21%	1,535,929	0.21%		
Real, Oil, Gas and Other Mineral Reserves	0	0.00%	610	0.00%		
Real and Tangible Personal, Utilities	18,780,200	2.36%	20,718,740	2.86%		
Tangible Personal, Commercial	48,445,336	6.09%	43,359,579	5.98%		
Tangible Personal, Industrial	5,458,196	0.69%	5,059,335	0.70%		
Special Inventory	1,854,567	0.23%	1,152,132	0.16%		
Tangible Personal, Mobile Homes	3,285,642	0.41%	3,166,618	0.44%		
Other	-	0.00%	-	0.00%		
Total Appraised Value Before Exemptions	\$ 795,162,446	100.00%	\$ 725,541,004	100.00%		
Adjustment	<u>(7,187,308)</u>		<u>(12,752,257)</u>			
Less: Total Exemptions/Reductions	<u>(265,321,076)</u>		<u>(215,734,470)</u>			
<b>Taxable Assessed Value</b>	<b>\$ 522,654,062</b>		<b>\$ 497,054,277</b>			

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

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

**TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY**

Fiscal Year Ended 6/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Per Capita	Taxable	Net	Net	Total	Ratio Total Net Ad Valorem	Per Capita
				Assessed Valuation	Unlimited Tax Supported	Limited Tax Supported	Ad Valorem Tax Supported	Tax Supported Debt to Taxable Assessed Valuation	Total Net Ad Valorem Tax Supported Debt
2022	15,109	\$ 497,054,277	\$ 32,898	\$ 9,052,287	\$ 1,387,000	\$ 10,439,287		2.10%	\$ 691
2023	14,924	522,654,062	35,021	10,301,617	1,137,000	11,438,617		2.19%	766
2024	14,760	639,136,656	43,302	16,524,427	1,041,000	17,565,427		2.75%	1,190
2025	14,557	750,885,144 <sup>(4)</sup>	51,582	28,880,571	946,000	29,826,571		3.97%	2,049
2026	14,702	789,672,730 <sup>(4)</sup>	53,712	26,838,426 <sup>(5)</sup>	848,000 <sup>(5)</sup>	27,686,426 <sup>(5)</sup>		3.51%	1,883 <sup>(5)</sup>

(1) Source: Municipal Advisory Council of Texas.

(2) Source: District Annual Comprehensive Financial Reports for years ending 2022 through 2024, and Cameron County Appraisal District's Certified Totals for Tax Years 2024 and 2025, subject to change during the ensuing year.

(3) Net of State Aid. For Fiscal Year 2026, approximately 16.986% of the District's annual debt service on its unlimited tax supported debt will be paid by the Instructional Facilities Allotment and Existing Debt Allotment received from the State.

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

(5) Projected, preliminary, subject to change.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 6/30	Interest and Sinking Fund				% Current Collections	% Total Collections
	Tax Rate	Local Maintenance		Tax Levy		
2022	\$ 1.15575	\$ 0.96030	\$ 0.19545	\$ 6,216,060	92.44%	96.52%
2023	1.12949	0.95630	0.17319	6,300,385	92.94%	97.88%
2024	0.95833	0.75750	0.20083	6,385,775	87.37%	90.94%
2025	0.95603	0.75520	0.20083	7,296,080	88.74% <sup>(1)</sup>	91.77% <sup>(1)</sup>
2026	1.03068	0.74950	0.28118	8,139,023	In Process of Collection	

(1) Unaudited.

**TABLE 5 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property		2025/26 Real Estate Electric Utility/Power Plant Real Estate Equipment Real Estate Real Estate Industrial Automotive Real Estate Real Estate	% of Total Taxable Assessed Valuation
JWTC Homes Ltd	Real Estate	\$ 13,949,825	1.77%	
AEP Texas Inc.	Electric Utility/Power Plant	12,643,200	1.60%	
Albany Homes I LP	Real Estate	7,091,545	0.90%	
RWS Texas Leasing Co. LLC	Equipment	6,181,253	0.78%	
Move It Fund La Feria North LLC	Real Estate	5,626,778	0.71%	
La Feria Partners LLC	Real Estate	5,617,069	0.71%	
The Quickrete Companies LLC	Industrial	4,461,429	0.56%	
Kenwood MHC LLC	Automotive	3,704,600	0.47%	
Best Block LLC	Real Estate	3,248,849	0.41%	
Camarillo Maria S	Real Estate	3,044,324	0.39%	
		\$ 65,568,872	8.30%	

**TABLE 6 - TAX ADEQUACY**

Period Ending August 31, 2026 Principal and Interest Requirements	\$ 2,602,988
Less: Instructional Facilities/Existing Debt Allotment <sup>(1)</sup>	(418,408)
Less: Additional State Aid for Homestead Exemption <sup>(1)</sup>	(173,425)
Net 2025/26 Principal and Interest Requirements	\$ 2,011,155
 \$0.28118 Interest and Sinking Fund Tax Rate @ 97.5% Collections	\$ 2,164,915

(1) As reported by the Texas Education Agency; subject to change.

**TABLE 7 - 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 bonds ("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 bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	2025/2026		Total			Overlapping Tax Supported Debt As of 11/30/2025	Authorized But Unissued Debt As Of 11/30/2025
	Taxable Assessed Value	2025/2026 Tax Rate	Supported Debt	Estimated % Applicable	As of 11/30/2025		
Cameron Co	\$ 32,948,301,976	\$ 0.4244	\$ 263,410,000	3.09%	\$ 8,139,369	\$ -	-
Cameron Co DD # 6	1,483,902,471	0.1576	8,205,000	69.87%	5,732,834	15,840,000	
Harlingen, City of	5,227,423,535	0.5261	18,850,000	0.96%	180,960		-
La Feria, City of	489,162,951	0.7350	11,663,000	99.50%	11,604,685		-
La Feria Independent School District	789,672,730	1.0307	28,618,717 <sup>(1)</sup>	100.00%	28,618,717 <sup>(1)</sup>		-
Total Direct and Overlapping Net Tax Supported Debt					\$ 54,276,564		
Ratio of Direct and Overlapping Net Tax Supported Debt to Taxable Assessed Valuation					6.87%		
Per Capita Overlapping Net Tax Supported Debt					3,692		

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

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## DEBT INFORMATION

**TABLE 8 - PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS<sup>(1)</sup>**

Period Ending 8/31 <sup>(2)</sup>	Outstanding Unlimited Tax Debt Service <sup>(3)</sup>			The Bonds <sup>(4)</sup>			Total Unlimited Tax Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2026	\$ 1,005,000	\$ 1,597,988	\$ 2,602,988	\$ -	\$ -	\$ -	\$ 2,602,988	
2027	450,000	1,052,688	1,502,688	190,000	849,602	1,039,602	2,542,290	
2028	550,000	1,032,288	1,582,288	400,000	553,250	953,250	2,535,538	
2029	185,000	1,016,263	1,201,263	920,000	520,250	1,440,250	2,641,513	
2030	280,000	1,004,638	1,284,638	960,000	473,250	1,433,250	2,717,888	14.82%
2031	380,000	988,138	1,368,138	1,010,000	424,000	1,434,000	2,802,138	
2032	400,000	968,638	1,368,638	1,065,000	372,125	1,437,125	2,805,763	
2033	420,000	948,138	1,368,138	1,120,000	317,500	1,437,500	2,805,638	
2034	445,000	926,513	1,371,513	1,175,000	260,125	1,435,125	2,806,638	
2035	465,000	903,763	1,368,763	1,235,000	199,875	1,434,875	2,803,638	37.96%
2036	490,000	879,888	1,369,888	1,300,000	136,500	1,436,500	2,806,388	
2037	515,000	854,763	1,369,763	1,365,000	69,875	1,434,875	2,804,638	
2038	565,000	827,763	1,392,763	715,000	17,875	732,875	2,125,638	
2039	595,000	798,763	1,393,763	-	-	-	1,393,763	
2040	625,000	768,263	1,393,263	-	-	-	1,393,263	56.47%
2041	660,000	736,138	1,396,138	-	-	-	1,396,138	
2042	695,000	702,263	1,397,263	-	-	-	1,397,263	
2043	730,000	666,638	1,396,638	-	-	-	1,396,638	
2044	765,000	629,263	1,394,263	-	-	-	1,394,263	
2045	805,000	590,013	1,395,013	-	-	-	1,395,013	67.44%
2046	850,000	547,575	1,397,575	-	-	-	1,397,575	
2047	895,000	501,769	1,396,769	-	-	-	1,396,769	
2048	940,000	453,600	1,393,600	-	-	-	1,393,600	
2049	990,000	402,938	1,392,938	-	-	-	1,392,938	
2050	1,045,000	349,519	1,394,519	-	-	-	1,394,519	81.60%
2051	1,100,000	293,213	1,393,213	-	-	-	1,393,213	
2052	1,160,000	233,888	1,393,888	-	-	-	1,393,888	
2053	1,225,000	171,281	1,396,281	-	-	-	1,396,281	
2054	1,290,000	105,263	1,395,263	-	-	-	1,395,263	
2055	1,360,000	35,700	1,395,700	-	-	-	1,395,700	100.00%
	<b>\$ 21,880,000</b>	<b>\$ 20,987,544</b>	<b>\$ 42,867,544</b>	<b>\$ 11,455,000</b>	<b>\$ 4,194,227</b>	<b>\$ 15,649,227</b>	<b>\$ 58,516,771</b>	

(1) Excludes the District's Limited Tax Refunding Bonds, Series 2020 (see "Other Obligations" appearing under Table 11 herein).

(2) The District's fiscal year end is June 30, however for purposes of tax rate levy the table shown above utilizes the period ending August 31.

(3) Excludes the Refunded Bonds.

(4) Interest calculated at assumed rates for purposes of illustration only. Preliminary, subject to change.

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

Tax Supported Debt Service Requirements, Fiscal Year Ending 6/30/2026	\$ 2,602,988
Interest and Sinking Fund, 6/30/2025	\$ 36,277
\$0.28118 Interest and Sinking Fund Tax Rate Levy @ 97.5% Collections	2,164,915
Estimated Instructional Facilities/Existing Debt Allotment (IFA/EDA)	418,408
Additional State Aid for Homestead Exemption	173,425
	<u>\$ 2,793,025</u>
Estimated Balance, 6/30/2026	<u>\$ 190,037</u>

**Table 10 - Authorized But Unissued Unlimited Tax Bonds**

The District has no authorized but unissued debt. The District may, however, incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

**ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . .** The District does not anticipate the issuance of additional tax supported debt within the next 12 months except for the possible issuance of refunding bonds for debt service savings.

**TABLE 11 - OTHER OBLIGATIONS<sup>(1)</sup>**

**GENERAL . . .** On April 9, 2020, the District delivered its \$1,250,000 Limited Tax Refunding Bonds, Series 2020 (the “Series 2020 Limited Tax Refunding Bonds”), which refunded the District’s Limited Maintenance Tax Notes, Series 2014. An amortization schedule for the Series 2020 Limited Tax Refunding Bonds is provided below:

Period Ending 8/31	Outstanding Limited Tax Debt Service			% of Principal Retired
	Principal	Interest	Total	
2026	\$ 98,000	\$ 15,608	\$ 113,608	
2027	102,000	13,868	115,868	
2028	100,000	12,110	112,110	
2029	104,000	10,336	114,336	
2030	107,000	8,500	115,500	54.02%
2031	105,000	6,656	111,656	
2032	108,000	4,802	112,802	
2033	110,000	2,906	112,906	
2034	112,000	974	112,974	100.00%
	\$ 946,000	\$ 75,760	\$ 1,021,760	

On July 1, 2022, the District leased new copiers which resulted in a lease obligation of \$279,744 with interest of 5% and final payment due in 2026. The net book value of the leased assets as of June 30, 2025 amounts to \$75,263. Monthly payments are \$6,442.

**PENSION FUND AND OTHER POST EMPLOYMENT RETIREMENT BENEFITS . . .** The District’s employees participate in a retirement plan (the “Plan”) with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas (“TRS”). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ended June 30, 2025, the State contributed \$1,334,809 to TRS on behalf of the District’s employees and the District paid additional State contributions of \$1,005,393. Aside from the District’s contribution to the TRS, the District has no pension fund expenditures or liabilities, except for portions of salaries that exceed salary limits of the TRS. The District contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. For the fiscal year ended June 30, 2025, the State contributed \$290,956 to TRS-Care, District employees paid \$156,277, and other contributions to the plan made from private grants and from the District were \$225,124.

At June 30, 2025, the District reported a liability of \$7,759,065 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 OPEB liability:	\$ 7,759,065
State's proportionate share that is associated with the District:	<u>9,722,004</u>
Total:	\$17,481,069

The net OPEB liability was measured as of August 31, 2023 and rolled forward to August 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024. At August 31, 2024, the District's proportion of the collective net OPEB liability was 0.0255639989%, which is a decrease of 0.0012579923% from its proportion measured as of August 31, 2023.

**FORMAL COLLECTIVE BARGAINING AGREEMENTS RELATING DIRECTLY TO WAGES AND OTHER CONDITIONS OF EMPLOYMENT ARE PROHIBITED BY STATE LAW, AS ARE STRIKES BY TEACHERS. THERE ARE VARIOUS LOCAL, STATE AND NATIONAL ORGANIZED EMPLOYEE GROUPS WHO ENGAGE IN EFFORTS TO BETTER TERMS AND CONDITIONS OF EMPLOYMENT OF SCHOOL EMPLOYEES. SOME DISTRICTS HAVE ADOPTED A POLICY TO CONSULT WITH EMPLOYER GROUPS WITH RESPECT TO CERTAIN TERMS AND CONDITIONS OF EMPLOYMENT. SOME EXAMPLES OF THESE GROUPS ARE THE TEXAS STATE TEACHERS ASSOCIATION, THE TEXAS CLASSROOM TEACHERS ASSOCIATION, THE ASSOCIATION OF TEXAS PROFESSIONAL EDUCATORS AND THE NATIONAL EDUCATION ASSOCIATION.**

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## FINANCIAL INFORMATION

**TABLE 12 - CHANGES IN NET ASSETS**

	Fiscal Year Ended June 30,				
	2025 <sup>(1)</sup>	2024	2023	2022	2021
<b>Program Revenues:</b>					
Charges for Services	\$ 860,401	\$ 667,811	\$ 558,987	\$ 364,766	\$ 129,701
Operating Grants & Contributions	8,774,093	12,170,068	14,372,942	13,900,040	8,693,347
Capital Grants and Contributions	-	700,775	1,870,949	-	-
Property Taxes	6,621,865	5,974,125	6,186,841	6,037,031	5,559,600
State Aid - Formula	25,822,203	25,993,776	24,313,592	24,639,534	26,612,825
Grants and Contributions not Restricted	378,849	312,856	305,144	710,787	1,226,868
Investment Earnings	467,783	473,787	437,795	16,084	5,274
Other	111,381	80,588	(69,345)	228,626	313,492
<b>Total Revenues</b>	<b><u>\$ 43,036,575</u></b>	<b><u>\$46,373,786</u></b>	<b><u>\$47,976,905</u></b>	<b><u>\$45,896,868</u></b>	<b><u>\$42,541,107</u></b>
<b>Expenses:</b>					
Instruction	\$ 19,618,458	\$ 22,028,654	\$ 21,908,399	\$ 20,985,642	\$ 21,520,419
Instructional Resources & Media Services	239,395	304,944	430,522	347,156	362,669
Curriculum & Staff Development	72,875	119,838	160,146	240,391	118,886
Instructional Leadership	1,164,021	1,051,726	982,699	1,098,751	981,236
School Leadership	2,508,865	2,592,979	2,514,167	2,135,732	2,567,089
Guidance, Counseling & Evaluation Services	1,004,645	984,306	1,022,829	930,261	1,022,580
Social Work Services	111,248	102,429	91,904	87,955	81,530
Health Services	324,009	368,137	363,769	584,368	369,662
Student Transportation (Pupil)	1,247,251	1,662,317	1,489,702	1,168,618	1,206,421
Food Services	3,062,872	3,194,393	2,811,814	2,496,941	2,324,156
Curricular/Extracurricular Activities	2,224,583	2,191,604	2,125,321	1,958,458	1,504,874
General Administration	1,501,979	1,484,359	1,493,891	1,463,064	1,543,755
Plant Maintenance & Operations	4,803,571	5,827,486	5,786,254	5,892,015	5,223,348
Security & Monitoring Services	909,618	1,297,364	285,087	33,854	87,712
Data Processing Services	716,173	688,414	945,305	915,463	769,876
Community Services	1,293,937	1,407,827	425,319	371,333	261,364
Debt Service	529,328	587,339	629,278	652,923	688,579
Payments to Fiscal Agent/Member Dist. - SSA	-	-	358,366	199,826	-
Payments to Juvenile Justice Alt. Ed. Program	1,400	7,600	-	-	-
Other Intergovernmental Charges	100,062	84,614	81,447	76,645	82,664
<b>Total Expenses</b>	<b><u>\$ 41,434,290</u></b>	<b><u>\$45,986,330</u></b>	<b><u>\$43,906,219</u></b>	<b><u>\$41,639,396</u></b>	<b><u>\$40,716,820</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b><u>\$ 1,602,285</u></b>	<b><u>\$ 387,456</u></b>	<b><u>\$ 4,070,686</u></b>	<b><u>\$ 4,257,472</u></b>	<b><u>\$ 1,824,287</u></b>
<b>Beginning Net Assets</b>	<b><u>12,385,192</u></b>	<b><u>11,997,736</u></b>	<b><u>7,927,050</u></b>	<b><u>3,669,578</u></b>	<b><u>1,845,291</u></b>
<b>Prior Period Adjustment</b>	<b><u>166,177</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Ending Net Assets</b>	<b><u>\$ 14,153,654</u></b>	<b><u>\$12,385,192</u></b>	<b><u>\$11,997,736</u></b>	<b><u>\$ 7,927,050</u></b>	<b><u>\$ 3,669,578</u></b>

(1) Unaudited.

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**TABLE 12-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY<sup>(1)</sup>**

	Fiscal Year Ended June 30,				
	2025 <sup>(1)</sup>	2024	2023	2022	2021
<b>Revenues:</b>					
Local and Intermediate Sources	\$ 6,279,620	\$ 5,603,813	\$ 5,893,638	\$ 5,383,623	\$ 5,297,562
State Sources	27,628,661	27,963,781	25,914,197	26,134,071	28,213,484
Federal Sources	3,402,125	3,538,893	4,460,819	4,599,779	2,760,671
<b>Total Revenues</b>	<b><u>\$37,310,406</u></b>	<b><u>\$37,106,487</u></b>	<b><u>\$36,268,654</u></b>	<b><u>\$36,117,473</u></b>	<b><u>\$36,271,717</u></b>
<b>Expenditures:</b>					
Instruction	\$16,976,484	\$17,290,400	\$15,824,259	\$17,424,731	\$16,674,289
Instruction Leadership	225,299	256,619	388,206	340,361	342,682
Instructional Resources and Media	72,679	108,261	123,772	131,146	76,370
School Administration	1,036,620	939,838	883,207	915,459	855,205
Curriculum/Personal Development	2,263,887	2,271,543	2,122,799	2,003,774	2,338,252
Guidance and Counseling	896,527	869,574	847,500	850,429	871,935
Social Work Services	38,170	4,718	1,070	2,259	13,542
Health Services	312,909	333,113	341,153	229,855	333,874
Pupil Transportation	1,297,142	1,367,658	1,252,431	610,249	889,196
Co-Curricular Activities	2,063,936	1,992,933	2,045,315	2,446,973	2,184,695
Food Services	3,245,986	3,290,225	2,650,248	1,898,578	1,454,886
General Administration	1,532,407	1,478,003	1,521,476	1,431,174	1,397,389
Debt Services	278,350	298,021	460,906	362,466	359,869
Plant Maintenance and Operations	4,927,505	5,675,300	5,624,038	3,929,998	5,221,750
Security and Monitoring Services	454,024	252,006	89,512	30,722	23,863
Facilities Acquisition and Construction	-	700,195	833,090	1,258,480	699,372
Data Processing Services	751,383	742,205	592,970	976,987	738,104
Intergovernmental Charges	101,462	92,214	81,447	76,645	82,664
Community Services	47,705	68,035	38,720	34,138	14,407
<b>Total Expenditures</b>	<b><u>\$36,522,475</u></b>	<b><u>\$38,030,861</u></b>	<b><u>\$35,722,119</u></b>	<b><u>\$34,954,424</u></b>	<b><u>\$34,572,344</u></b>
Other Resources and (Uses)	\$ -	\$ -	\$ (269,573)	\$ -	\$ -
Excess (Deficiency) of					
Revenues Over					
Expenditures	\$ 787,931	\$ (924,374)	\$ 546,535	\$ 1,163,049	\$ 1,699,373
Beginning Fund Balance on					
July 1	<u>9,347,014</u>	<u>10,271,388</u>	<u>9,994,426</u>	<u>8,831,377</u>	<u>7,132,004</u>
Increase (Decreased) in Fund Balance	787,931	(924,374)	276,962	1,163,049	1,699,373
Prior Period Adjustment	-	-	-	-	-
Ending Fund Balance on					
June 30	<u>\$10,134,945</u>	<u>\$ 9,347,014</u>	<u>\$10,271,388</u>	<u>\$ 9,994,426</u>	<u>\$ 8,831,377</u>

(1) Unaudited.

## INVESTMENTS

The District invests its investable funds in investments authorized by State law, including Chapter 2256, as amended, Texas Government Code (the “Texas Public Funds Investment Act”), and 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 Texas law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAAm”-rated investment pools that invest solely in investments described above; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act; and (16) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

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

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

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

State law requires the District’s investments be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

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**TABLE 13 - CURRENT INVESTMENTS<sup>(1)</sup>**

As of September 30, 2025, the District's investable funds were invested in the following categories:

Type of Investment	Percent of Portfolio	Fair Value
Lone Star Investment Pool	100.00%	\$ 29,315,490
Total	100.00%	\$ 29,315,490

As of such date, 100% of the District's investment portfolio will mature within 12 months. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

(1) Unaudited.

### **TAX MATTERS**

**TAX EXEMPTION . . .** The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears in APPENDIX C hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon the Verification Report of the Verification Agent regarding the sufficiency of the deposit of funds to the Escrow Fund on the date of the closing of the Bonds (see "PLAN OF FINANCING - Refunded Bonds) and upon the representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds may adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

**TAX CHANGES . . .** Existing law may change to reduce or eliminate the benefit to registered owners of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

**ANCILLARY TAX CONSEQUENCES . . .** Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt

obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

**TAX ACCOUNTING TREATMENT OF DISCOUNT BONDS . . .** The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

In the event of the sale or other taxable disposition of a Discount Bond prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Purchasers of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

**TAX ACCOUNTING TREATMENT OF PREMIUM BONDS . . .** The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

#### **CONTINUING DISCLOSURE OF INFORMATION**

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its EMMA system, where it will be available to the general public, free of charge, at [www.emma.msrb.com](http://www.emma.msrb.com).

**ANNUAL REPORTS . . .** The District will file certain updated financial information and operating data with the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 13 and in APPENDIX B. The District will update and provide this information within six months after the end of each fiscal year ending in and after 2026.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA Internet Web site or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change with the MSRB.

**NOTICES OF CERTAIN EVENTS . . .** The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after 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 of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bond 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 debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In the Order, the District adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB.

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

**AVAILABILITY OF INFORMATION . . .** All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

**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 Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## **WEATHER EVENTS**

The District is located in deep South Texas and within 30 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. If a future weather-related event were to significantly damage all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Texas law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as floods and upon a gubernatorial or presidential declaration of disaster. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate." There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a period in which assessed values within the District could be adversely affected.

## **CYBERSECURITY**

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

## **OTHER INFORMATION**

### **RATINGS**

The Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The Bonds and the presently outstanding tax supported debt of the District, is rated "A2" by Moody's without regard to credit enhancement. The District has six issues outstanding, excluding the Bonds, which are rated "AAA" by Moody's by virtue of the guarantee of the Permanent School Fund of the State of Texas. The District has one limited tax bond issue (the "Limited Tax Refunding Bonds") that are neither further secured by nor subject to the Permanent School Fund Guarantee. The District has received conditional approval from the TEA for the Bonds to be guaranteed by the corpus of the Permanent School Fund. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

## **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 statements of the District. at the time of the initial delivery of the Bonds, the District will provide the Underwriters 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 qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been 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 provisions.

It is the obligation of the Underwriters 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 Underwriters' 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 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. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Ratings" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of at least one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

## **LEGAL MATTERS**

The District will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. A form of Bond Counsel's opinion appears in APPENDIX C attached hereto.

Though it represents the Underwriters and the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the District in connection with the issuance of the Bonds. 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 (other than any financial, technical, or statistical data herein) reviewed the information in this Official Statement appearing under the captions and subcaptions "PLAN OF FINANCING - Refunded Bonds", "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee", "Book-Entry-Only-System", "Bondholders' Remedies", and "Sources and Uses of Funds", as to which no opinion is expressed), "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 OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings", as to which no opinion is expressed),

“OTHER INFORMATION – Registration and Qualification of Bonds for Sale”, “OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas”, and “OTHER INFORMATION - Legal Matters” (excluding the last sentence of the second paragraph thereof), and such firm is of the opinion that the information 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. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel Jackson Walker LLP, whose fee is contingent on the sale and delivery of the Bonds.

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

#### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, as applicable, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds. Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants and legal counsel.

#### **FINANCIAL ADVISOR**

HilltopSecurities is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

#### **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at the prices indicated on page 2 hereof, less an underwriting discount of \$ \_\_\_\_\_, and no accrued interest. The Underwriters 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 Underwriters 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 Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The Underwriters and their respective affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of the PNC Financial Services Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has/may have other banking and financial relationships with the Issuer.

PNC Capital Markets LLC may offer to sell to its affiliate, PNC Wealth Management LLC ("PNCWM"), securities in PNCCM's inventory for resale to PNCWM's customers, including securities such as those to be offered by the Issuer. PNCCM may share with PNCWM a portion of the fee or commission paid to PNCCM if any Bonds are sold to customer of PNCWM.

#### **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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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, SEC Rule 15c2-12.

The Order approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters. This Official Statement has been approved by the Board of the District for distribution in accordance with the provisions of the United States Securities and Exchange Commission Rule codified at 17 C.F.R. Section 240.15c2-12.

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/s/

President, Board of Trustees  
La Feria Independent School District

ATTEST:

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/s/

Secretary, Board of Trustees  
La Feria Independent School District

**SCHEDULE I**  
**SCHEDULE OF REFUNDED BONDS\***

**Unlimited Tax School Building Bonds, Series 2014A**

Original Dated Date	Maturity (February 15)	Interest Rate	Amount
November 1, 2014	2027 <sup>(1)</sup>	4.000%	\$ 85,000
			<u><u>\$ 85,000</u></u>

These Refunded Bonds are to be called on March 19, 2026

<sup>(1)</sup> Represents a Term Bond maturing in 2027.

**Unlimited Tax Refunding Bonds, Series 2014B**

Original Dated Date	Maturity (February 15)	Interest Rate	Amount
November 1, 2014	2027	4.000%	\$ 185,000
	2028 <sup>(1)</sup>	4.000%	195,000
	2029	4.000%	200,000
	2030 <sup>(2)</sup>	4.000%	210,000
	2031	4.000%	215,000
	2032	4.000%	225,000
	2033 <sup>(3)</sup>	4.000%	235,000
	2034	4.000%	245,000
	2035 <sup>(4)</sup>	4.000%	255,000
	2036	4.000%	265,000
	2037 <sup>(5)</sup>	4.000%	275,000
			<u><u>\$ 2,505,000</u></u>

These Refunded Bonds are to be called on March 19, 2026

<sup>(1)</sup> Represents a Term Bond maturing in 2028.

<sup>(2)</sup> Represents a Term Bond maturing in 2030.

<sup>(3)</sup> Represents a Term Bond maturing in 2033.

<sup>(4)</sup> Represents a Term Bond maturing in 2035.

<sup>(5)</sup> Represents a Term Bond maturing in 2037.

## **Unlimited Tax Refunding Bonds, Series 2015**

Original Dated Date	Maturity (February 15)	Interest Rate	Amount
December 1, 2014	2027 <sup>(1)</sup>	4.000%	\$ 280,000
	2028	4.000%	290,000
	2029 <sup>(2)</sup>	4.000%	300,000
	2030	4.000%	310,000
	2031 <sup>(3)</sup>	4.000%	325,000
	2032	4.000%	340,000
	2033 <sup>(4)</sup>	4.000%	355,000
	2034	4.000%	365,000
	2035 <sup>(5)</sup>	4.000%	380,000
	2036	4.000%	400,000
	2037 <sup>(6)</sup>	4.000%	415,000
			\$ 3,760,000

These Refunded Bonds are to be called on March 19, 2026

- (1) Represents a Term Bond maturing in 2027.
- (2) Represents a Term Bond maturing in 2029.
- (3) Represents a Term Bond maturing in 2031.
- (4) Represents a Term Bond maturing in 2033.
- (5) Represents a Term Bond maturing in 2035.
- (6) Represents a Term Bond maturing in 2037.

## **Unlimited Tax Refunding Bonds, Series 2016**

Original Dated Date	Maturity (February 15)	Interest Rate	Amount
October 1, 2016	2027	4.000%	\$ 40,000
	2028	4.000%	40,000
	2029 <sup>(1)</sup>	4.000%	540,000
	2030	4.000%	560,000
	2031	4.000%	585,000
	2032	4.000%	605,000
	2033	4.000%	630,000
	2034	4.000%	655,000
	2035	4.000%	685,000
	2036	4.000%	710,000
	2037	4.000%	740,000
	2038	4.000%	770,000
			\$ 6,560,000

These Refunded Bonds are to be called on March 19, 2026

(1) Represents a Term Bond maturing in 2029.

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\* Preliminary, subject to change.

**APPENDIX A**

GENERAL INFORMATION REGARDING THE DISTRICT

## GENERAL INFORMATION REGARDING THE DISTRICT

### THE DISTRICT

La Feria Independent School District (the “District”) is a political subdivision of the State of Texas created in 1923. The District encompasses approximately 35.41 square miles and is located in Cameron County in the southwest corner of Texas. The District serves primarily the City of La Feria, Texas (the “City”), which is located eight miles west of Harlingen on U.S. Highway 83 and serves as a commercial center for a highly cultivated agricultural area in the center of the Lower Rio Grande Valley. The area is served by the U.S. interstate highway system, with Expressway 83 (east and west along the Rio Grande Valley) connecting with U.S. 77 (north and south along the eastern area of the Valley) and U.S. 281 (north and south along the western area of the Valley). The Harlingen International Airport is located 10 miles east of the City. The District has an estimated 2026 population of 14,702.

### ENROLLMENT AND FACILITIES

Year	C.E. Vail Elementary School	Sam Houston Elementary School	David G. Sanchez Elementary School	Noemi Dominquez Elementary School	W.B. Green Jr. High School	La Feria Academy	La Feria Early College High School	Total Enrollment
2020-2021	372	424	383	466	466	48	929	3,088
2021-2022	365	412	361	410	465	34	893	2,940
2022-2023	359	454	338	387	461	33	898	2,930
2023-2024	360	439	361	393	412	26	908	2,899
2024-2025	367	448	349	387	388	0	904	2,843
2025-2026	0	518	375	419	575	0	869	2,756

The District has a total of five schools, including three elementary schools, one junior high school, and one high schools.

For the 2025-2026 school year, the District employs a staff of approximately 475, which includes a professional staff of approximately 275. Personnel distribution is as follows:

Teachers	200
Administrators	75
Teacher Aides and Secretaries	67
Auxiliary Employees	89
Other	44
Total Number of Employees	475

Teacher/pupil ratios for 2025-26 are:

Elementary Schools	15.62/1
Junior High School	12.50/1
High Schools	13.17/1

### CAMERON COUNTY

Cameron County is the southernmost Texas County and is traversed by U.S. Highways 77, 83 and 281 and State Highways 4, 48, 100, 107 and 345. The County has an estimated 2026 population of 431,874. The County's economy is based on agriculture, manufacturing, tourism, shipping and seafood processing. Wholesale nursery plants, vegetables, sugar cane, grain sorghum, cowcalf operations and cotton are major sources of agriculture. Sources of mineral production are oil and natural gas.

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**LABOR FORCE STATISTICS FOR CAMERON COUNTY<sup>(1)</sup>**

	<u>2025<sup>(2)</sup></u>	<u>2024<sup>(3)</sup></u>	<u>2023<sup>(3)</sup></u>	<u>2022<sup>(3)</sup></u>	<u>2021<sup>(3)</sup></u>
Civilian Labor Force	198,292	189,824	185,342	181,188	179,711
Total Employed	183,447	179,898	175,503	171,048	165,669
Total Unemployed	14,845	9,926	9,839	10,140	14,042
Unemployment Rate	7.5%	5.2%	5.3%	5.6%	7.8%
% Unemployed (Texas)	4.7%	4.1%	4.0%	3.9%	5.6%
% Unemployed (U.S.)	4.5%	4.0%	3.6%	3.6%	5.3%

(1) Source: Texas Employment Commission.

(2) As of August 2025.

(3) Average annual statistics.

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**APPENDIX B**

EXCERPTS FROM THE  
LA FERIA INDEPENDENT SCHOOL DISTRICT  
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2024

The information contained in this APPENDIX consists of excerpts from the La Feria Independent School District Annual Comprehensive Financial Report for the Year Ended June 30, 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.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
La Feria Independent School District

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

***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the La Feria Independent School District ("the District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the La Feria Independent School District as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the La Feria 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.

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the La Feria 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 the La Feria 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.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison of the General Fund, the schedules related to the net pension and other post-employment liabilities, schedules related to the pension and other post-employment contribution information, and the related notes to the 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 the La Feria Independent School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information sections identified in the table of contents is presented for the purpose of additional analysis as required by the Texas Education Agency, and is also 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 schedule of expenditures of federal awards and exhibits in the other information section as identified in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2024, on our consideration of the La Feria Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the La Feria 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 La Feria Independent School District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Harlingen, Texas  
October 14, 2024

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## **La Feria Independent School District Management's Discussion and Analysis**

As management of the La Feria Independent School District (the “District” or “La Feria ISD”), we offer this narrative overview of the District’s financial performance during the year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the independent auditor’s report, and the District’s Basic Financial Statements which follow this section.

### **FINANCIAL HIGHLIGHTS**

Fiscal year 2023-2024 brought with it continued uncertainties related to COVID-19. The District’s Average Daily Attendance (ADA) decreased from 2,618.92 to 2,600.211, a decrease of 18.81 students. The District’s attendance is still not at the attendance rate before COVID 19. The District continues to monitor this and budgeted 2,600.00 ADA for fiscal year 2024-2025. Also, local property values were increased by approximately 20.46%; however, property tax rates decreased. This resulted in increased state funding to offset local revenue. Another change in the fiscal year 2024 is the increased law enforcement presence at campuses, which other school districts have taken similar measures. Our campuses are currently being patrolled by local armed police officers throughout the school day. The District paid for the additional security out of our ESSER funds and some local funds. The District concluded that it was in the their best interest to open a Police Department for the School District. The application was filed, and as of June 30, 2024, approval was pending.

The District continued to expend the \$11.8 million in American Rescue Plan (ARP) Elementary & Secondary Emergency Relief III (ESSER) funds it was awarded, as well as fully expending the \$5.3 million in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) ESSER II funds awarded. These funds were intended to help mitigate the impact of COVID-19. The funding for ESSER II was expended as of June 30, 2023 and 99.9% of ESSER III was fully expended by June 30, 2024.

ESSER III requires that the District spend at least 20% of the funds awarded to address learning loss through the implementation of evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year programs to be used for learning loss initiatives. ESSER II does not include the 20% minimum spending requirement.

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$12,385,192 (net position), which was an increase from the prior year of \$387,456. The increase was primarily due to an increase in state funding.

At the end of the current fiscal period, the District reported an ending fund balance in its general fund of \$9,347,014 which is a decrease of \$924,374 from last year. The District completed the purchase of the high School Scoreboard and added some child and nutrition food counters at two campuses. These one-time costs were included in the 2023-2024 school budget and paid from reserves. Also, there was a statewide decrease in Medicaid Reimbursements, thus our revenues were less than projected.

The District’s current and delinquent property tax collections decreased approximately by \$320,000 from the previous year. This was a result of the State Voters passing an increase in the Homestead Exemption from \$40,000 to \$100,000. The State supplemented school district the loss of property tax revenue as a result of this with additional state funds.

The District received an “A = Superior Achievement” rating for the Financial Integrity System of Texas (FIRST) for 2023-2024. This is the fifth year in a row that the district has achieved the highest rating. The District’s School FIRST rating is based on applicable data extracted from the audited financial data feed, the Public Education Information Management System (PEIMS), and other required collection systems to produce a final School FIRST rating. The primary goal of School FIRST is to achieve quality performance in the management of school district’s

# La Feria Independent School District Management's Discussion and Analysis

financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this Annual Financial Report consists of four parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplemental information, and (4) other supplementary information, which is the section that presents additional information required by the Texas Education Agency.

The Management's Discussion and Analysis section is intended to serve as an introduction to the District's Basic Financial Statements. The District's Basic Financial Statements comprise three components: (1) Government-Wide Financial Statements (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements.

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 offer *short- and long-term* financial information about the activities the government operates *like businesses*. The District currently does not utilize any proprietary funds.
- *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. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### Government-wide Statements

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

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

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

## La Feria Independent School District Management's Discussion and Analysis

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (governmental activities). All of the District's services are reported in the government-wide financial statements, including instructional leadership, student support services, general administration, support services, and debt services.

### **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements. 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 to show that it is properly using taxes and grants.

The District has the following kinds of funds:

*Governmental funds:* Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year.

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 at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The District maintains 27 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined in a single, aggregated presentation. The District adopts an annual appropriated budget for its General Fund, Child Nutrition Program (included in the general fund) and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

*Proprietary funds:* Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District currently does not utilize any proprietary fund types.

*Fiduciary funds:* The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and 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.

# **La Feria Independent School District Management's Discussion and Analysis**

## ***Notes to Financial Statements***

The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

## ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) that further explains and supports the information in the financial statements. The Required Supplementary Information includes a comparison of the original adopted budget, the final amended budget, and the actual results for the fiscal year ended for the general fund. Also included in RSI is the Schedule of the District's Proportional Share of the Net Pension Liability of the Teacher Retirement System of Texas, the Schedule of District Contributions for Pensions to the Teacher Retirement System of Texas, the Schedule of the District's Proportionate Share of the Net OPEB Liability of the Teacher Retirement System of Texas, and the Schedule of the District's OPEB Contributions to the Teacher Retirement System of Texas.

## ***Texas Education Agency Required Schedules***

This section contains information for the purpose for additional analysis and is not a required part of the basic financial statements. This section includes certain compliance schedules required by the Texas Education Agency.

## ***Government-Wide Financial Analysis***

Presented in Tables I and II below are summarized Statement of Net Position and Statement of Changes in Net Position for both current and prior-year data. Our analysis focuses on the current year and the comparison of prior-year amounts on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the period ended June 30, 2024, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$12,385,192 which was an increase from last year.

## La Feria Independent School District Management's Discussion and Analysis

**Table I**  
**Net Position Summary**

	Governmental Activities	
	June 30, 2024	June 30, 2023
<b>Assets</b>		
Current and other assets	\$ 16,090,066	\$ 18,345,283
Capital assets	<b>42,440,610</b>	42,779,317
<b>Total assets</b>	<b>58,530,676</b>	61,124,600
Deferred outflows of resources	<b>9,229,279</b>	10,253,690
<b>Liabilities</b>		
Current liabilities	7,493,541	8,955,625
Long-term liabilities	16,992,307	18,349,952
Net pension liabilities	13,061,680	12,183,241
Net OPEB liabilities	5,937,934	6,753,751
<b>Total liabilities</b>	<b>43,485,462</b>	46,242,569
Deferred inflows of resources	<b>11,889,301</b>	13,137,985
<b>Net position</b>		
Net investment in capital assets	24,617,014	23,423,932
Restricted	474,818	747,654
Unrestricted	(12,706,640)	(12,173,850)
<b>Total net position</b>	<b>\$ 12,385,192</b>	\$ 11,997,736

As depicted in Table I, a significant portion of the District's net position, \$24,617,014, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position is a deficit of \$(12,551,979) due to GASB No. 75 & GASB No. 68 reporting the District's share of the Net OPEB liability and Net Pension Liability.

### Change in Net Position

Total net position of the District increased by \$387,456

## La Feria Independent School District Management's Discussion and Analysis

**Table II**  
**Changes in Net Position**

	Governmental Activities	
	June 30, 2024	June 30, 2023
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 667,811	\$ 558,987
Grants and contributions	12,870,843	16,243,891
General revenues		
Property taxes	5,974,125	6,186,841
State and other grants	26,306,632	24,618,736
Investment earnings	473,787	437,795
Other	80,588	29,972
Other (Uses)	-	(99,317)
	<b>46,373,786</b>	\$ 47,976,905
<b>Expenses</b>		
Instruction	22,028,654	\$ 21,908,399
Instructional resources and media services	304,944	430,522
Curriculum and staff development	119,838	160,146
Instructional leadership	1,051,726	982,699
School leadership	2,592,979	2,514,167
Guidance, counseling and evaluation services	984,306	1,022,829
Social work services	102,429	91,904
Health services	368,137	363,769
Student (pupil) transportation	1,662,317	1,489,702
Food services	3,194,393	2,811,814
Extracurricular activities	2,191,604	2,125,321
General administration	1,484,359	1,493,891
Facilities maintenance and operations	5,827,486	5,786,254
Security and monitoring services	1,297,364	285,087
Data processing services	688,414	945,305
Community services	1,407,827	425,319
Debt service - Interest on Long-Term Debt	586,989	627,028
Debt Service - Bond Issuance Cost and Fees	350	2,250
Payments Related to Shared Services Arrangements	-	358,366
Payments to Juvenile Justice Alternative Ed. Pre.	7,600	
Other governmental charges	84,614	81,447
Total expenses	<b>45,986,330</b>	43,906,219
Change in net position	<b>387,456</b>	4,070,686
Beginning net position	<b>11,997,736</b>	7,927,050
Ending net position	<b>\$ 12,385,192</b>	\$ 11,997,736

## La Feria Independent School District Management's Discussion and Analysis

The District's total revenues were \$46,373,786. A significant portion, 83.80%, of the District's revenue comes from state aid and other grants, formula grants and operating grants, 12.88% comes from taxes, while 3.3% relates to charges for services, investments, and miscellaneous income.

### **Governmental Activities**

- Property tax rates decreased from \$1.129489 to \$.95833 per \$100 of taxable property value.
- Average daily attendance (ADA) decreased from the prior year to the current year from 2618.92 to 2600.211.

The total cost of all programs and services was \$45,986,330; 75.23% of these costs are for instructional and student services.

Table III 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 fiscal period was \$45,986,330.
- However, the amount that our taxpayers paid for these activities through property taxes was \$5,974,125.
- Some of the cost was paid by those who directly benefited from the programs (\$667,811) or by grants and contributions (\$12,870,843).

**Table III**  
**Net Cost of Selected District Functions**

	Total Cost of Services			Net Cost of Services		
	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
Instruction	\$ 22,028,654	\$ 21,908,399	1%	\$ 16,810,864	\$ 14,084,968	19%
School administration	2,592,979	2,514,167	3%	2,435,009	1,949,084	25%
Food services	3,194,393	2,811,814	14%	(62,302)	(436,531)	-86%
Plant maintenance and operations	5,827,486	5,786,254	1%	5,563,763	5,464,440	2%
Debt service - interest	586,989	627,028	-6%	586,989	627,028	-6%

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements, bond covenants, and segregation for particular purposes.

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

As of June 30, 2024, the District's governmental funds reported a combined ending fund balance of \$9,343,463, a decrease of \$939,912 from last year. Of the total fund balance, \$8,505,766, or approximately 91.3%, constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, committed or assigned for particular purposes as follows:

**La Feria Independent School District  
Management's Discussion and Analysis**

**Table IV  
Governmental Funds – Fund Balances**

	<b>Governmental Funds</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
<b>Nonspendable</b>		
Inventories	\$ 144,044	\$ 46,741
Prepaid items	138,623	92,556
<b>Restricted</b>		
Grant funds	359,424	725,120
<b>Committed</b>		
Campus activity funds	195,606	223,722
<b>Unassigned</b>		
Unassigned	8,505,766	9,195,236
<b>Total fund balances</b>	<b>\$ 9,343,463</b>	<b>\$ 10,283,375</b>

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget four (4) times. The District adjusted its Local and State Revenue Budget to reflect the passing of the \$100,000 Homestead Exemption in November 2023. This resulted in the State subsidizing lost local property tax revenue with State dollars. Another budget amendment was to increase Child Nutrition budget to reflect purchase of food service counters at a couple of campuses. The other two were minor changes to the budget.

The District's General Fund balance of \$9,347,014 differs from the final budgetary fund balance of \$8,712,388 reported in the budgetary comparison statement due to the net effect of favorable and unfavorable variances as explained below:

- Revenues realized were \$399,403 lower than the budgeted amount due primarily to reduction in SHARS Medicaid revenues.
- The largest variance \$1,034,029 in expenditures which resulted for savings in instruction, food services, general administration and data processing services. The budget was amended to allow for increased expenditures which were not incurred.

# La Feria Independent School District Management's Discussion and Analysis

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2024, the District had invested \$42,440,610 in a broad range of capital assets, including land, buildings and improvements and equipment. Additional information on the District's capital assets can be found in the notes.

**Table V**  
**Capital Asset Summary**

	Governmental Activities	
	June 30, 2024	June 30, 2023
Land	\$ 2,233,311	\$ 2,233,311
Buildings and improvements	64,987,753	63,245,223
Equipment	12,831,988	11,916,102
Right-of-use lease asset	279,744	279,744
Subscription based information technology arrangements assets	285,815	285,815
Construction in progress	-	783,760
 Totals at historical cost	 80,618,611	 78,743,955
 Total accumulated depreciation and amortization	 38,178,001	 35,964,638
 Net capital assets	 \$ 42,440,610	 \$ 42,779,317

### Long-term Liabilities

At period end the District had the following long-term liabilities:

**Table VI**  
**Long-term Liabilities Outstanding**

	Governmental Activities	
	June 30, 2024	June 30, 2023
Bonds payable	\$ 16,831,000	\$ 17,952,000
Premium on issuance of bonds	1,098,185	1,262,394
Right-of-use lease liabilities	146,852	214,956
Subscription liabilities	99,942	195,178
Compensated absences	267,976	278,814
 Long-term debt	 \$ 18,443,955	 \$ 19,903,342

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

## **La Feria Independent School District Management's Discussion and Analysis**

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

- Appraised value used for the 2024-2025 budget preparation is the certified estimate of \$777,768,880 an increase of 20.46% from last year's certified estimate.
- The tax rate for tax year 2024 decreased compared to tax rate for tax year 2023. The District's M&O rate for 2024-2025 was 0.7552 (down from .7575 in 2023-2024) due to the state's required maximum compression rate (MCR) and substantial increase in property values. The District's I&S rate for 2024-2025 remained the same at 0.2008 per \$100 of valuation. The calculated rate is based on the MCR, annual debt obligations, and maximizing state aid.
- General operating fund spending per student in the 2024-2025 budget decreased from \$13,587 to \$13,222.
- The District's 2024-2025 refined average daily attendance remained the same when compared to the 2023-2024 ADA. However, the District expects the average daily attendance rate to increase in 2024-2025 and the actual ADA is expected to be higher. The District will continue to monitor staffing and budget responsibly to remain within budgeted amounts.
- ESSER III fund will be available in 2024. The District is expected to exhaust these funds by end of September 30, 2024.

These indicators were taken into account when adopting the general fund budget for 2024-2025.

### **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 District's Business Office.

# **FINANCIAL STATEMENTS**

LA FERIA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 JUNE 30, 2024

EXHIBIT A-1

		Primary Government
		Governmental Activities
Data		
Control		
Codes		
<b>ASSETS</b>		
1110 Cash and Cash Equivalents		\$ 129,541
1120 Current Investments		9,896,974
1220 Property Taxes - Delinquent		1,109,170
1230 Allowance for Uncollectible Taxes		(33,335)
1240 Due from Other Governments		4,666,517
1290 Other Receivables. Net		38,532
1300 Inventories		144,044
1410 Prepayments		138,623
Capital Assets:		
1510 Land		2,233,311
1520 Buildings, Net		34,566,599
1530 Furniture and Equipment, Net		5,405,515
1550 Right-to-Use Leased Assets, Net		139,872
1553 SBITA Assets. Net		95,313
1000 Total Assets		<u>58,530,676</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1701 Deferred Charge for Refunding		352,447
1705 Deferred Outflow Related to TRS Pension		5,739,224
1706 Deferred Outflow Related to TRS OPEB		<u>3,137,608</u>
1700 Total Deferred Outflows of Resources		<u>9,229,279</u>
<b>LIABILITIES</b>		
2110 Accounts Payable		214,416
2140 Interest Payable		243,343
2150 Payroll Deductions and Withholdings		355,994
2160 Accrued Wages Payable		2,846,489
2177 Due to Fiduciary Funds		447
2180 Due to Other Governments		1,869,098
2300 Unearned Revenue		512,042
Noncurrent Liabilities:		
2501 Due Within One Year: Loans, Note, Leases, etc.		1,451,712
Due in More than One Year:		
2502 Bonds, Notes, Loans, Leases, etc.		16,992,307
2540 Net Pension Liability (District's Share)		13,061,680
2545 Net OPEB Liability (District's Share)		<u>5,937,934</u>
2000 Total Liabilities		<u>43,485,462</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605 Deferred Inflow Related to TRS Pension		1,382,687
2606 Deferred Inflow Related to TRS OPEB		<u>10,506,614</u>
2600 Total Deferred Inflows of Resources		<u>11,889,301</u>
<b>NET POSITION</b>		
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets		24,617,014
3820 Restricted for Federal and State Programs		474,818
3900 Unrestricted		<u>(12,706,640)</u>
3000 Total Net Position		<u>\$ 12,385,192</u>

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

**LA FERIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024**

Data Control Codes		<b>Program Revenues</b>			
		1	3	4	
		Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>					
<b>GOVERNMENTAL ACTIVITIES:</b>					
11	Instruction	\$ 22,028,654	\$ 80,750	\$ 5,137,040	
12	Instructional Resources and Media Services	304,944	-	32,084	
13	Curriculum and Instructional Staff Development	119,838	-	4,914	
21	Instructional Leadership	1,051,726	-	164,055	
23	School Leadership	2,592,979	-	157,970	
31	Guidance, Counseling, and Evaluation Services	984,306	-	109,962	
32	Social Work Services	102,429	-	93,181	
33	Health Services	368,137	-	27,199	
34	Student (Pupil) Transportation	1,662,317	-	338,203	
35	Food Services	3,194,393	101,808	3,154,887	
36	Extracurricular Activities	2,191,604	351,388	86,287	
41	General Administration	1,484,359	78,088	223,203	
51	Facilities Maintenance and Operations	5,827,486	55,777	207,946	
52	Security and Monitoring Services	1,297,364	-	1,097,417	
53	Data Processing Services	688,414	-	32,341	
61	Community Services	1,407,827	-	1,303,379	
72	Debt Service - Interest on Long-Term Debt	586,989	-	-	
73	Debt Service - Bond Issuance Cost and Fees	350	-	-	
81	Capital Outlay	-	-	-	
95	Payments to Juvenile Justice Alternative Ed. Prg.	7,600	-	-	
99	Other Intergovernmental Charges	84,614	-	-	
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>		<b>\$ 45,986,330</b>	<b>\$ 667,811</b>	<b>\$ 12,170,068</b>	

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
		5	6
		Capital Grants and Contributions	Governmental Activities
\$	-	\$ (16,810,864)	
	-	(272,860)	
	-	(114,924)	
	-	(887,671)	
	-	(2,435,009)	
	-	(874,344)	
	-	(9,248)	
	-	(340,938)	
	-	(1,324,114)	
	-	62,302	
	-	(1,753,929)	
	-	(1,183,068)	
	-	(5,563,763)	
	-	(199,947)	
	-	(656,073)	
	-	(104,448)	
	-	(586,989)	
	-	(350)	
700,775		700,775	
	-	(7,600)	
	-	(84,614)	
\$	<u>700,775</u>	<u>(32,447,676)</u>	

4,718,713	
1,255,412	
25,993,776	
312,856	
473,787	
<u>80,588</u>	
	32,835,132
	<u>387,456</u>
	<u>11,997,736</u>
\$	<u>12,385,192</u>

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2024**

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 43,217	\$ 86,324	\$ 129,541
1120 Investments - Current	9,835,291	61,683	9,896,974
1220 Property Taxes - Delinquent	917,574	191,596	1,109,170
1230 Allowance for Uncollectible Taxes	(27,527)	(5,808)	(33,335)
1240 Due from Other Governments	3,353,536	1,312,981	4,666,517
1260 Due from Other Funds	1,820,254	660,258	2,480,512
1290 Other Receivables	38,532	-	38,532
1300 Inventories	144,044	-	144,044
1410 Prepayments	138,623	-	138,623
1000 Total Assets	<u>\$ 16,263,544</u>	<u>\$ 2,307,034</u>	<u>\$ 18,570,578</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 200,141	\$ 14,275	\$ 214,416
2150 Payroll Deductions and Withholdings Payable	350,699	5,295	355,994
2160 Accrued Wages Payable	2,558,399	288,090	2,846,489
2170 Due to Other Funds	1,128,453	1,352,506	2,480,959
2180 Due to Other Governments	1,836,799	32,299	1,869,098
2300 Unearned Revenue	54,669	457,373	512,042
2000 Total Liabilities	<u>6,129,160</u>	<u>2,149,838</u>	<u>8,278,998</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	787,370	160,747	948,117
2600 Total Deferred Inflows of Resources	<u>787,370</u>	<u>160,747</u>	<u>948,117</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	144,044	-	144,044
3430 Prepaid Items	138,623	-	138,623
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	358,485	939	359,424
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	195,606	195,606
3600 Unassigned Fund Balance	8,705,862	(200,096)	8,505,766
3000 Total Fund Balances	<u>9,347,014</u>	<u>(3,551)</u>	<u>9,343,463</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 16,263,544</u>	<u>\$ 2,307,034</u>	<u>\$ 18,570,578</u>

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 JUNE 30, 2024

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	9,343,463
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets was \$80,618,611 and the accumulated depreciation was (\$38,178,001).		42,440,610
2 Long-term liabilities are not due and payable in the current period and are not reported as liabilities in the funds.		(18,444,019)
3 Property taxes receivable that will be collected this year, but that are not available soon enough to pay for current period's expenditures and, therefore, are unavailable in the funds.		948,117
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$5,739,224, a deferred resource inflow in the amount of \$(1,382,687), and a net pension liability in the amount of \$(13,061,680). This resulted in a decrease in net position.		(8,705,143)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$3,137,608, a deferred resource inflow in the amount of \$(10,506,614), and a net OPEB liability in the amount of \$(5,937,934). This resulted in a decrease in net position.		(13,306,940)
6 Accrued interest payable does not require current financial resources so it is not reported as a liability in the funds.		(243,343)
7 Deferred charges on refunding are not due and payable in the current period; and therefore are not reported as liabilities in the governmental funds.		352,447
<b>29 Net Position of Governmental Activities</b>	<u>\$</u>	<u>12,385,192</u>

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

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 5,603,813	\$ 1,563,266	\$ 7,167,079
5800 State Program Revenues	27,963,781	1,883,596	29,847,377
5900 Federal Program Revenues	3,538,893	6,452,133	9,991,026
<b>5020 Total Revenues</b>	<b>37,106,487</b>	<b>9,898,995</b>	<b>47,005,482</b>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	17,290,400	3,898,633	21,189,033
0012 Instructional Resources and Media Services	256,619	37,968	294,587
0013 Curriculum and Instructional Staff Development	108,261	4,914	113,175
0021 Instructional Leadership	939,838	123,486	1,063,324
0023 School Leadership	2,271,543	218,828	2,490,371
0031 Guidance, Counseling, and Evaluation Services	869,574	77,721	947,295
0032 Social Work Services	4,718	96,030	100,748
0033 Health Services	333,113	12,174	345,287
0034 Student (Pupil) Transportation	1,367,658	260,676	1,628,334
0035 Food Services	3,290,225	60,870	3,351,095
0036 Extracurricular Activities	1,992,933	201,872	2,194,805
0041 General Administration	1,478,003	16,739	1,494,742
0051 Facilities Maintenance and Operations	5,675,300	76,351	5,751,651
0052 Security and Monitoring Services	252,006	1,094,864	1,346,870
0053 Data Processing Services	742,205	10,652	752,857
0061 Community Services	68,035	1,323,280	1,391,315
<b>Debt Service:</b>			
0071 Principal on Long-Term Liabilities	259,276	1,025,000	1,284,276
0072 Interest on Long-Term Liabilities	38,745	673,350	712,095
0073 Bond Issuance Cost and Fees	-	350	350
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	700,195	700,775	1,400,970
<b>Intergovernmental:</b>			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	7,600	-	7,600
0099 Other Intergovernmental Charges	84,614	-	84,614
<b>6030 Total Expenditures</b>	<b>38,030,861</b>	<b>9,914,533</b>	<b>47,945,394</b>
<b>1200 Net Change in Fund Balances</b>	<b>(924,374)</b>	<b>(15,538)</b>	<b>(939,912)</b>
<b>0100 Fund Balance -July 1 (Beginning)</b>	<b>10,271,388</b>	<b>11,987</b>	<b>10,283,375</b>
<b>3000 Fund Balance - June 30 (Ending)</b>	<b>\$ 9,347,014</b>	<b>\$ (3,551)</b>	<b>\$ 9,343,463</b>

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

LA FERIA 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 JUNE 30, 2024

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (939,912)
Capital outlays are reported in the governmental funds as expenditures. In the statement of activities the cost of assets, \$2,194,497, is allocated over their useful lives as depreciation expense which totaled (\$2,368,017) for the year.	(173,520)
Because some property taxes will not be collected for several months after the District's year end, they are not considered "available" revenues in the governmental funds. This is the change in unavailable tax revenue.	29,232
Repayment of principal on long-term liabilities is an expenditure in the funds but is not an expense in the statement of activities.	1,121,000
Some expenses such as the effect of the change in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	10,838
Governmental funds report premiums, discounts, gains/losses on debt transactions when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. Interest is recorded in the governmental funds when paid but in the statement of activities it is accrued. This is the net impact of amortization of premiums, deferred losses and change in accrued interest.	125,106
Principal payments related to right-of-use lease liabilities of \$68,104 is an expenditure in the funds but is not an expense in the statement of activities. The cost of right-to-use lease assets are allocated over their useful lives as an amortization expense which totaled (\$69,936).	(1,832)
Principal payments related to subscription liabilities of \$95,172 is an expenditure in the funds but is not an expense in the statement of activities. The cost of right-to-use subscription assets are allocated over their useful lives as an amortization expense which totaled (\$95,251).	(79)
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 \$841,119. 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 cause a decrease in the change in net position totaling \$809,874. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,294,254. The net result is a decrease in the change in net position.	(1,263,009)
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 \$192,313. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This cause a decrease in the change in net position totaling \$193,346. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$1,480,665. The net result is an increase in the change in net position.	1,479,632
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 387,456</b>

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2024

	Private Purpose Trust Fund	Total Custodial Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 91,627
Investments - Current	181,612	-
Other Receivables	-	202,806
Restricted Assets	-	1,269,980
<b>Total Assets</b>	<b>181,612</b>	<b>\$ 1,564,413</b>
<b>LIABILITIES</b>		
Due to Other Funds	-	225
<b>Total Liabilities</b>	<b>-</b>	<b>225</b>
<b>NET POSITION</b>		
Restricted for Campus Activities	-	91,402
Restricted for Scholarships	181,612	-
Restricted for Other Purposes	-	1,472,786
<b>Total Net Position</b>	<b>\$ 181,612</b>	<b>\$ 1,564,188</b>

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

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Private Purpose Trust Fund	Total Custodial Funds
<b>ADDITIONS:</b>		
Miscellaneous Revenue - Student Activities	\$ -	\$ 354,634
Enterprising Services Revenue	- -	4,006,253
Earnings from Temporary Deposits	5,968	82,652
Total Additions	<u>5,968</u>	<u>4,443,539</u>
<b>DEDUCTIONS:</b>		
Professional and Contracted Services	- -	4,261,842
Other Deductions	<u>- -</u>	<u>377,127</u>
Total Deductions	<u>- -</u>	<u>4,638,969</u>
Change in Fiduciary Net Position	5,968	(195,430)
Total Net Position - July 1 (Beginning)	<u>175,644</u>	<u>1,759,618</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 181,612</u></u>	<u><u>\$ 1,564,188</u></u>

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

# La Feria Independent School District

## Notes to Financial Statements

### NOTE 1: REPORTING ENTITY

The La Feria Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board of Trustees (the "Board"), a seven-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the La Feria Independent School District. The governing Board derives its powers from the statutes of the State of Texas and the Rules and regulations of the Texas State Department of Education. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, as amended by GASB 61 "*The Reporting Entity*." The District has no component units.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### ***Recently Issued and Implemented Accounting Pronouncements***

In the fiscal year 2024 the District implemented the following pronouncements:

GASB Statement No. 100, *Accounting Changes and Error Corrections*, this Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). There were no significant impacts of implementing this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These Statements are as follows:

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The District is evaluating the requirements of the above statements and the impact on reporting.

***Basis of Presentation***

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 non-exchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District does not currently utilize any proprietary funds.

Major individual government funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated by type and reported as non-major funds.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 accrual basis of accounting. Revenues are recorded as soon as they are both available and measurable. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within the 60 days after year end except for Instructional Facilities Allotment and Existing Debt Allotment funding from the Texas Education Agency (TEA) for which the period was extended to 90 days due to delays by TEA in processing amendments related to this funding. Grant and similar revenues, revenues received from the State of Texas and interest income are all considered to be susceptible to accrual and have been recognized as revenues in the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to longevity pay, claims and judgements are recorded only when payment is due.

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.

Unearned revenue is reported in the governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

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.

Additionally, the District reports the following funds:

**Nonmajor Governmental Funds:**

**Special Revenue Funds.** Special Revenue Funds are the funds that account for state and federally financed programs or expenditures legally restricted for specific purposes or where unused balances are returned to the grantor at the close of specified project periods.

**Fiduciary Funds:**

**Custodial Funds.** The District accounts for resources held for others in a custodial capacity in a custodial fund. The Fund is used to account for assets held by the District as a custodian for student and other organizations. These funds were previously reported in an agency fund. This change resulted in reporting more detail of additions to and deductions from custodial funds than was reported for agency funds.

**Private Purpose Trust Funds.** These funds are used to account for scholarship funds available for graduates of the District.

*Cash and Cash Equivalents*

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

*Investments*

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in external investment pools. Investment pools meet all of the specified criteria in Section I50:

*Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the District's position in these pools is equal to the value of the pooled shares.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Interfund Activities and Transactions*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. These amounts are eliminated in the governmental activities column in the statement of net position.

Interfund transactions are reported as services provided, reimbursements or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

*Receivables*

All trade and property tax receivables are shown net of an allowance for uncollectible. 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 the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Delinquent taxes are prorated between the general and debt service funds based on rates adopted for the year of the levy. Allowance for uncollectible tax receivables are based on the historical experience in collecting property taxes.

*Inventory and Prepaid Items*

In the general fund, inventory is valued at cost, using the weighted-average method, except for food commodities, which are recorded at market value supplied by the Texas Department of Human Services. Commodities are received at no cost to the District; however, their fair market value is recorded as inventory and revenue when received. As the commodities are consumed, inventory is relieved and expenditures are charged.

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

*Capital Assets*

Capital assets, which include property, plant, equipment, right-to-use assets, and right-to-use subscription assets are reported in the governmental column in the government-wide financial statements. The District does not have any public domain ("infrastructure") capital assets. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or more.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition 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.

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and improvements	10-50
Vehicles/buses	8
Furniture and equipment	5-20
Right-to-use lease assets	3-5
Right-to-use subscription assets	3-5

*Compensated Absences*

The District's policy allows employees with at least fifteen years of service with the District to accumulate unused sick leave. When an employee retires, the District will pay out any accumulated leave based on a formula which is weighted for years of service to the District.

*Deferred Outflows and Inflows of Resources*

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

The District has three items that qualify for reporting as deferred outflows of resources, the deferred amount on refunding and the deferred outflows related to pension and OPEB, both reported in the government-wide statement of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions and OPEB are an aggregate of items related to pensions and OPEB as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts that Meet Specified Criteria* and with GASB Codification Section P50: *Postemployment Benefits Other Than Pensions – Reporting for Benefits Provided Through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension or net OPEB liability in future reporting years.

In addition to liabilities, the statement of financial position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of financial resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting as deferred inflows of resources. The deferred inflows related to pension and OPEB are an aggregate of items related to pensions and OPEB as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts that Meet Specified Criteria* and with GASB Codification Section P50: *Postemployment Benefits Other Than Pensions – Reporting for Benefits Provided Through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions and OPEB will be recognized as a reduction to pension and OPEB expense in future reporting years.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Leases*

Lease contracts that provide the District with control of a non-financial asset, such as land, buildings, or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The leased asset is recorded for the same amount as the related lease liability plus prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payments.

*Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are recorded and are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond and tax notes issuance costs incurred in the issuance of bonds, are expensed in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Pensions*

The District is a member employer of the Teacher Retirement System of Texas (TRS) and, therefore, records its proportionate share of the pension liability and related accounts in these financial statements. The fiduciary net position of the Teacher Retirement System of Texas (TRS) 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 pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*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.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 additional 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.

*Government-wide Net Position*

***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. The District's net position on the Statement of Net Position include the following:

***Net Investment in Capital Assets*** - The component of net position that represents capital assets less both the accumulated depreciation and the outstanding balance of debt and deferred charges.

***Restricted for State and Federal Programs*** - The component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by granting entities.

***Restricted for Debt Service*** - The component of net position that reports the difference between assets, deferred inflows of resources and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

***Unrestricted Net Position*** - The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not reported in net position invested in capital assets, net position restricted for debt services, or net position restricted for state and federal programs. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

*Fund Balance*

In the fund financial statements, governmental funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance is that portion of fund balance that is not expendable. Examples of non-spendable fund balance include inventories and prepaid items.

Spendable fund balance includes restricted, committed, assigned and unassigned components. These components can be described as follows:

- ***Restricted fund balance*** – the component of spendable fund balance constrained to a specific purpose by a provider, such as a creditor, grantor, contributor or law or regulation of other governments.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- *Committed fund balance* –the component of spendable fund balance constrained to a specific purpose by Board. A Board resolution is required to establish a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes.
- *Assigned fund balance* – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Superintendent. Board policy CE (Local) was amended in August 2011 by the Board of Trustees to provide the Superintendent with this authorization.
- *Unassigned fund balance* the component of spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

*Fund balance flow assumptions* - Sometimes the government 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.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could vary from the estimates assumed in preparing the financial statements. Estimates that are particularly susceptible to significant change in the near term are related to allowance for doubtful accounts, pension liability, and OPEB liability.

*Accounting System*

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by Texas Education Agency (TEA) in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

*Data Control Codes*

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

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Subsequent Events*

Management has evaluated subsequent events through October 14, 2024, the date the financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND ERROR CORRECTION**

The District's fiscal year 2024 financial statements incorporate a change within the financial reporting entity. GASB Statement No. 100, *Accounting Changes and Error Corrections*, requires disclosure of their nature and effect on amounts reported in the financial statements.

- The ESSER II and ESSER III Funds, a special revenue fund, were presented as major funds in a separate column the District's fiscal year 2023 governmental fund financial statements. However, in fiscal year 2024, the funds no longer met the quantitative thresholds that require major fund presentation. The District consequently reclassified the fund as nonmajor and presented it in the aggregate nonmajor fund column.

Since ESSER II and ESSER III have zero fund balance, there is no change in beginning fund balance as previously reported for nonmajor funds.

**NOTE 4: DEPOSITS AND INVESTMENTS**

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "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 Act requires an annual audit of investment practices. Audit procedures in the 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 District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “non-participating” means the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The District’s policy authorizes all the State allowable investments.

The District’s management believes that it has complied in all material respects with the requirements of the Act and the District’s investment policies.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the District’s investment policy, and Government Code Chapter 2257 “Collateral for Public Funds” contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or 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*

At June 30, 2024, the carrying value of the District’s deposits (cash and interest-bearing savings accounts) was \$221,168 including fiduciary funds totaling \$91,627 and the bank balance was \$652,708. The District’s cash deposits at June 30, 2024, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository – PNC Bank
- b. The fair value of securities pledged as of the date of the highest combined balance on deposit was \$3,419,479.
- c. The highest combined balance of cash, savings and time deposit accounts amounted to \$3,059,742 and occurred during the month of November 2023.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

The following is a reconciliation of the District's total cash, investments, and restricted assets with the Statement of Net Position:

	June 30, 2024
Deposits	\$ 357,675
Investments	11,212,059
<b>Total of all funds cash and investments</b>	<b>\$ 11,569,734</b>
 Less: Statement of Fiduciary Net Position	
Cash and cash equivalents	(91,627)
Investments	(181,612)
Restricted assets - cash	(136,507)
Restricted assets - investments	(1,133,473)
<b>Statement of Net Position</b>	<b>\$ 10,026,515</b>

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance to the District's local policy, the District uses final and weighted-average maturity limits and diversification. It manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District's policy in using final and weighted-average-maturity limits helps reduce exposure to changes in interest rates that could adversely affect the value of investments.

Information about the sensitivity of the District's investments to market interest rate fluctuations is provided by the following that shows the specific investments by their maturity:

Investment	Credit Rating	Value	Percentage
Texas Term	AAAf	181,612	2%
Lone Star	AAA	11,030,447	98%
		<b>\$ 11,212,059</b>	

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating by the District's investment policy and the Texas Public Fund Investment Act and the actual rating as of year end for each investment.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

*Concentration of Credit Risk*

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act (“PFIA”). There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

*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-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within on half of one percent of the value of its shares. All of the investment pools that the District is invested in have met the criteria established under GASB Statement No. 79 to report their value at amortized cost. All of the investment pools strive to maintain a \$1 per share net asset value. Additionally, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

As of June 30, 2024, the two investment pools utilized by the District were rated AAAf and AAA by a nationally recognized rating service.

**NOTE 5: PROPERTY TAX**

Property taxes are levied by October 1 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.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District’s 2023 tax rate was \$0.757500 for maintenance and \$0.20083 for debt service per \$100 assessed valuation. Allowances for uncollectibles 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. At June 30, 2024 outstanding taxes in the general fund and debt service fund were \$917,574 and \$191,596 with a corresponding allowance for doubtful accounts of \$27,527 and \$5,808, respectively. Revenues from taxes are considered available when collected.

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 6: DUE FROM / DUE TO OTHER GOVERNMENTS AND AGENCIES**

Amounts due from and due to other governments and agencies as of June 30, 2024 are as follows:

	<b>Due From</b>	<b>Due To</b>
<b>Governmental Funds:</b>		
General Fund:		
Texas Education Agency:		
Foundation revenues	\$ 3,055,018	\$ 1,836,799
Food Service Program - Breakfast and Lunch	30,171	-
Prior period - Safety Grant Reimbursement	235,776	-
Indirect Costs on Federal Programs	27,588	-
Cameron County Tax Office:		
Property Taxes	4,983	
Other Governmental Funds:		
Texas Education Agency:		
Education for Homeless Children and Youth	2,640	-
ESEA, Title I, Part A - Improving Basic Programs	396,052	-
ESEA, Title I, Part C - Migratory Children	31,927	-
ESEA, Title I, Part D - Prevention and Intervention Programs		
IDEA-B Formula	9,427	-
IDEA-B Preschool	2,384	-
ESEA, Title II, Part A, TPTR	54,113	-
ESEA, Title III, Part A, - English Language Acquisition	22,924	-
Title IV, B Community Learning	317,524	-
Title IV, Part A - Student Support and Academic Enrichment	99,590	-
Education Stabilization Fund	79,041	
ARP HOMELESS I-TEHCY SUPPLEMEN	7,350	
Instructional Facilities Allotment - Bonds	126,303	37,965
Shared Service Arrangement - Career and Technical Education	-	(5,666)
Cameron County Tax Office:		
Property Taxes	2,108	
Other Governmental Entities:		
Gaining Early Awareness and Readiness for Undergraduate		
Programs (GEAR UP)	19,329	-
Texas Workforce Commision	2,942	-
Other State Special Revenue Fund	139,327	-
State Instructional Materials	-	-
<b>Total Governmental Funds</b>	<b>4,666,517</b>	<b>1,869,098</b>
<b>Total</b>	<b>\$ 4,666,517</b>	<b>\$ 1,869,098</b>

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 7: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivable and payable balances at June 30, 2024 were:

Due to	Due From	
General Fund	Non-Major Fund	\$ 1,352,506
General Fund	General Fund	467,748
Non-major Fund	General Fund	660,258
Due from other funds		2,480,512
 Custodial Fund	General Fund	447
 Due to other funds		 \$ 2,480,959

The balances result from a routine lag between the dates that transactions such as year-end payroll accruals and other year-end accruals are recorded in the accounting system and payments between funds are made. All amounts are scheduled to be repaid within one year.

**NOTE 8: DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2024, were as follows:

	Property Taxes, Net	Other Governments	Other Funds	Other Receivables	Total Receivables
<b>Governmental funds:</b>					
General Fund	\$ 890,047	\$ 3,353,536	\$ 1,820,254	\$ 38,532	\$ 6,102,369
Nonmajor Governmental Funds	185,788	1,312,981	660,258	-	2,159,027
<b>Total Governmental Funds</b>	<b>\$ 1,075,835</b>	<b>\$ 4,666,517</b>	<b>\$ 2,480,512</b>	<b>\$ 38,532</b>	<b>\$ 8,261,396</b>

Payables at June 30, 2024, were as follows:

	Accounts Payable	Salaries and Benefits	Other Funds	Due to Other Governments	Total Payables
<b>Governmental funds:</b>					
General Fund	\$ 200,141	\$ 2,909,098	\$ 1,128,453	\$ 1,836,799	\$ 6,074,491
Nonmajor Governmental Funds	14,275	293,385	1,352,506	32,299	1,692,465
<b>Total Governmental Funds</b>	<b>\$ 214,416</b>	<b>\$ 3,202,483</b>	<b>\$ 2,480,959</b>	<b>\$ 1,869,098</b>	<b>\$ 7,766,956</b>

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 9: CAPITAL ASSETS**

Capital asset activity for the period ended June 30, 2024, was as follows:

	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated					
Land	\$ 2,233,311	\$ -	\$ -	\$ -	\$ 2,233,311
Construction-in-progress	783,760	448,617	-	(1,232,377)	-
Total capital assets not being depreciated	<u>3,017,071</u>	<u>448,617</u>	<u>-</u>	<u>(1,232,377)</u>	<u>2,233,311</u>
Capital assets, being depreciated					
Building and improvements	63,245,223	510,153	-	1,232,377	64,987,753
Furniture and equipment	11,916,102	1,235,727	(319,841)	-	12,831,988
Total capital assets, being depreciated	<u>75,161,325</u>	<u>1,745,880</u>	<u>(319,841)</u>	<u>1,232,377</u>	<u>77,819,741</u>
Less accumulated depreciation for					
Buildings and improvements	28,854,836	1,566,318	-	-	30,421,154
Furniture and equipment	6,944,615	801,699	(319,841)	-	7,426,473
Total accumulated depreciation	<u>35,799,451</u>	<u>2,368,017</u>	<u>(319,841)</u>	<u>-</u>	<u>37,847,627</u>
Total capital assets being depreciated, net	<u>39,361,874</u>	<u>(622,137)</u>	<u>-</u>	<u>1,232,377</u>	<u>39,972,114</u>
Right-to-use lease assets being amortized:					
Furniture and equipment	279,744	-	-	-	279,744
Less accumulated amortization	(69,936)	(69,936)	-	-	(139,872)
Total Right-to-use lease assets being amortized, net	<u>209,808</u>	<u>(69,936)</u>	<u>-</u>	<u>-</u>	<u>139,872</u>
Right-to-use subscription assets being amortized:					
Subscription-based information technology arrangements	285,815	-	-	-	285,815
Less accumulated amortization	(95,251)	(95,251)	-	-	(190,502)
Total Right-to-use subscription assets being amortized, net	<u>190,564</u>	<u>(95,251)</u>	<u>-</u>	<u>-</u>	<u>95,313</u>
Governmental activities capital assets, net	<u>\$ 42,779,317</u>	<u>\$ (338,707)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,440,610</u>

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 9: CAPITAL ASSETS (Continued)**

Depreciation and amortization was charged to the following functions:

<i>For the year ended June 30,</i>	<i>2024</i>
Governmental Activities	
11- Instruction	\$ 1,444,217
12- Instructional Resources and Media Services	16,632
13- Curriculum & Instructional Staff Development	6,663
21- Instructional Leadership	21,634
23- School Leadership	170,953
31- Guidance, Counseling and Evaluation Services	65,464
32- Social Work Services	3,332
33- Health Services	33,400
34- Student Transportation	302,624
35- Food Services	198,219
36- Cocurricular/Extracurricular Activities	33,230
41- General Administration	19,990
51- Plant Maintenance and Operations	168,723
52- Security and Monitoring Services	3,332
53- Data Processing Services	11,661
61- Community Services	33,130
<b>Total depreciation and amortization expense- governmental activities</b>	<b>\$ 2,533,204</b>

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM OBLIGATIONS**

Long-term obligations include bonds payable, maintenance tax notes, lease liabilities, and subscription liabilities. Changes in long-term obligations for the period ended June 30, 2024 are as follows:

Governmental Activities	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Unlimited Tax School Refunding					
Bonds - Series 2014A	\$ 415,000	\$ -	\$ 180,000	\$ 235,000	\$ 70,000
Unlimited Tax School Refunding					
Bonds - Series 2014B	3,015,000	-	165,000	2,850,000	170,000
Unlimited Tax School Refunding					
Bonds - Series 2015	4,530,000	-	245,000	4,285,000	255,000
Unlimited Tax School Refunding					
Bonds - Series 2016	6,675,000	-	35,000	6,640,000	40,000
Unlimited Tax School Refunding					
Bonds - Series 2017	2,180,000	-	400,000	1,780,000	420,000
<b>Total general obligation bonds</b>	<b>16,815,000</b>	<b>-</b>	<b>1,025,000</b>	<b>15,790,000</b>	<b>955,000</b>
Premium on issuance of bonds	1,262,394	-	164,209	1,098,185	150,733
Limited Tax Refunding bonds -					
Series 2020	1,137,000	-	96,000	1,041,000	95,000
<b>Total notes from direct borrowings</b>	<b>19,214,394</b>	<b>-</b>	<b>1,285,209</b>	<b>17,929,185</b>	<b>1,200,733</b>
Right-to-use leases	214,956		68,104	146,852	71,887
Subscription liabilities	195,178	-	95,172	100,006	80,943
<b>Total governmental activities</b>	<b>\$ 19,624,528</b>	<b>\$ -</b>	<b>\$ 1,448,485</b>	<b>\$ 18,176,043</b>	<b>\$ 1,353,563</b>

*General Obligation Bonds:*

Bonds payable at June 30, 2024 are comprised of the following individual issues:

The District issued \$3,595,000 Series 2014A refunding bonds with interest ranging from 2% to 4% to advance refund \$3,720,000 of the 2005 refunding bonds outstanding. These bonds mature February 15, 2027.

\$ 235,000

The District issued \$3,585,000 Series 2014B refunding bonds with interest ranging from 2% to 4% to advance refund \$3,745,000 of the 2005 school building bonds outstanding. These bonds mature February 15, 2037.

2,850,000

The District issued \$5,310,000 Series 2015 refunding bonds with interest ranging from 2% to 4% to advance refund \$5,595,000 of the 2005 school building bonds outstanding. These bonds mature February 15, 2037.

4,285,000

The District issued \$8,360,000 Series 2016 refunding bonds with interest ranging from 2% to 4% to advance refund \$2,720,000 of the 2006 refunding bonds and \$6,090,000 of the 2008 school building bonds (maturities 2029 through 2038). These bonds mature in 2038.

6,640,000

The District issued \$3,705,000 Series 2017 refunding bonds with interest ranging from 2% to 4% to advance refund \$3,825,000 of the 2008 school building bonds (maturities 2019 through 2028). These bonds mature in 2028.

1,780,000

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM OBLIGATIONS (continued)**

The District issued \$1,250,000 Series 2020 limited tax refunding bonds with interest of 1.74% to advance refund the \$1,200,000 of the tax maintenance notes outstanding.

These bonds mature in 2034.

1,041,000

\$16,831,000

*Other Long-Term Obligations:*

On July 1, 2022, the District leased new copiers which resulted in a lease obligation of \$279,744 with interest of 5% and final payment due in 2026. The net book value of the leased assets as of June 30, 2024 amounts to \$139,872. Monthly payments are \$6,442.

On July 1, 2022, the District had two arrangements subject to the requirements of GASB 96. These arrangements can be described in groups – those related to the provision of assisting students and those used for administrative purposes. The District makes annual payments and the agreements are for varying terms. The SBITA liability is the present value of these payments using the district's incremental borrowing rate. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA asset is measured as the SBITA Liability plus any capitalized expenditures/expenses incurred in the initial implementation stage. The SBITA asset is amortized using a straight-line amortization method over the term of the SBITA arrangement. The annual payments for both arrangements are \$87,706 and \$17,224.

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and related liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2024, the following outstanding bonds and notes are considered defeased:

<u>Series</u>	<u>Ending Balance</u>
1997 Building	\$ 525,000
2005 Refunding	590,000
2005 Building	7,520,000
2008 Building	8,930,000
2014 Tax Maintenance Notes	1,065,000

  

<u>Public Facilities Corporation</u>	
1999	230,000
2002	415,000

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM OBLIGATIONS (continued)**

Debt service requirements on long-term obligations at June 30, 2024 are as follows:

Year Ending June 30,	General Obligation Bonds			Limited Tax Refunding			Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2025	\$ 955,000	\$ 630,800	\$ 95,000	\$ 18,113	\$ 1,050,000	\$ 648,913			
2026	1,005,000	593,000	98,000	16,460	1,103,000	609,460			
2027	1,040,000	553,200	102,000	14,755	1,142,000	567,955			
2028	995,000	511,600	100,000	12,980	1,095,000	524,580			
2029	1,040,000	471,800	104,000	11,240	1,144,000	483,040			
2030-2034	5,860,000	1,700,800	542,000	28,553	6,402,000	1,729,353			
2035-2038	4,895,000	457,600	-	-	4,895,000	457,600			
<b>Total</b>	<b>\$ 15,790,000</b>	<b>\$ 4,918,800</b>	<b>\$ 1,041,000</b>	<b>\$ 102,101</b>	<b>\$ 16,831,000</b>	<b>\$ 5,020,901</b>			

Year Ending June 30,	Right-to-use Leases			Subscription Leases			Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2025	\$ 71,887	\$ 5,420	\$ 100,006	\$ 4,999	\$ 171,893	\$ 10,419			
2026	74,965	1,741	-	-	74,965	1,741			
<b>Total</b>	<b>\$ 146,852</b>	<b>\$ 7,161</b>	<b>\$ 100,006</b>	<b>\$ 4,999</b>	<b>\$ 246,858</b>	<b>\$ 12,160</b>			

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2024.

**NOTE 11: OTHER LONG-TERM LIABILITIES:**

In addition to the long-term debt obligations in Note 10, Note 17: Defined Benefit Pension Plan and Note 18: Defined Other Post Employment Benefit Plans, the District has the following changes in other long-term liabilities for the period ended June 30, 2024 as follows:

Governmental Activities	Beginning Balance			Decrease	Ending Balance	Due Within One Year
Compensated absences	\$ 278,814	\$ 6,261	\$ 17,099	\$ 267,976	\$ 98,149	

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 12: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

During the period ended June 30, 2024, revenues from local and intermediate sources consisted of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Property taxes	\$ 4,620,782	\$ 1,205,797	\$ 5,826,579
Food sales	94,371	-	94,371
Investment income	459,640	14,147	473,787
Penalties and interest	163,996	33,880	197,876
Co-curricular student activities	90,988	309,442	400,430
Other	174,036	-	174,036
<b>Total</b>	<b>\$ 5,603,813</b>	<b>\$ 1,563,266</b>	<b>\$ 7,167,079</b>

**NOTE 13: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements as of June 30, 2024 are as follows:

	Statement of Net Position		Balance Sheet - Governmental Funds	
	Governmental Activities	General Fund	General Fund	Non-major Fund
<b>Deferred outflows of resources:</b>				
Deferred outflows from TRS Pension	\$5,739,224	\$	-	\$
Deferred outflows from TRS OPEB	3,137,608	-	-	-
Deferred charge on refunding	352,447	-	-	-
<b>Total deferred outflows of resources</b>	<b>\$9,229,279</b>	<b>\$</b>	<b>-</b>	<b>\$</b>
<b>Deferred inflows of resources:</b>				
Deferred inflows from TRS Pension	\$1,382,687	\$	-	\$
Deferred inflows from TRS OPEB	10,506,614	-	-	-
Unavailable property taxes	-	787,370	160,747	
<b>Total deferred inflows of resources</b>	<b>\$11,889,301</b>	<b>\$</b>	<b>787,370</b>	<b>\$ 160,747</b>

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 14: UNEARNED REVENUE**

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2024, the components of unearned revenue reported in the governmental funds were as follows:

	General Fund	Nonmajor
Child Nutrition	\$ 54,669	\$ -
COVID-19 Education Stabilization Fund (ESF) TCLAS	-	26,535
Student Support and Academic Enrichment Program	-	1,412
Textbook and Kindergarten Materials Grant	-	429,426
<b>Total general fund unearned revenue</b>	<b>\$ 54,669</b>	<b>\$ 457,373</b>

**NOTE 15: GENERAL FUND FEDERAL SOURCE REVENUES**

Programs or Source	Assistance Listing Number	Amount
School Breakfast Program	10.553	758,964
National School Lunch Program - Cash Assistance	10.555	1,773,509
National School Lunch Program - Non-cash Assistance	10.555	138,321
Child and Adult Care Food Program	10.558	430,022
SHARS/Medicaid	N/A	271,606
<i>Indirect Costs</i>		
Title I, Part A - Improving Basic Programs	84.010	36,670
Title I, Part C - Migratory Children	84.011	9,257
IDEA - B Formula	84.027	32,988
IDEA - B Preschool	84.173	130
Career and Technical - Basic Grant	84.048	408
Career and Technical - Basic Grant	84.048A	19,918
Education for Homeless Children and Youth	84.196	882
Title III, Part A - English Language Acquisition	84.365	3,199
Title IV, Part B - 21st Century Community Learning Centers	84.287	57,560
Student Support and Academic Enrichment Program	84.424	5,058
Education Stabilization Fund (ESF)	84.425W	401
<b>Total general fund federal revenue</b>	<b>\$ 3,538,893</b>	

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 16: COMMITMENTS AND CONTINGENCIES**

The District participates in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives.

Audits of all of these programs for the period ended June 30, 2024 have not been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a party to various legal actions, none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

The District has no active construction projects as of June 30, 2024.

**NOTE 17: COMPLIANCE AND ACCOUNTABILITY**

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Codification Section 2300 "Notes to Financial Statements," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violations	Action Taken
None noted	None necessary

b. Expenditures Exceeding Appropriations

For the year ended June 30, 2024, the District had three expenditure functions (instructional leadership, facilities maintenance and operation, and interest) exceeding appropriated amounts by \$31,302.

c. Deficit Fund Balance or Fund Net Position of Individual Funds

The Debt service fund reported a deficit fund balance of \$(190,782) and JET Grant fund of \$(9,313). The District reduced the Debt Service fund's deficit balance in the current year compared to prior year and expects the fund to have a positive balance in fiscal year 2025. The deficit was a result of principal and interest payments being more than property tax collections and state funding for debt service fund since fiscal year 2022. The JET grant deficit was due to the remaining expenditures not being reimbursed yet. The District will seek reimbursement in fiscal year 2025.

## **La Feria Independent School District Notes to Financial Statements**

### **NOTE 18: DEFINED BENEFIT PENSION PLAN**

#### **Plan Description**

The District participates in a multiple-employer, cost-sharing, 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**

Detail 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 <https://www.trs.texas.gov/TRS%20Documents/acfr-2021.pdf> ; 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 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 per Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 18: DEFINED BENEFIT PENSION PLAN (Continued)**

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.

	<u>Contribution Rates</u>	<u>2023</u>	<u>2024</u>
Member		8.00%	8.25%
Non-Employer Contributing Entity (state) (NECE)		8.00%	8.25%
Employer		8.00%	8.25%
Current fiscal year employer contributions		\$1,004,996	
Current fiscal year member contributions		\$1,957,933	
2023 measurement year NECE on-behalf contributions		\$1,219,002	

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

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 18: DEFINED BENEFIT PENSION PLAN (Continued)**

**Actuarial Assumptions**

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

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

***Discount Rate***

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 increasing to 9.56 percent in fiscal year 2025 and thereafter. 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.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 18: DEFINED BENEFIT PENSION PLAN (Continued)**

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 <sup>1</sup>	Target Allocation <sup>2</sup>	Long-Term Expected Geometric Real Rate Returns <sup>3</sup>	Expected Contribution To Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.00%	4.00%	1.00%
Non - U. S. Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity	14.00%	7.00%	1.50%
<b>Stable Value</b>			
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%
<b>Real Return</b>			
Real Estate	15.00%	4.90%	1.10%
Energy, Natural Resources & Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
<b>Risk Parity</b>			
	8.00%	4.50%	0.40%
<b>Asset Allocation Leverage</b>			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	-6.00%	4.40%	-0.10%
Inflation Expectation			2.30%
<b>Volatility Drag<sup>4</sup></b>			
			-0.90%
<b>Expected Return</b>	<b>100%</b>		<b>8.00%</b>

<sup>1</sup>Absolute Return includes Credit Sensitive Investments.

<sup>2</sup>Target allocations are based on the FY2023 policy model.

<sup>3</sup>Capital Market Assumptions come from Aon Hewitt (as of 6/30/2023).

<sup>4</sup>The volatility drag results from the conversion between arithmetic and geometric mean returns.

*Discount Rate Sensitivity Analysis*

The following table presents the net pension liability of the plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 18: DEFINED BENEFIT PENSION PLAN (Continued)**

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate share of the net pension liability	\$19,527,934	\$13,061,680	\$7,684,985

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

At June 30, 2024, the District reported a liability of \$13,061,680 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$13,061,680
State's proportionate share that is associated with the District	16,289,837
<b>Total</b>	<b>\$29,351,517</b>

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

At August 31, 2023, the employer's proportion of the collective net pension liability was .0190153048% which was a decrease of (.0015064555)% from its proportion measured as of August 31, 2022.

*Changes Since the Prior Actuarial Valuation*

The actuarial assumptions and methods are the same as used in the determination of the prior year's Net Pension Liability.

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

For the year ended June 30, 2023, the District recognized pension expense of \$4,563,752 and revenue of \$2,459,624 for support provided by the State.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 18: DEFINED BENEFIT PENSION PLAN (Continued)**

At June 30, 2024, the District reports its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual actuarial experience	\$465,392	\$158,163
Changes in actuarial assumptions	1,235,379	302,325
Differences between projected and actual investment earnings	1,900,791	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,296,543	922,199
Total as of August 31, 2023 measurement date	4,898,105	1,382,687
Contributions paid to TRS subsequent to the measurement date	841,119	-
<b>Total as of fiscal year end</b>	<b>5,739,224</b>	<b>1,382,687</b>

Contributions of \$841,119 paid to TRS subsequent to the measurement date are classified as deferred outflows of resources and will reduce pension liability in the next fiscal year. The remaining deferred inflows of resources and deferred outflows of resources related to pensions noted above will be amortized and recognized in pension expense in the government-wide financial statements as follows:

Fiscal year ended June 30,	Pension Expense Amount
2025	738,005
2026	514,808
2027	1,725,533
2028	570,027
2029	(32,954)
Thereafter	(1)

Changes in the net pension liability for the year ended June 30, 2024 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$12,183,241	\$1,855,871	\$ 977,432	\$13,061,680

## La Feria Independent School District Notes to Financial Statements

### **NOTE 19: 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***

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents/acfr-2021.pdf>; 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 and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

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

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or surviving spouse	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

#### ***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

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 19: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

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 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	<u>2023</u>	<u>2024</u>
Member	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	\$ 231,511	
Current fiscal year member contributions	\$ 155,021	
2023 Measurement Year NECE On-Behalf Contributions	\$ 280,757	

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

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

***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 was determined using the following actuarial assumptions:

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 19: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

**Roll Forward**

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.

**Demographic Assumptions**

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

**Mortality Assumptions**

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

**Election Rates**

Normal Retirement - 62 percent participation rate prior to age 65 and 25 percent participation rate after age 65. Pre-65 retirees - 30 percent of pre-65 retirees are assumed to discontinue coverage at age 65.

**Health Care 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.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

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

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 19: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

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

**Additional Actuarial Methods and Assumptions:**

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

**Discount Rate**

A single discount rate of 4.13 percent was used to measure the Total OPEB Liability. This was an increase of 0.22 percent in the discount rate since the previous year. The Discount Rate can be found in the 2023 TRS ACFR on page 80.

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 <u>(3.13%)</u>	Discount Rate <u>(4.13%)</u>	1% Increase in Discount Rate <u>(5.13%)</u>
District's proportionate share of the Net OPEB Liability	\$6,993,650	\$5,937,934	\$5,076,445

**Healthcare Cost Trend Rates Sensitivity Analysis** – The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed 4.25% healthcare cost trend rate.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 19: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB	<u>3.25%</u>	<u>4.25%</u>	<u>5.25%</u>
Liability	\$4,889,892	\$5,937,934	\$7,286,631

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

At June 30, 2024, the District reported a liability of \$5,937,934 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	\$ 5,937,934
State's proportionate share that is associated with the District	<u>7,165,030</u>
	<u><u>\$13,102,964</u></u>

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

At August 31, 2023 the employer's proportion of the collective net OPEB liability was .0268219912% which is an decrease of 0.0013844479% from its proportion measured as of August 31, 2022.

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

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

*Changes in Benefit Terms* – There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2024, the District recognized OPEB expense of (\$2,819,051) and revenue of (\$1,531,732) for support provided by the State.

At June 30, 2024, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 19: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

	Outflows of Resources	Inflows of Resources
Differences between expected and actual economic experience	\$ 268,647	\$ 4,995,647
Changes in actuarial assumptions	810,485	3,635,955
Difference between projected and actual investment earnings	2,566	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,863,597	1,875,012
Total as of August 31, 2023 measurement date	2,945,295	10,506,614
Contributions paid to TRS subsequent to the measurement date	192,313	-
<b>Total</b>	<b>\$ 3,137,608</b>	<b>\$ 10,506,614</b>

Contributions of \$192,313 paid to TRS subsequent to the measurement date are classified as deferred outflows of resources and will reduce OPEB liability in the next fiscal year. 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:

Years Ended June 30:	OPEB Expense Amount
2025	\$ (1,742,229)
2026	(1,469,886)
2027	(1,101,175)
2028	(1,141,686)
2029	(896,515)
Thereafter	(1,209,828)

Changes in the net OPEB liability for the year ended June 30, 2024 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 6,753,751	\$ -	\$ 815,817	\$ 5,937,934

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care received retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2024, 2023 and 2022 the subsidy payments received by TRS-Care on behalf of the District are as follows:

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 19: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2024	\$ 133,351
2023	124,813
2022	94,122

Contributions made by the State on behalf of the District have been recorded in the government-wide financial statements and in the fund financial statements of the General fund as both state revenues and payroll expenditures.

**NOTE 20: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. In addition, the District is a member of the Texas Association of School Boards Joint Account Self-Insurance Fund (Fund). The Fund was created to formulate, develop and administer a program of modified self-funding for the property and/or liability coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the Fund for its general and legal liability, workers compensation, unemployment compensation, auto liability and auto physical damage coverage. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. There were no significant reductions in coverage in the past fiscal year.

*Health Coverage*

The District provides the employees with a health insurance plan. The District paid premiums of \$353 per month per employee, and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to South Texas Health Cooperative which was formed in 1999 by several school districts. The cooperative is governed by a board of directors composed of the superintendents of the member districts. Claims are processed by TPA Marpai Health and reinsurance has been obtained for specific claims in excess of \$300,000 with no aggregate limit through Swiss RE. If the cooperative ceases to exist or the District decides not to participate, the District will be responsible for any unpaid claims for its employees. The monthly premium paid by the District per employee for the 2023-2024 school year remained the same at \$353.

**NOTE 21: FUND BALANCES AND NET POSITION**

The District has classified its fund balances with the following hierarchy as of June 30, 2024:

*Nonspendable:* The District has inventories of \$144,044 and prepaid items of \$138,623.

*Spendable:* The District has classified spendable fund balances as *Restricted*, *Committed*, *Assigned* and *Unassigned* and considered each to have been spent when expenditures are incurred.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 21: FUND BALANCES AND NET POSITION (Continued)**

*Restricted for Federal and State Programs*—Federal laws, Texas statutes and local ordinances require that certain revenues be specifically designed for the purposes of federal and state programs and debt service. The funds have been included in the restricted category of fund balance.

*Committed for Campus Activity Funds* – the School Board has taken action to commit the fund balance in the campus activity fund to the respective campus.

*Unassigned* – The unassigned fund balance has no constraints.

	General Funds	Other Governmental Funds		Total Governmental Funds
		Other Funds	Governmental Funds	
<b>Fund Balance</b>				
Nonspendable fund balance:				
Inventories	\$ 144,044	\$ -	\$ -	\$ 144,044
Prepaid items	138,623	-	-	138,623
Restricted fund balance:				
Federal or State funds grant restriction	358,485	939	939	359,424
Committed fund balance				
Other committed fund balance	-	195,606	195,606	195,606
Unassigned fund balance	8,705,862	(200,096)	(200,096)	8,505,766
<b>Total fund balances</b>	<b>\$ 9,347,014</b>	<b>\$ (3,551)</b>	<b>\$ (3,551)</b>	<b>\$ 9,343,463</b>

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 21: FUND BALANCES AND NET POSITION (Continued)**

	Governmental Activities
<b>Net Position</b>	
Net investment in capital assets:	
Capital assets, net of accumulated depreciation and amortization	\$ 42,440,610
Less related liabilities	(17,077,858)
Less unamortized charges	(1,098,185)
Plus gain/loss on refunding	352,447
<b>Total net investment in capital assets</b>	<b>24,617,014</b>
Restricted net position consists of the following:	
Federal and state programs	474,818
<b>Total restricted net position</b>	<b>474,818</b>
Unrestricted (deficit) net position	(12,706,640)
<b>Total net position</b>	<b>\$ 12,385,192</b>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)		Variance With Final Budget Positive or (Negative)
	Original	Final			
<b>REVENUES:</b>					
5700 Total Local and Intermediate Sources	\$ 7,461,388	\$ 5,266,388	\$ 5,603,813	\$ 337,425	
5800 State Program Revenues	25,548,762	27,743,762	27,963,781	220,019	
5900 Federal Program Revenues	4,495,740	4,495,740	3,538,893	(956,847)	
<b>5020 Total Revenues</b>	<b>37,505,890</b>	<b>37,505,890</b>	<b>37,106,487</b>	<b>(399,403)</b>	
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011 Instruction	17,771,497	17,587,497	17,290,400	297,097	
0012 Instructional Resources and Media Services	342,289	342,289	256,619	85,670	
0013 Curriculum and Instructional Staff Development	133,000	133,000	108,261	24,739	
0021 Instructional Leadership	933,029	933,029	939,838	(6,809)	
0023 School Leadership	2,200,565	2,272,565	2,271,543	1,022	
0031 Guidance, Counseling, and Evaluation Services	884,646	884,646	869,574	15,072	
0032 Social Work Services	4,000	6,000	4,718	1,282	
0033 Health Services	369,035	369,035	333,113	35,922	
0034 Student (Pupil) Transportation	1,344,684	1,394,684	1,367,658	27,026	
0035 Food Services	2,903,000	3,328,000	3,290,225	37,775	
0036 Extracurricular Activities	2,077,852	2,077,852	1,992,933	84,919	
0041 General Administration	1,578,403	1,578,403	1,478,003	100,400	
0051 Facilities Maintenance and Operations	5,652,768	5,652,768	5,675,300	(22,532)	
0052 Security and Monitoring Services	100,000	304,000	252,006	51,994	
0053 Data Processing Services	875,446	895,446	742,205	153,241	
0061 Community Services	92,000	92,000	68,035	23,965	
<b>Debt Service:</b>					
0071 Principal on Long-Term Liabilities	336,892	336,892	259,276	77,616	
0072 Interest on Long-Term Liabilities	36,784	36,784	38,745	(1,961)	
<b>Capital Outlay:</b>					
0081 Facilities Acquisition and Construction	720,000	720,000	700,195	19,805	
<b>Intergovernmental:</b>					
0095 Payments to Juvenile Justice Alternative Ed. Prg.	10,000	10,000	7,600	2,400	
0099 Other Intergovernmental Charges	110,000	110,000	84,614	25,386	
<b>6030 Total Expenditures</b>	<b>38,475,890</b>	<b>39,064,890</b>	<b>38,030,861</b>	<b>1,034,029</b>	
<b>1200 Net Change in Fund Balances</b>	<b>(970,000)</b>	<b>(1,559,000)</b>	<b>(924,374)</b>	<b>634,626</b>	
<b>0100 Fund Balance -July 1 (Beginning)</b>	<b>10,271,388</b>	<b>10,271,388</b>	<b>10,271,388</b>	<b>-</b>	
<b>3000 Fund Balance - June 30 (Ending)</b>	<b>\$ 9,301,388</b>	<b>\$ 8,712,388</b>	<b>\$ 9,347,014</b>	<b>\$ 634,626</b>	

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	<u>FY 2024</u> <u>Plan Year 2023</u>	<u>FY 2023</u> <u>Plan Year 2022</u>	<u>FY 2022</u> <u>Plan Year 2021</u>
District's Proportion of the Net Pension Liability (Asset)	0.019015305%	0.02052176%	0.015935601%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 13,061,680	\$ 12,183,241	\$ 4,058,234
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	16,289,837	14,005,931	7,403,996
<b>Total</b>	<b>\$ 29,351,517</b>	<b>\$ 26,189,172</b>	<b>\$ 11,462,230</b>
District's Covered Payroll	\$ 23,317,160	\$ 22,588,596	\$ 21,635,375
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	56.02%	53.94%	18.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.15%	75.62%	88.79%

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

FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.016917363%	0.017370002%	0.017458657%	0.01851852%	0.018839701%	0.0193039%	0.0112716%
\$ 9,060,594	\$ 9,029,470	\$ 9,609,669	\$ 5,921,225	\$ 7,119,243	\$ 6,823,672	\$ 3,010,800
16,963,470	16,386,651	19,133,402	11,841,829	14,416,244	13,900,128	11,676,975
<u>\$ 26,024,064</u>	<u>\$ 25,416,121</u>	<u>\$ 28,743,071</u>	<u>\$ 17,763,054</u>	<u>\$ 21,535,487</u>	<u>\$ 20,723,800</u>	<u>\$ 14,687,775</u>
\$ 22,881,809	\$ 21,505,858	\$ 21,838,136	\$ 22,240,488	\$ 21,926,324	\$ 21,183,150	\$ 20,314,011
39.60%	41.99%	44.00%	26.62%	32.47%	32.21%	14.82%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

LA FERIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED JUNE 30, 2024

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	2024	2023	2022
Contractually Required Contribution	\$ 1,004,996	\$ 961,668	\$ 921,611
Contribution in Relation to the Contractually Required Contribution	(1,004,996)	(961,668)	(921,611)
Contribution Deficiency (Excess)	<hr/> \$ -	<hr/> \$ -	<hr/> \$ -
District's Covered Payroll	\$ 23,849,441	\$ 23,226,171	\$ 22,402,489
Contributions as a Percentage of Covered Payroll	4.21%	4.14%	4.11%

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

2021	2020	2019	2018	2017	2016	2015
\$ 673,886	\$ 687,052	\$ 505,994	\$ 590,609	\$ 606,319	\$ 598,585	\$ 571,598
(673,886)	(687,052)	(505,994)	(590,609)	(606,319)	(598,585)	(576,173)
<hr/> \$ -	<hr/> \$ (4,575)					
\$ 21,733,986	\$ 22,679,406	\$ 18,028,259	\$ 21,838,136	\$ 22,240,488	\$ 21,926,324	\$ 21,183,150
3.10%	3.03%	2.81%	2.70%	2.73%	2.73%	2.70%

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.026821991%	0.028206439%	0.024201413%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 5,937,934	\$ 6,753,751	\$ 9,335,566
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	7,165,030	8,238,515	12,507,579
<b>Total</b>	<b>\$ 13,102,964</b>	<b>\$ 14,992,266</b>	<b>\$ 21,843,145</b>
District's Covered Payroll	\$ 23,317,160	\$ 22,588,596	\$ 21,635,375
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	25.47%	29.90%	43.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.94%	11.52%	6.18%

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

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

FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.025444766%	0.025783292%	0.026943697%	0.028070338%
\$ 9,672,705	\$ 12,193,234	\$ 13,453,235	\$ 12,206,737
12,997,796	16,202,081	18,194,216	16,689,527
<u>\$ 22,670,501</u>	<u>\$ 28,395,315</u>	<u>\$ 31,647,451</u>	<u>\$ 28,896,264</u>
\$ 22,881,809	\$ 21,505,858	\$ 21,838,136	\$ 22,240,488
42.27%	56.70%	61.60%	54.89%
4.99%	2.66%	1.57%	0.91%

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

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	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually Required Contribution	\$ 231,511	\$ 231,034	\$ 226,089
Contribution in Relation to the Contractually Required Contribution	(231,511)	(231,034)	(226,089)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 23,849,441	\$ 23,226,171	\$ 22,402,489
Contributions as a Percentage of Covered Payroll	0.97%	0.99%	1.01%

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

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

	2021	2020	2019	2018
\$	188,316	192,070	152,041	185,873
	(188,316)	(192,070)	(152,041)	(185,873)
\$	-	-	-	-
\$	21,733,986	22,679,406	18,028,259	21,838,136
	0.87%	0.85%	0.84%	0.85%

# La Feria Independent School District Notes to Required Supplementary Information

## **I. Budgetary Information**

The Board adopts an “appropriated budget” on a basis consistent with GAAP for the general fund, child nutrition and debt service fund. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these two funds. The District does not legally adopt a budget for the ARP ESSER III.

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

- Prior to June 20 for a fiscal year start date of July 1, the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to June 30 for a fiscal year start date of July 1, the Board legally adopts the budget for the general fund and debt service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Only one budget amendment was necessary during the current fiscal year.
- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate administrator. Transfers may be authorized within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding are cancelled at the end of the year.

## **II. Pension**

**Changes of benefit terms** – 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 appropriate funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid in January 2024.

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

## **III. Other Post-Employment Benefits (OPEB)**

**Changes of benefit terms** – There were no changes in benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

The discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023. This change decreased the TOL.

**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

February 18, 2026

Norton Rose Fulbright US LLP  
111 W. Houston, Suite 1800  
San Antonio, Texas 78205-3792  
United States  
Tel +1 210 224 5575  
Fax +1 210 270 7205  
nortonrosefulbright.com

**DRAFT**

IN REGARD to the authorization and issuance of the "La Feria Independent School District Unlimited Tax Refunding Bonds, Series 2026" (the *Bonds*), dated February 1, 2026, in the aggregate original principal amount of \$\_\_\_\_\_, we have reviewed the legality and validity of the issuance thereof by the La Feria Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 15 in each of the years 20\_\_ through 20\_\_, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the *Order*.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer's obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the Issuer in connection with the issuance of the Bonds, including the *Order*, the Escrow and Trust Agreement (the *Escrow Agreement*) between the Issuer and \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the *Escrow Agent*), and a special report (the *Report*) of Public Finance Partners LLC (the *Verification Agent*), concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bonds executed and delivered

**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "LA FERIA INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2026"**

initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the orders authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Report of the Verification Agent concerning the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the Issuer.

IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the *Code*, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION herein on the excludability from gross income for federal income tax purposes of any action taken under the Order which requires that the Issuer shall have received an opinion of counsel nationally recognized in the field of municipal finance to the effect that such action will not adversely affect the excludability of the interest on the Bonds from the

**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "LA FERIA INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2026"**

gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes. The Order provides that prior to taking certain actions, including converting the interest rate on the Bonds from one rate mode to another rate mode, the Issuer must have received such an opinion.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

## **APPENDIX D**

### THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

## APPENDIX D

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

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

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

### History and Purpose

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

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation’s Annual Comprehensive Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). The Texas School Land Board’s (the “SLB”) land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the “GLO”) that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message From the Chief Executive Officer of the PSF Corporation (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2024, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the United States Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2024, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2024, and for a description of the financial results of the PSF for the year ended August 31, 2024, the most recent year for which audited financial information regarding the Fund is available. The 2024 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2024 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation’s Investment Policy Statement (the “IPS”), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the “Web Site Materials”) on the PSF Corporation’s web site at <https://texaspf.org> and with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund’s holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at [www.sec.gov/edgar](http://www.sec.gov/edgar). A list of the Fund’s equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation’s web site and filed with the MSRB. Such list excludes holdings in the Fund’s securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

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

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

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

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

PSFC Boards' roles and responsibilities in managing and administering the Fund, see the IPS and Board meeting materials (available on the PSF Corporation's website).

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

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

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

nt company in which PSF funds have been invested.

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

For each biennium, beginning with the 2024-2025 State biennium, the PSF Corporation is required to submit a legislative appropriations request ("LAR") to the LBB and the Office of the Governor that details a request for appropriation of funds to enable the PSF Corporation to carry out its responsibilities for the investment management of the Fund. The requested funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2026 and 2027. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

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

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

contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

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

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

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

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

<b>Fiscal Year Ending</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023<sup>2</sup></b>	<b>2024</b>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156
PSF(SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	-	-	-	-	300	600	600 <sup>3</sup>	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	432	440	430

<sup>1</sup> In millions of dollars. Source: Annual Report for year ended August 31, 2024.

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

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

In November 2024, the SBOE approved a \$3.6 billion distribution to the ASF for State fiscal biennium 2026-2027. In making its determination of the 2026-2027 Distribution Rate, the SBOE took into account the planned distribution to the ASF by the PSF Corporation of \$1.2 billion for the biennium.

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

<b>State Fiscal Biennium</b>	<b>2010-11</b>	<b>2012-13</b>	<b>2014-15</b>	<b>2016-17</b>	<b>2018-19</b>	<b>2020-21</b>	<b>2022-23</b>	<b>2024-25</b>	<b>2026-27</b>
SBOE Distribution Rate <sup>1</sup>	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

<sup>1</sup> Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the PSF Corp approved transfers of \$600 million per year directly to the ASF for fiscal biennium 2026-27.

## PSF Corporation Strategic Asset Allocation

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

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

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

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

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2023 and 2024, as set forth in the Annual Report for the 2024 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF(SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

**Comparative Investment Schedule – PSF(CORP)**

Fair Value (in millions) August 31, 2024 and 2023				
<u>ASSET CLASS</u>	August 31, <u>2024</u>	August 31, <u>2023</u>	Amount of Increase (Decrease)	Percent Change
<b>EQUITY</b>				
Domestic Small Cap	\$3,651.3	\$ 2,975.1	\$ 676.2	22.7%
Domestic Large Cap	<u>8,084.6</u>	<u>7,896.5</u>	<u>188.1</u>	<u>2.4%</u>
Total Domestic Equity	11,735.9	10,871.6	864.3	8.0%
International Equity	<u>4,131.1</u>	<u>7,945.5</u>	<u>(3,814.4)</u>	<u>-48.0%</u>
<b>TOTAL EQUITY</b>	<b>15,867.0</b>	<b>18,817.1</b>	<b>(2,950.1)</b>	<b>-15.7%</b>
<b>FIXED INCOME</b>				
Domestic Fixed Income	-	5,563.7	-	-
US Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market Debt	-	<u>869.7</u>	-	-
<b>TOTAL FIXED INCOME</b>	<b>13,415.2</b>	<b>8,602.5</b>	<b>4,812.7</b>	<b>55.9%</b>
<b>ALTERNATIVE INVESTMENTS</b>				
Absolute Return	3,106.0	3,175.8	(69.8)	-2.2%
Real Estate	6,101.0	6,525.2	(424.2)	-6.5%
Private Equity	8,958.8	8,400.7	558.1	6.6%
Emerging Manager Program	-	134.5	-	-
Real Return	-	1,663.7	-	-
Private Credit	2,257.9	-	-	-
Real Assets	<u>4,648.1</u>	<u>4,712.1</u>	<u>(64.0)</u>	<u>-1.4%</u>
<b>TOT ALT INVESTMENTS</b>	<b>25,071.8</b>	<b>24,612.0</b>	<b>459.8</b>	<b>1.9%</b>
<b>UNALLOCATED CASH</b>	<b><u>2,583.2</u></b>	<b><u>348.2</u></b>	<b><u>2,235</u></b>	<b><u>641.9%</u></b>
<b>TOTAL PSF(CORP) INVESTMENTS</b>	<b>56,937.2</b>	<b>\$ 52,379.8</b>	<b>\$ 4,557.4</b>	<b>8.7%</b>

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

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

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

Fair Value (in millions) August 31, 2024

Investment Type	As of 8-31-24
Investments in Real Assets	
Sovereign Lands	\$ 277.47
Discretionary Internal Investments	457.01
Other Lands	153.15
Minerals <sup>(2), (3)</sup>	<u>4,540.61</u> <sup>(6)</sup>
Total Investments <sup>(4)</sup>	5,428.23
Cash in State Treasury <sup>(5)</sup>	0
Total Investments & Cash in State Treasury	\$ 5,428.23

<sup>1</sup> Unaudited figures from Table 5 in the FY 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

<sup>2</sup> Historical Cost of investments at August 31, 2024 was: Sovereign Lands \$838,730.24; Discretionary Internal Investments \$318,902,420.97; Other Lands \$37,290,818.76; and Minerals \$13,437,063.73.

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

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

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

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

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

**The School District Bond Guarantee Program**

In the event of default, holders of guaranteed school district bonds will receive all payments as and when may become due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Education Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest, as applicable. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Education Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld pursuant to this funding "intercept" feature will be deposited to the credit of the PSF. The Comptroller must hold such canceled bond or evidence of payment of the interest on behalf of the PSF. Following full reimbursement of such payment by the school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on

guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

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

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

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

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

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2025 fiscal year, the ratio is 7.86%. At February 27, 2025, there were 188 active open-enrollment charter schools in the State and there were 1,222 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the “CDBG Capacity”) is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See

“Capacity Limits for the Guarantee Program.” Other factors that could increase the CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

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

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 (“SB 389”) was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBG Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBG Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

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

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of January 31, 2025 the cost value of the Guarantee Program was \$48,560,433,760 (unaudited), thereby producing an IRS Limit of \$242,802,168,800 in principal amount of guaranteed bonds outstanding.

As of January 31, 2025, the estimated State Capacity Limit is \$169,961,518,160, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table “Permanent School Fund Guaranteed Bonds” below. Effective March 1, 2023, the Act provides that the SBOE may establish a percentage of the Capacity Limit to be reserved

from use in guaranteeing bonds (the “Capacity Reserve”). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the PSF Corporation’s web site at <https://texaspf.org/monthly-disclosures/>, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

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

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

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

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.86% in February 2025. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the “Charter District Reserve Fund”). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2025, the Charter

District Reserve Fund contained \$120,355,020, which represented approximately 2.44% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

### **Charter District Risk Factors**

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

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

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

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

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

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

## Valuation of the PSF and Guaranteed Bonds

### Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value <sup>(1)</sup>	Market Value <sup>(1)</sup>
2020	\$36,642,000,738	\$46,764,059,745
2021	38,699,895,545	55,582,252,097
2022	42,511,350,050	56,754,515,757
2023	43,915,792,841	59,020,536,667
2024 <sup>(2)</sup>	46,276,260,013	56,937,188,265

<sup>(1)</sup> SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

<sup>(2)</sup> At August 31, 2024, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.2 million, and \$318.9 million, respectively, and market values of approximately \$4,540.6 million, \$277.4 million, \$153.1 million, and \$457.0 million, respectively.

### Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount <sup>(1)</sup>
2020	\$90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603 <sup>(2)</sup>

<sup>(1)</sup> Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.

<sup>(2)</sup> At August 31, 2024 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$196,294,405,488, of which \$70,478,423,885 represents interest to be paid. As shown in the table above, at August 31, 2024, there were \$125,815,981,603 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$169,961,518,160 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of January 31, 2025, 7.69% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

**Permanent School Fund Guaranteed Bonds by Category<sup>(1)</sup>**

Fiscal Year Ended <u>8/31</u>	<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
	No. of Issues	Principal Amount (\$)	No. of Issues	Principal Amount (\$)	No. of Issues	Principal Amount (\$)
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682
2024 <sup>(2)</sup>	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603

<sup>(1)</sup> Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

<sup>(2)</sup> At January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues, aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

**Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2024**

The following discussion is derived from the Annual Report for the year ended August 31, 2024, including the Message from the Chief Executive Officer of the Fund, the Management's Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the PSF Corporation are referred to throughout this MD&A as the PSF(CORP). The Fund's non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

At the end of fiscal year 2024, the PSF(CORP) net position was \$57.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(CORP) is invested in global markets and liquid and illiquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2024, net of fees, were 10.12%, 7.31%, and 6.32%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). See "Comparative Investment Schedule - PSF(CORP)" for the PSF(CORP) holdings as of August 31, 2024.

Effective February 1, 2024, Texas PSF transitioned into a new strategic asset allocation. The new allocation of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include private credit, absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2024 Annual Report which is included by reference herein.

**PSF Returns Fiscal Year Ended 8-31-2024<sup>1</sup>**

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return<sup>2</sup></u>
Total PSF(CORP) Portfolio	10.12	9.28
Domestic Large Cap Equities	27.30	27.14
Domestic Small/Mid Cap Equities	18.35	18.37
International Equities	18.82	18.08
Private Credit	1.41	0.93
Core Bonds	7.08	7.30
Absolute Return	11.50	8.87
Real Estate	(6.42)	(7.22)
Private Equity	4.62	4.23
High Yield	12.03	12.53
Natural Resources	12.36	6.42
Infrastructure	4.41	3.63
Bank Loans	3.02	3.23
Short Term Investment Portfolio	2.42	2.28

<sup>1</sup> Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2024.

<sup>2</sup> Benchmarks are as set forth in the Annual Report for year ended August 31, 2024.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2024, \$2.2 billion was distributed to the ASF, \$600 million of which was distributed by the PSF(CORP) on behalf of the SLB.

#### **Other Events and Disclosures**

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at <https://tea.texas.gov/sites/default/files/ch033a.pdf>. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at [texaspf.org](http://texaspf.org).

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

As of August 31, 2024, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

#### **PSF Continuing Disclosure Undertaking**

As of March 1, 2023, the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program, is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at [available at https://tea.texas.gov/sites/default/files/ch033a.pdf](https://tea.texas.gov/sites/default/files/ch033a.pdf).

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated

person,” within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an “obligated person” of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

The MSRB has established the Electronic Municipal Market Access (“EMMA”) system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org), and the continuing disclosure filings of the TEA with respect to the PSF can be found at <https://emma.msrb.org/IssueView/Details/ER355077> or by searching for “Texas Permanent School Fund Bond Guarantee Program” on EMMA.

### **Annual Reports**

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this offering document under the heading “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.” The information also includes the Annual Report. The PSF Corporation will update and provide this information within six months after the end of each fiscal year.

The TEA and the PSF Corporation may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited financial statements will be provided when available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is composed of two primary segments: the financial assets (PSF(CORP)) managed by PSF Corporation, and the non-financial assets (PSF(SLB)) managed by the SLB. Each of these segments is reported separately and different bases of accounting.

The PSF Corporation reports as a special-purpose government engaged in business-type activities and reports to the State of Texas as a discretely presented component unit accounted for on an economic resources measurement focus and the accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the accrual basis of accounting, all revenues reported are recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

The SLB manages the Fund’s non-financial assets (PSF(SLB)), is classified as a governmental permanent fund and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related liability is incurred, if measurable.

The State’s current fiscal year end is August 31. Accordingly, the TEA and the PSF Corporation must provide updated information by the last day of February in each year, unless the State changes its fiscal year. If the State changes its fiscal year, the TEA and PSF Corporation will notify the MSRB of the change.

### **Event Notices**

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the

federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information**

The TEA and the PSF Corporation have agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

The continuing disclosure agreement is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial information and operating data concerning such entity and events notices relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in this offering document.

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA or the PSF Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA or the PSF Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

### **Compliance with Prior Undertakings**

Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents. On March 31, 2025, the TEA and the PSF Corporation became aware that the 2022 operating data was not timely filed with EMMA due to an administrative oversight. TEA and PSF Corporation took corrective action and filed a notice of late filing with EMMA on April 4, 2025. The annual operating data was previously posted to EMMA on March 31, 2023.

### **SEC Exemptive Relief**

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than \$10 million of outstanding municipal securities.